

Notes to the Financial Statements

For the year ended 30th June, 2004

1. GENERAL

The Company is incorporated and registered as an exempted company in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries and associates are set out in notes 16 and 17 to the financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAP(s)") and Interpretations approved by the HKICPA.

The principal effect of the implementation of SSAP 12 (Revised) "Income Taxes" is in relation to deferred taxation. In previous years, partial provision was made for deferred taxation using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred taxation is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of this SSAP had no material effects on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been made.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the valuation of investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the balance sheet date.

The results of the subsidiaries and associates which are acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intra-group transactions and balances have been eliminated on consolidation.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill arising on acquisitions prior to 1st July, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st July, 2001 is capitalised and amortised on a straight-line basis over its useful economic life and is presented separately in the balance sheet.

On disposal of investments in subsidiaries or associates, the attributable amount of unamortised goodwill/goodwill previously eliminated against reserves is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less identified impairment losses.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the premium paid on acquisition less any identified impairment loss.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Service income is recognised when the services are rendered.

Sales of investments in securities are recognised when the sales contract becomes unconditional.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Rental income, including rentals invoiced in advance from properties under operating leases, is recognised on a straight line basis over the respective leases.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance of the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance of the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation and amortisation is provided on investment properties except where the unexpired term, including the renewal period, of the relevant lease is twenty years or less.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the costs of the property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Land held on long leases	Over the terms of the leases
Land held on medium term leases	2.5% or over the terms of the leases whichever is shorter
Buildings	2.5% or over the terms of the leases whichever is shorter
Leasehold improvement	10% or over the terms of the leases whichever is shorter
Furniture, fixtures and equipment	10-20%
Motor vehicles	20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Intangible asset

Intangible asset represents the costs of acquisition of a patent licence for the provision of credit card security device and digital network authorisation services.

Intangible asset is measured initially at cost and are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise, and the cost of the asset can be measured reliably. Cost in relation to the acquisition of the patent licence is amortised on a straight-line basis over their estimated useful lives of ten years.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment losses that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Club debenture

Club debenture is stated at cost less any identified impairment loss.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior period. A reversal of an impairment loss is recognised as income immediately.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations which are denominated in currencies other than Hong Kong dollars are translated at exchange rates ruling on the balance sheet date. Income and expenses are translated into Hong Kong dollars at the average exchange rates for the year. All exchange differences arising on consolidation are dealt with in reserves and are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefit scheme

The retirement benefit scheme contributions relating to the mandatory provident fund scheme charged to the income statement represent contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

The amount of contributions payable to pension schemes in jurisdictions other than Hong Kong are charged to the income statement.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

4. TURNOVER AND SEGMENTAL INFORMATION

Turnover represents the net amounts received and receivable for the followings:

	2004	2003
	HK\$'000	HK\$'000
Manufacture and sales of electronic products	-	7,389
Provision of financial information services	2,631	3,211
Sales of health products	-	296
Provision of credit card security device and digital network authorisation services	580	246
Others	59	34
	3,270	11,176

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

4. TURNOVER AND SEGMENTAL INFORMATION (continued)

Business segments

For management purposes, the Group is currently organised into two (2003: four) operating divisions as detailed above. These divisions are the basis on which the Group reports its primary information. An analysis of the Group's turnover and contributions to operating results and segmental assets and liabilities by business segments is as follows:

For the year ended 30th June, 2004

	Continuing operations			Total HK\$'000
	Provision of financial information services HK\$'000	Provision of credit card security device and digital network authorisation services HK\$'000	Others HK\$'000	
TURNOVER				
External sales	<u>2,631</u>	<u>580</u>	<u>59</u>	<u>3,270</u>
SEGMENT RESULT	<u>(702)</u>	<u>(8,863)</u>	<u>(38)</u>	<u>(9,603)</u>
Unallocated corporate expenses				(19,154)
Impairment loss recognised in respect of investment in securities	-	-	-	<u>(3,420)</u>
Loss from operations				<u>(32,177)</u>
Finance costs				(854)
Loss on disposal of subsidiaries	-	-	-	(10)
Loss attributable to investments	-	-	-	<u>(2,746)</u>
Loss before taxation				<u>(35,787)</u>
Taxation				74
Net loss for the year				<u>(35,713)</u>

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

4. TURNOVER AND SEGMENTAL INFORMATION (continued)

Business segments (continued)

For the year ended 30th June, 2004 (continued)

	Continuing operations				Total HK\$'000
	Provision of financial information services HK\$'000	Provision of credit card security device and digital network authorisation services HK\$'000	Others HK\$'000	Unallocated HK\$'000	
Assets and Liabilities as at 30th June, 2004					
ASSETS					
Segment assets	374	87,939	294	-	88,607
Unallocated corporate assets					17,931
Consolidated total assets					<u>106,538</u>
LIABILITIES					
Segment liabilities	1,358	384	-	-	1,742
Unallocated corporate liabilities					25,771
Consolidated total liabilities					<u>27,513</u>
Other information:					
Capital additions	10	86,893	-	75	86,978
Depreciation and amortisation	201	1,031	90	1,411	2,733

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

4. TURNOVER AND SEGMENTAL INFORMATION (continued)

Business segments (continued)

For the year ended 30th June, 2003

	Continuing operations			Discontinuing operations			Total HK\$'000
	Provision of financial information services HK\$'000	Provision of credit card security device and digital network authorisation services HK\$'000	Others HK\$'000	Manufacture and sales of electronic products (Note 1) HK\$'000	Sales of health products (Note 2) HK\$'000	Unallocated HK\$'000	
TURNOVER							
External sales	3,211	246	34	7,389	296	-	11,176
SEGMENT RESULT	(555)	(8,097)	(51)	(5,999)	(73)	-	(14,775)
Unallocated corporate expenses							(19,789)
Impairment loss recognised in respect of goodwill	-	-	-	(11,000)	-	-	(11,000)
Loss from operations							(45,564)
Finance costs							(650)
Loss on disposal of discontinuing operations	-	-	-	(12,714)	(1,697)	-	(14,411)
Loss attributable to investments	-	-	-	-	-	(332)	(332)
Loss after taxation							(60,957)
Minority interests							1,380
Net loss for the year							(59,577)
Assets and Liabilities as at 30th June, 2003							
ASSETS							
Segment assets	518	1,629	342	-	-	-	2,489
Unallocated corporate assets							44,802
Consolidated total assets							47,291
LIABILITIES							
Segment liabilities	1,422	349	-	-	-	-	1,771
Unallocated corporate liabilities							55,361
Consolidated total liabilities							57,132
Other information:							
Capital additions	33	995	82	29	-	61	1,200
Depreciation and amortisation	198	250	78	463	6	1,615	2,610
Profit (loss) on disposal of property, plant and equipment	-	-	-	355	-	(4)	351

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

4. TURNOVER AND SEGMENTAL INFORMATION (continued)

Business segments (continued)

Notes:

- (1) In March 2003, the Group disposed of its entire interest in Thinking Group Limited ("Thinking Group"). In June 2003, the Group disposed of its entire interests in Star Paging Telecom Technology (Shenzhen) Co. Ltd. ("Star Paging") and GSM Roaming Plug (H.K.) Ltd. ("GSM"). All these disposed companies were mainly engaged in the manufacture and sales of electronic products. Upon the completion of the disposal, the business segments of manufacture and sales of electronic products was regarded as discontinuing operations.
- (2) In August 2002, the Group disposed of its entire interest in Fu Yuk DNA Holistic Limited ("Fu Yuk") and other subsidiaries which was engaged in the sales of health products. Upon the completion of the disposal, the business segment of sales of health products was regarded as discontinuing operations.

Geographical segments

The Group operations are located in Hong Kong, People's Republic of China ("PRC") and other Asian countries. The business segment of manufacture and sales of electronic products and provision of credit card security device and digital network authorisation services are located in PRC. Part of manufacture and sales of electronic products segment is carried out in other Asian countries. The remaining segment is located in Hong Kong.

The following provides an analysis of the Group's turnover and contribution to loss from operations by geographical market, irrespective of the origin of the goods or services:

	Turnover		Contribution to loss from operations	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	2,924	9,174	(29,297)	(41,107)
PRC	346	1,394	(2,880)	(4,279)
Other Asian countries	-	608	-	(178)
	3,270	11,176	(32,177)	(45,564)

For the year ended 30th June, 2003, the revenue from the Group's discontinuing operations was derived principally from PRC of HK\$1,394,000, Hong Kong of HK\$5,683,000 and other Asian countries of HK\$608,000.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

4. TURNOVER AND SEGMENTAL INFORMATION (continued)

Geographical segments (continued)

The following is an analysis of the carrying amount of segment assets, capital addition analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	104,675	41,324	85	187
PRC	1,863	2,547	196	1,013
Elsewhere	-	3,420	-	-
	106,538	47,291	281	1,200

5. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF GOODWILL

In view of the net selling price of Thinking Group Limited which was engaged in trading of electronic products, the Group had recognised impairment losses in respect of goodwill relating to that business and the entire amount of HK\$11,000,000 had been recognised in the consolidated income statement for the year ended 30th June, 2003.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

6. LOSS FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Loss from operations has been arrived at after charging:		
Staff costs:		
Directors' remuneration (<i>Note 9</i>)	7,890	7,148
Other staff costs	7,650	10,689
Contributions to retirement benefit scheme	343	287
Total staff costs	15,883	18,124
Auditors' remuneration	660	800
Amortisation of intangible asset (charged to distribution cost)	813	-
Depreciation and amortisation		
Owned assets	1,920	2,562
Assets held under finance leases	-	48
Loss on disposal of property, plant and equipment	-	50
and after crediting:		
Gain on disposal of investment properties	592	-
Gain on disposal of property, plant and equipment	-	401
Interest income	7	90

7. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on:		
Convertible notes	400	344
Promissory note	454	299
Finance leases	-	7
	854	650

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

8. DISCONTINUING OPERATIONS

For the year ended 30th June, 2003, the Group disposed of its entire interest in subsidiaries engaged in the manufacture and sales of electronic products and a loss on disposal of subsidiaries amounting to HK\$12,714,000 was recognised in the consolidated income statement.

The Group also disposed of its entire interest in a subsidiary engaged in the sale of health products and other subsidiaries during the last year and net loss on disposal of HK\$1,697,000 was recognised in the consolidated income statement, accordingly.

9. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors' remuneration

	2004 HK\$'000	2003 HK\$'000
Directors' fees:		
Executive	-	-
Non-executive	-	-
Independent non-executive	20	60
	20	60
Other emoluments		
Executive		
Salaries and other benefits	6,574	6,504
Discretionary bonus	1,260	540
Contributions to retirement benefit scheme	36	44
	7,890	7,148

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

9. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' remuneration (continued)

The number of directors whose remuneration fall within the bands set out below is as follows:

	No. of directors	
	2004	2003
Nil to HK\$1,000,000	7	8
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	–
HK\$4,500,001 to HK\$5,000,000	1	–
HK\$5,000,001 to HK\$5,500,000	–	1
	–	–

Of the five individuals with the highest emoluments in the Group, three (2003: two) were directors of the Company and details of their emoluments are set out above.

(b) Employees' emoluments

The aggregate emoluments of the remaining two (2003: three) individuals who are employees of the Group is as follows:

	2004	2003
	HK\$'000	HK\$'000
Salaries and other benefits	1,102	1,452
Discretionary bonus	–	99
Contributions to retirement benefit scheme	24	36
	–	–
	1,126	1,587

The emoluments of each of the remaining individuals were below HK\$1,000,000.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

10. LOSS ATTRIBUTABLE TO INVESTMENTS

	2004 HK\$'000	2003 HK\$'000
Amortisation of premium on acquisition of an associate	(2,750)	(1,500)
Gain on disposal of associate	2	1,185
Unrealised gain (loss) on investments in securities	2	(17)
	(2,746)	(332)

For the year ended 30th June, 2003, the Group entered into an agreement with a third party to dispose of its entire interests in an associate, China Growth Enterprises Limited and a gain on disposal of HK\$1,185,000 was recognised.

11. TAXATION

The taxation credit for the year ended 30th June, 2004 represents deferred tax credit (note 26).

No provision for tax in other jurisdictions for both years has been made in the financial statements as neither the Company nor any of its subsidiaries had any assessable profits subject to tax in other jurisdictions.

For the year ended 30th June, 2004 and 2003, no provision for Hong Kong Profits Tax had been made in the financial statements as the Group had no assessable profit.

The taxation charge for the year can be reconciled to the loss for the year per the income statement as follows:

	2004 HK\$'000	2003 HK\$'000
Loss for the year	(35,787)	(60,957)
Tax at Hong Kong Profits Tax rate of 17.5% (2003: 17.5%)	(6,263)	(10,667)
Tax effect of expenses that are not deductible in determining taxable profit	1,635	6,309
Tax effect of income that are not taxable in determining taxable profit	(129)	(40)
Tax effect of tax losses not recognised	4,393	4,104
Tax effect of other deferred tax assets not recognised	218	238
Effect of different tax rates of subsidiaries operating in other jurisdictions	72	56
	(74)	-

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK\$35,713,000 (2003: net loss of HK\$59,577,000) and on the weighted average number of 7,388,561,370 (2003: weighted average number of 5,154,619,706) ordinary shares in issue during the year.

No diluted loss per share has been presented for the current year as the exercise of the share options and convertible notes would result in a decrease in the loss per share.

13. INVESTMENT PROPERTIES

	THE GROUP
	HK\$'000
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AT VALUATION	
At 1st July, 2003	1,910
Disposal	(610)
Disposal upon disposal of a subsidiary	(1,300)
	<hr/>
At 30th June, 2004	–
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The Group's investment properties held under long term leases and situated in Hong Kong and were revalued at 30th June, 2003 by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional property valuers, on an open market value basis.

The Group's investment properties were disposed of during the year ended 30th June, 2004.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvement	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP					
COST					
At 1st July, 2003	2,909	1,693	4,968	388	9,958
Additions	–	10	271	–	281
On disposal of subsidiaries	(2,909)	(551)	(105)	–	(3,565)
At 30th June, 2004	–	1,152	5,134	388	6,674
DEPRECIATION AND AMORTISATION					
At 1st July, 2003	1,874	1,223	1,292	103	4,492
Provided for the year	355	167	1,320	78	1,920
Eliminated on disposal of subsidiaries	(2,229)	(551)	(105)	–	(2,885)
At 30th June, 2004	–	839	2,507	181	3,527
NET BOOK VALUES					
At 30th June, 2004	–	313	2,627	207	3,147
At 30th June, 2003	1,035	470	3,676	285	5,466

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of properties of the Group as at 30th June, 2003 comprised leasehold properties held in the PRC under medium-term leases.

	Furniture, fixtures and equipment
	HK\$'000
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THE COMPANY	
COST	
At 1st July, 2003	4,429
Additions	76
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At 30th June, 2004	4,505
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DEPRECIATION	
At 1st July, 2003	1,986
Provided for the year	895
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At 30th June, 2004	2,881
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NET BOOK VALUES	
At 30th June, 2004	1,624
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At 30th June, 2003	2,443
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Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

15. INTANGIBLE ASSET

Intangible asset represents the costs of acquisition of a patent licence for the provision of credit card security device and digital network authorisation service in Hong Kong and the PRC. The patent licence was amortised over its estimated useful life of 10 years.

	Patent licence
	HK\$'000
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COST	
On acquisition of a subsidiary and at 30th June, 2004	86,697
AMORTISATION	
Provided for the year and at 30th June, 2004	(813)
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NET BOOK VALUE	
At 30th June, 2004	85,884
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At 30th June, 2003	–
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16. INTERESTS IN SUBSIDIARIES

	2004	2003
	HK\$'000	HK\$'000
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Unlisted shares, at cost less provision	110,310	1,560
Amounts due from subsidiaries	87,166	87,347
Less: Provision for the amounts due from subsidiaries	(87,166)	(87,347)
	<hr/>	<hr/>
	110,310	1,560
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Amounts due to subsidiaries	(13,971)	(2,622)
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The amounts due from (to) subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, the amounts are unlikely to be repaid within one year from the balance sheet date and are therefore classified as non-current.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

16. INTERESTS IN SUBSIDIARIES (continued)

Details of the subsidiaries as at 30th June, 2004 are as follows:

Name	Place of incorporation/ registration and operation	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital held by the Company		Principal activities
				Directly	Indirectly	
Credit Card DNA Security System (Shenzhen) Limited (note)	PRC	Registered capital	US\$200,000	-	100%	Provision of credit card security device and digital network authorisation service
China Eastern Investment Limited	BVI	Ordinary	US\$1	-	100%	Investment holding
Ming Yuen Assets Limited	BVI	Ordinary	US\$10	100%	-	Holding of a patent licence
SENDXQ.COM Limited	Hong Kong	Ordinary	HK\$10,000	-	100%	Provision of SMS personalised astrology services
Star Cyber DNA Limited	BVI	Ordinary	US\$1	-	100%	Investment holding
Star Cyberpower Limited	BVI	Ordinary	US\$1	100%	-	Investment holding
Star Cyberpower Management Limited	Hong Kong	Ordinary	HK\$10,000	100%	-	Provision of management services to the group companies
Star Cyberpower V.F. Limited	BVI	Ordinary	US\$1	100%	-	Investment holding
Starstruck Group Limited ("Starstruck")	BVI	Ordinary	US\$1	-	100%	Investment holding
Star Internet Financial Information Services Limited	Hong Kong	Ordinary	HK\$200	-	100%	Provision of financial information services

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

16. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operation	Class of shares held	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital held by the Company		Principal activities
				Directly	Indirectly	
Star Mobile DNA Payment Gateway Limited	Hong Kong	Ordinary	HK\$2	-	100%	Provision of credit card security device, digital network authorisation services

Note: It is a wholly-owned foreign enterprise established in the PRC.

None of the subsidiaries of the Group had any debt securities outstanding at the balance sheet date or at any time during the year.

17. INTEREST IN AN ASSOCIATE

	THE GROUP AND THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Share of net assets	-	-
Premium on acquisition of an associate	28,500	30,000
Amortisation of premium on acquisition of an associate	(2,750)	(1,500)
	25,750	28,500
Transfer to interest in subsidiary	(25,750)	-
	-	28,500

For the year ended 30th June, 2003, the Group acquired 30% equity interest in Ming Yuen, a private company incorporated in the British Virgins Islands and engaged in holding and licensing the intellectual property rights in respect of credit card security device and digital network authorisation system for a consideration of HK\$30 million satisfied by the issue of a promissory note by the Group, details of which are set out in note 25.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

17. INTEREST IN AN ASSOCIATE (continued)

During the year ended 30th June, 2004, the Group further acquired the remaining 70% interest in Ming Yuen for a consideration of HK\$83 million satisfied by the issue of convertible notes of HK\$69 million, details of which are set out in note 24, and assuming the HK\$14 million outstanding debt of Mr. Wong Kam Fu due to Ming Yuen. Following the completion of acquisition, Ming Yuen becomes a wholly-owned subsidiary of the Group.

The premium on acquisition of an associate is amortised over a period of 10 years on a straight line basis. Amortisation charged for the year ended 30th June, 2004 amounting to HK\$2,750,000 (2003: HK\$1,500,000) has been included in the consolidated income statement. The balance of HK\$25,750,000 was transfer to interest in subsidiary after acquisition of the remaining 70% interest in Ming Yuen during the financial year.

18. INVESTMENTS IN SECURITIES

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Equity securities:		
Listed – Hong Kong – other investments	56	54
Unlisted – Elsewhere – investment securities	3,420	3,420
Less: Impairment loss recognised	(3,420)	–
	56	3,474
Club debenture	–	150
	56	3,624
Classified as		
Current	56	54
Non-current	–	3,570
	56	3,624
Market value of listed securities	56	54

During the year ended 30th June, 2004, the Group has recognised impairment loss of the HK\$3,420,000 entire investment in W-Phone, Inc (“W-Phone”). W-Phone was engaged in the manufacturing and providing wireless data software infrastructure products and services of real-time and broadband solution for wireless mobile devices.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

19. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows an average credit period of 60 days to its trade customers. Included in debtors, deposits and prepayments are trade debtors with the following aged analysis:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
0-60 days	167	94
61-90 days	107	–
Over 90 days	211	7
	485	101
Other debtors, deposits and prepayments	4,330	1,281
	4,815	1,382

20. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors with the following aged analysis:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
0-60 days	128	378
Over 90 days	214	1,357
	342	1,735
Accrued charges	3,463	4,597
	3,805	6,332

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

21. SHARE CAPITAL

	Number of shares	Value HK\$'000
Authorised		
Ordinary shares of HK\$0.01 each at 1st July, 2002, 30th June, 2003 and 30th June, 2004	60,000,000,000	600,000
Issued and fully paid		
Ordinary shares of HK\$0.01 each at 1st July, 2002	5,098,334,165	50,983
Issue of new shares of HK\$0.01 each	231,934,000	2,319
Exercise of share options	79,200,000	792
Ordinary shares of HK\$0.01 each at 1st July, 2003	5,409,468,165	54,094
Issue of new shares of HK\$0.01 each	2,000,000,000	20,000
Exercise of share options	541,000,000	5,410
Conversion of convertible notes	2,327,082,000	23,272
Ordinary shares of HK\$0.01 each at 30th June, 2004	10,277,550,165	102,776

The movements in the ordinary share capital for the year ended 30th June, 2003 are as follows:

- (a) 38,000,000 shares of HK\$0.01 each were issued and allotted to W-Phone, Inc. at HK\$0.09 per share, which is the closing price of the Company's shares as quoted on the Stock Exchange on 19th July, 2002, to subscribe for 422,222 preference shares in W-Phone, Inc.
- (b) 193,934,000 shares of HK\$0.01 each were issued and allotted to an independent third party at HK\$0.016 per share, representing a discount of approximately 11.11% on the closing price of HK\$0.018 per share on 10th June, 2003 under a private share placement.

Shares mentioned in (a) and (b) were issued under the general mandate granted to the directors on 19th April, 2002 and 27th November, 2002 respectively.

- (c) 79,200,000 shares of HK\$0.01 each were issued and allotted as a result of the exercise of share options by the directors and employees of the Company.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

21. SHARE CAPITAL (continued)

The movement in the ordinary share capital for the year ended 30th June, 2004 are as follows:

- (a) 200,000,000 shares of HK\$0.01 each were issued and allotted to a third party at HK\$0.016 per share, representing a discount of approximately 5.88% on the closing price of HK\$0.017 per share on 20th October, 2003, under a private share placement.
- (b) 400,000,000 shares of HK\$0.01 each were issued and allotted to third parties at HK\$0.016 per share, representing a discount of approximately 11.11% on the closing price of HK\$0.018 per share on 12th November, 2003, under a private share placement.
- (c) 1,400,000,000 shares of HK\$0.01 each were issued and allotted to third parties at HK\$0.018 per share, representing a discount of approximately 14.29% on the closing price of HK\$0.021 per share on 20th February, 2004.

Shares mentioned in (a), (b) and (c) were issued under the general mandate granted to the directors on 12th December, 2003, 9th July, 2003 and 26th March, 2004.

- (d) 541,000,000 shares of HK\$0.01 each were issued and allotted as a result of the exercise of share options by the directors and employees of the Company, details of which are set out in note 22.
- (e) 833,332,000, 80,000,000, 750,000,000 and 663,750,000 shares of HK\$0.01 each were issued and allotted to Ming Sang Finance Limited ("Ming Sang"), Gain Master Assets Limited ("Gain Master"), Mr. Yim Sang ("Mr. Yim") and Alpha Logistics Group Limited ("Alpha Logistic") at HK\$0.012, HK\$0.015, HK\$0.0168 and HK\$0.08 per share, respectively, as a result of the conversion of convertible notes.

All the shares issued during the year rank pari passu in all respects with the then existing shares.

22. SHARE OPTION SCHEME

The Company's share option scheme (the "1994 Scheme"), was adopted pursuant to a resolution passed on 11th April 1994 for the primary purpose of providing incentives to directors and eligible employees, and expired on 10th April, 2004. Under the 1994 Scheme, the Board of Directors of the Company might grant options to eligible employees, including executive director of the Company or any subsidiaries, to subscribe for shares in the Company.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

22. SHARE OPTION SCHEME (continued)

On 30th July, 2004, the Company adopted a new share option scheme (the "2004 Scheme") for the purpose of providing incentives or rewards to directors, eligible employees, shareholders, invested entities, suppliers and customers of the Group and entities that provide research, development or technological support or other services to the Group, and will expire on 29th July, 2014. Under the 2004 Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive director of the Company or any subsidiaries, to subscribe for shares in the Company.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per each grant of share options. The exercise period of the share options granted under the 2004 Scheme shall be determined by the Board of Directors when such options are granted, provided that such period shall not end more than 10 years from the date of grant. The exercise price is determined by the Board of Directors of the Company, and will not be less than the highest of the closing price of the Company's shares at the date of grant, the average closing price of the Company's shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

The following tables disclose details of the Company's share options held by employees and movement of such holdings during the year:

2004

1994 Scheme			Number of share options				
Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1st July, 2003	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding at 30th June, 2004
18.11.2001	18.11.2001 - 17.11.2003	0.4	2,500,000	-	-	(2,500,000)	-
2.8.2001	2.8.2001 - 1.8.2004	0.4	3,275,000	-	-	(3,018,750)	256,250
1.9.2001	1.9.2001 - 31.8.2004	0.4	100,000	-	-	-	100,000
30.10.2003	30.10.2002 - 29.10.2004	0.0386	275,500,000	-	(175,500,000)	-	100,000,000
2.11.2003	2.11.2002 - 1.11.2004	0.0366	30,000,000	-	(30,000,000)	-	-
7.5.2004	7.5.2003 - 6.5.2005	0.0135	33,800,000	-	(33,800,000)	-	-
14.7.2003	14.7.2003 - 13.7.2005	0.0156	-	103,000,000	(103,000,000)	-	-
28.11.2003	28.11.2003 - 27.11.2005	0.0127	-	124,000,000	(123,700,000)	-	300,000
25.2.2004	25.2.2004 - 24.2.2006	0.0168	-	75,000,000	(75,000,000)	-	-
			345,175,000	302,000,000	(541,000,000)	(5,518,750)	100,656,250

The weighted average closing price of the Company's ordinary shares immediately before the dates on which the options were exercised was HK\$0.041.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

22. SHARE OPTION SCHEME (continued)

2003

1994 Scheme

Date of grant	Exercisable period	Exercise price HK\$	Number of share options				Outstanding at 30th June, 2003
			Outstanding at 1st July, 2002	Granted during the year	Exercised during the year	Cancelled/lapsed during the year	
21.2.2001	21.2.2001 – 5.3.2003	1.5368	6,100,000	-	-	(6,100,000)	-
30.4.2001	30.4.2001 – 27.5.2003	0.652	3,675,000	-	-	(3,675,000)	-
7.5.2001	7.5.2001 – 6.5.2003	0.672	3,200,000	-	-	(3,200,000)	-
18.11.2001	18.11.2001 – 17.11.2003	0.4	7,500,000	-	-	(5,000,000)	2,500,000
2.8.2001	2.8.2001 – 1.8.2004	0.4	3,275,000	-	-	-	3,275,000
1.9.2001	1.9.2001 – 31.8.2004	0.4	100,000	-	-	-	100,000
30.10.2002	30.10.2002 – 29.10.2004	0.0386	-	427,500,000	-	(152,000,000)	275,500,000
2.11.2002	2.11.2002 – 1.11.2004	0.0366	-	60,000,000	-	(30,000,000)	30,000,000
7.5.2003	7.5.2003 – 6.5.2005	0.0135	-	113,000,000	(79,200,000)	-	33,800,000
			23,850,000	600,500,000	(79,200,000)	(199,975,000)	345,175,000

Details of the share options held by the directors included in the above table are as follows:

	Outstanding at 1st July,	Granted during the year	Exercised during the year	Cancelled/lapsed during the year	Outstanding at 30th June,
2004	317,018,750	56,000,000	(270,000,000)	(3,018,750)	100,000,000
2003	17,668,750	521,000,000	(25,000,000)	(196,650,000)	317,018,750

Total consideration received during the year from employees for taking up the options granted is not material.

No charge is recognised in the income statement in respect of the value of options granted in the year (2003: Nil).

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

23. RESERVES

	Share premium	Contributed surplus	Deficit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE COMPANY				
At 1st July, 2002	194,167	93,289	(348,080)	(60,624)
Premium on issue of shares	4,481	–	–	4,481
Net loss for the year	–	–	(16,210)	(16,210)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June, 2003	198,648	93,289	(364,290)	(72,353)
Premium on issue of shares	75,785	–	–	75,785
Net loss for the year	–	–	(27,230)	(27,230)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June, 2004	<u>274,433</u>	<u>93,289</u>	<u>(391,520)</u>	<u>(23,798)</u>

The contributed surplus of the Company includes (i) the difference between the consolidated shareholders' funds of the subsidiaries at the date at which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1994 and; (ii) the surplus arising from the group reorganisation in 1998.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, no reserves are available for distribution to shareholders at 30th June, 2004 and 30th June, 2003.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

24. CONVERTIBLE NOTES

	THE GROUP AND THE COMPANY	
	2004	2003
	HK\$'000	HK\$'000
Ming Sang (Note a)	10,000	10,000
Gain Master (Note b)	1,200	13,800
Mr. Yim (Note c)	12,600	–
Alpha Logistics (Note d)	69,000	–
Less: Conversion into 833,332,000 shares of HK\$0.012 each	(10,000)	–
Conversion into 80,000,000 shares of HK\$0.015 each	(1,200)	–
Conversion into 750,000,000 shares of HK\$0.0168 each	(12,600)	–
Conversion into 663,750,000 shares of HK\$0.08 each	(53,100)	–
	15,900	23,800

Notes:

- (a) The Company issued a convertible note in the amount of HK\$10,000,000 to Ming Sang. The convertible note bears interest at 3% plus the prime lending rate on the business day immediately before any date of interest payment quoted by the Hongkong and Shanghai Banking Corporation Limited per annum and is redeemable on 20th December, 2004 unless previously converted or cancelled. The holder of the convertible note has the option to convert the convertible note into ordinary shares of the Company, subject to adjustment, at any time during the period from 20th June, 2003 to 20th December, 2004.

The entire amount of the convertible note has been converted into 150,000,000 shares and 683,332,000 shares of HK\$0.01 each at a price of HK\$0.012 on 10th October, 2003 and 15th October, 2003 respectively.

- (b) The Company issued a convertible note in the amount of HK\$13,800,000 to Gain Master. The convertible note bears interest at the higher of (i) the difference between the prime lending rate of the business day immediately before any date of interest payment quoted by the Hongkong and Shanghai Banking Corporation Limited and 3%; and (ii) 2% per annum and is redeemable on 16th July, 2004 unless previously converted or cancelled. The holder of the convertible note has the option to convert the convertible note into ordinary shares of the Company, subject to adjustment, at any time during the period from 16th July, 2001 to 16th July, 2004.

Convertible note of HK\$1,200,000 has been converted into 80,000,000 shares of HK\$0.01 each at a price of HK\$0.015 on 22nd October, 2003 and the remaining convertible note of HK\$12,600,000 has been transferred to Mr. Yim on 15th October, 2003.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

24. CONVERTIBLE NOTES (continued)

- (c) Convertible note in the amount of HK\$12,600,000 has been transferred to Mr. Yim from Gain Master on 15th October, 2003.

The entire amount of the convertible note has been converted into 750,000,000 shares of HK\$0.01 each at a price of HK\$0.0168 each.

- (d) The Company issued a convertible note in the amount of HK\$69,000,000 to Alpha Logistic. The convertible note bears interest at 2% and the holder of the convertible note has the option to convert the convertible note into ordinary shares of the Company, subject to adjustment, at any time from 11th April, 2004 to 11th April, 2007.

Convertible note of HK\$53,100,100 has been converted into 663,750,000 shares of HK\$0.01 each at a price of HK\$0.08 on 21st June, 2004.

25. PROMISSORY NOTE

At 30th June, 2003, promissory note payable to Ming Yuen bore interest at 2% per annum and was payable on or before 17th September, 2004. As the Company acquired the remaining 70% equity interest in Ming Yuen during the year ended 30th June, 2004, Ming Yuen becomes a wholly-owned subsidiary of the Company.

26. DEFERRED TAXATION

The movement for the year in the deferred tax liabilities in relation to revaluation of intangible assets was as follows:

	HK\$'000
At 1st July, 2003	–
On acquisition of a subsidiary	7,882
Credit to income statement for the year	(74)
At 30th June, 2004	<u>7,808</u>

At the balance sheet date, the Group has unused tax losses of approximately HK\$158,947,000 (2003: HK\$133,844,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profits stream.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

27. ACQUISITION OF A SUBSIDIARY

On 6th April, 2004, the Group acquired the remaining 70% interest in Ming Yuen which a wholly-owned subsidiary of the Company for a consideration of HK\$83,000,000 and the consideration was satisfied by the issue of convertible notes of HK\$69,000,000 and by the Company assuming the debt owing to Ming Yuen by its shareholder, Mr. Wong of HK\$14,000,000.

	2004
	HK\$'000
Net assets acquired:	
Patent licence	86,697
Promissory note receivable	16,000
Amount due from a shareholder	14,000
Creditors and accrued charges	(65)
Deferred taxation	(7,882)
	<hr/>
Consideration	108,750
Less: Interest in an associate	(25,750)
Debt owing by Mr. Wong	(14,000)
	<hr/>
	69,000
	<hr/>
Satisfied by:	
Convertible note	69,000
	<hr/>

The subsidiary acquired during the year did not contribute any significant amount to the turnover and loss from operations of the Group.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

28. DISPOSAL OF SUBSIDIARIES

	2004 HK\$'000	2003 HK\$'000
Net assets disposed of:		
Bank balances and cash	1	2,186
Investment properties	1,300	-
Property, plant and equipment	680	7,115
Investment in securities	150	-
Inventories	-	4,712
Debtors, deposits and prepayment	282	5,787
Creditors and accrued charges	(907)	(10,307)
Taxation payable	-	(20)
Obligation under a finance lease	-	(256)
Minority interests	-	(212)
	1,506	9,005
Goodwill realised on disposal of subsidiaries	112	6,896
Loss on disposal	(10)	(14,411)
Consideration	1,608	1,490

The 2004 consideration of HK\$1,608,000 will be settled by two instalments in July and November 2004 according to the sale and purchase agreements in respect of the disposal of subsidiaries.

	2004 HK\$'000	2003 HK\$'000
Analysis of the net outflow of cash and cash equivalents in connection with the disposal of subsidiaries:		
Cash consideration received	-	1,490
Bank balances and cash disposed of	(1)	(2,186)
	(1)	(696)

The subsidiaries disposed of during the year contributed cash inflow of HK\$423,000 to the Group's net cash from operating activities and received HK\$1,202,000 in respect of investing activities.

The subsidiaries disposed of during the year contributed no turnover to the Group and HK\$486,000 to the Group's loss from operations.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

28. DISPOSAL OF SUBSIDIARIES (continued)

The subsidiaries disposed of for the year ended 30th June, 2003 contributed cash outflow of HK\$1,638,000 to the Group's net cash used in operating activities, received HK\$430,000 in respect of investing activities and paid HK\$79,000 in respect of financing activities.

The subsidiaries disposed of for the year ended 30th June, 2003 contributed HK\$7,685,000 to the Group's turnover and HK\$6,072,000 to the Group's loss from operations.

29. MAJOR NON-CASH TRANSACTIONS

During the year ended 30th June, 2004, the Group had the following major non-cash transactions:

- (i) The acquisition of 70% interest in Ming Yuen was settled by the issue of convertible notes of HK\$69,000,000 and the HK\$14,000,000 debt of Mr. Wong owing to Ming Yuen.
- (ii) Convertible notes of HK\$76,900,000 were converted into 2,327,082,000 shares of HK\$0.01 each in the Company.

During the year ended 30th June, 2003, the Group had the following major non-cash transaction:

- (i) The acquisition of investment in unlisted equity securities in W-Phone, Inc. was satisfied by the issue of 38,000,000 shares of the Company at HK\$0.09 each.
- (ii) The acquisition of interest in an associate was settled by the issue of HK\$30,000,000 promissory note.

30. OPERATING LEASE COMMITMENTS

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Minimum lease payments paid under operating leases in respect of rented premises	1,164	1,992

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

30. OPERATING LEASE COMMITMENTS (continued)

At the balance sheet date, the Group had commitments for future minimum lease payments for rented premises under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Within one year	536	343
In the second to fifth year inclusive	440	716
	976	1,059

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of two years.

The Company had no significant operating lease commitment at the balance sheet date.

31. RETIREMENT BENEFITS SCHEME

The Group participates in a pension scheme, which was registered under the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is a defined contribution scheme effective from December 2000 and is funded by contributions from employer and employees according to the provisions of the MPF Ordinance. During the year under review, the total amount contributed by the Group to the scheme and charged to the income statement was insignificant and no contributions were forfeited.

The employees in the subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the government in the PRC. The subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme.

Notes to the Financial Statements (continued)

For the year ended 30th June, 2004

32. POST BALANCE SHEET EVENTS

The following significant events have occurred subsequent to the balance sheet date:

- (a) 400,000,000 shares of HK\$0.01 each were issued and allotted to a third party at HK\$0.056 per share, representing a discount of approximately 18.8% to the closing price of HK\$0.069 per share on 27th September, 2004 under a private share placement. The shares were issued under the general mandate granted to the directors on 26th March, 2004.
- (b) On 21st September, 2004, the Company entered into a joint venture agreement with Beijing Municipal Administration and Communications Card Company Limited ("MCC") to establish a new joint venture company, Beijing Superpass e-payment Co. Ltd. ("Beijing Superpass") in the PRC. According to this joint venture agreement, the Company will subscribe for 50% interest in Beijing Superpass at a consideration of RMB1,000,000. Beijing Superpass is engaged in the provision of e-payment system and digital network authorisation in the PRC.

33. RELATED PARTY TRANSACTIONS

Details of balances with related parties as at the balance sheet date are set out in the consolidated balance sheet and in notes 16 and 17.

During the year, the Company entered into the Subscription Agreement with Ming Yuen on 6th April, 2004 whereby the Company agreed to acquire the remaining 70% interest in Ming Yuen from Mr. Wong Kam Fu ("Mr. Wong"), who is the chairman and the substantial shareholder of the Company for a consideration of HK\$83,000,000 payable by the issue of a convertible note of HK\$69,000,000 and by the debt of HK\$14,000,000 owing to Ming Yuen by Mr. Wong. The convertible note bears interests at 2% per annum and is mature on 11th June, 2007.