

Notes to the Financial Statements

For the year ended 30th June, 2004

1. GENERAL

The Company is a public listed company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 29.

2. PRIOR YEAR ADJUSTMENTS

Certain other investments were incorrectly recorded at cost at 30th June, 2003 as a result of mistakes in applying Statement of Standard Accounting Practice ("SSAP") No. 24 "Accounting for Investments in Securities" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") to measure other investments at fair value. Unrealised holding gain on other investments of HK\$20,020,000 has not been recognised in the income statement for the year ended 30th June, 2003. The correction of this error has resulted in a decrease in accumulated losses at 30th June, 2003 of HK\$20,020,000.

In addition, an associate which was acquired by converting a loan receivable with carrying value of HK\$29,168,000 during the year ended 30th June, 2003. Instead of this associate being equity accounted for in accordance with SSAP 10 "Accounting for Investments in Associates" for the year ended 30th June, 2003, it was incorrectly accounted for as an investment security with a value of HK\$1,500,000 at 30th June, 2003 and the difference of HK\$27,668,000 was written off. The correction of this error has resulted in a net decrease in accumulated losses at 30th June, 2003 of HK\$26,424,000, including the reversal of bad debt written off of HK\$27,668,000 and amortisation of goodwill of HK\$1,244,000.

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For the year ended 30th June, 2004

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARD

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard (“HKFRS”) issued by the HKICPA. The term of HKFRS is inclusive of SSAP and Interpretations approved by the HKICPA.

SSAP 12 (Revised) Income taxes

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax 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 SSAP 12 (Revised) has had no material effect on the results for the current or prior accounting periods and accordingly, no prior period adjustment is required.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation 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 as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30th June each year.

The results of subsidiaries 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 inter-company transactions and balances within the Group are eliminated on consolidation.

Notes to the Financial Statements

For the year ended 30th June, 2004

4. 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 acquisition prior to 1st January, 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 associate, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisition after 1st January, 2001 is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate.

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill or goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Investments in subsidiaries

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

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 net assets of the associates plus the goodwill in so far as it has not already been written off or amortised, less any identified impairment loss.

Revenue recognition

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

Service income is recognised when services are provided.

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

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Notes to the Financial Statements

For the year ended 30th June, 2004

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold improvements	Over the term of the relevant lease
Furniture, fixtures and equipment	20% - 33 ¹ / ₃ %
Motor vehicles	25%

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as assets owned by the Group or, where shorter, the term of the relevant lease.

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.

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 loss is 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, such 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 years. A reversal of an impairment loss is recognised as income immediately.

Notes to the Financial Statements

For the year ended 30th June, 2004

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 or 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 loss, 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.

Inventories

Inventories are stated at the lower of cost and net realisable value and is calculated using the weighted average method.

Assets held under finance leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total commitments and the outstanding principal amount at the inception of the finance leases, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals are charged to the income statement on a straight line basis over the term of the relevant lease.

Notes to the Financial Statements

For the year ended 30th June, 2004

4. 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 income statement items that are never taxable or deductible.

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 bases 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 goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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 is 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

For the year ended 30th June, 2004

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing 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 operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") are charged as an expense as they fall due.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into six operating divisions namely distribution and trading; provision of entertainment services; provision of website, advertising and design services; provision of travelling agency services; provision of telecommunications services; and investment and financial services.

Notes to the Financial Statements

For the year ended 30th June, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Segment information about these businesses is presented below:

2004

	Distribution and trading HK\$'000	Provision of entertainment services HK\$'000	Provision of website, advertising and design services HK\$'000	Provision of travelling agency services HK\$'000	Provision of telecommuni- cations services HK\$'000	Investment and financial services HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
TURNOVER								
External sales	-	13	-	-	2,968	8,277	-	11,258
Inter-segment sales	-	-	-	-	3	-	(3)	-
Total	-	13	-	-	2,971	8,277	(3)	11,258

Inter-segment sales are charged at prevailing market prices.

Segment results	(637)	(357)	(705)	(2,402)	(4,977)	(86,397)	-	(95,475)
Unallocated corporate expenses								(17,171)
Loss from operations								(112,646)
Finance costs								(593)
Gain (loss) on disposal of subsidiaries	-	(503)	-	-	4,948	-	-	4,445
Amortisation of goodwill on acquisition of associate								(7,463)
Share of results of associates								6,482
Loss before minority interests								(109,775)
Minority interests								466
Loss for the year								(109,309)
ASSETS								
Segment assets	60	-	5	-	-	37,608	-	37,673
Interests in associates								26,943
Unallocated corporate assets								22,430
Total assets								87,046
LIABILITIES								
Segment liabilities	466	-	795	-	-	8,549	-	9,810
Unallocated corporate liabilities								8,423
Total liabilities								18,233

Notes to the Financial Statements

For the year ended 30th June, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2004 (continued)

	Distribution and trading HK\$'000	Provision of entertainment services HK\$'000	Provision of website, advertising and design services HK\$'000	Provision of travelling agency services HK\$'000	Provision of telecommuni- cations services HK\$'000	Investment and financial services HK\$'000	Others HK\$'000	Consolidated HK\$'000
OTHER INFORMATION								
Capital additions	-	-	-	-	-	-	556	556
Amortisation of goodwill on acquisition of an associate	-	-	-	-	-	-	7,463	7,463
Bad debts written off	-	-	248	2,411	-	2,000	-	4,659
Loss on disposal of property, plant and equipment	12	-	381	79	645	-	-	1,117
Depreciation	26	-	-	-	-	-	143	169
Impairment loss on investment securities	-	-	-	-	-	18,420	-	18,420
Allowance for trade and other receivables	557	-	-	191	-	29,321	-	30,069
Allowance for short-term loans receivable	-	-	-	-	-	16,531	-	16,531

Notes to the Financial Statements

For the year ended 30th June, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2003

	Distribution and trading HK\$'000	Provision of entertainment services HK\$'000	Provision of website, advertising and design services HK\$'000	Provision of travelling agency services HK\$'000	Provision of telecommuni- cations services HK\$'000	Investment and financial services HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
TURNOVER								
External sales	7,497	1,260	-	376	11,688	4,217	-	25,038
Inter-segment sales	-	-	-	-	15	-	(15)	-
Total	7,497	1,260	-	376	11,703	4,217	(15)	25,038

Inter-segment sales are charged at prevailing market prices.

Segment results	(11,384)	(1,865)	-	(954)	(12,773)	(70,267)	-	(97,243)
Unallocated corporate expenses								(18,814)
Loss from operations								(116,057)
Finance costs								(713)
Allowance for amount due from an associate								(426)
Amortisation of goodwill on acquisition of an associate								(1,244)
Loss before minority interests								(118,440)
Minority interests								-
Loss for the year								(118,440)
ASSETS								
Segment assets	4,390	676	-	2,489	2,410	119,138	-	129,103
Interests in associates								27,924
Unallocated corporate assets								135
Total assets								157,162
LIABILITIES								
Segment liabilities	576	72	-	87	3,471	7,479	-	11,685
Unallocated corporate liabilities								25
Total liabilities								11,710

Notes to the Financial Statements

For the year ended 30th June, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2003 (continued)

	Distribution trading HK\$'000	Provision of and entertainment services HK\$'000	Provision of website, advertising and design services HK\$'000	Provision of travelling agency services HK\$'000	Provision of telecommuni- cations services HK\$'000	Investment and financial services HK\$'000	Others HK\$'000	Consolidated HK\$'000
OTHER INFORMATION								
Capital additions	-	36	-	110	96	-	-	242
Amortisation of goodwill on acquisition of an associate	-	-	-	-	-	-	1,244	1,244
Bad debts written off	800	-	-	-	1,271	17,468	-	19,539
Loss on disposal of property, plant and equipment	-	-	-	-	3,933	-	-	3,933
Amortisation of intangible assets	-	-	1,500	-	-	-	-	1,500
Depreciation	227	170	-	32	1,966	-	1,000	3,395
Impairment loss on investment securities	-	-	-	-	-	25,000	-	25,000
Impairment loss on goodwill	-	-	-	-	-	-	18,912	18,912
Allowance for trade and other receivables	5,679	-	-	-	-	1,050	-	6,729
Allowance for short-term loans receivable	-	-	-	-	-	17,000	-	17,000
Allowance for amount due from an associate	-	-	-	-	-	-	426	426

Notes to the Financial Statements

For the year ended 30th June, 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

The Group's operations are located in Hong Kong, the People's Republic of China other than Hong Kong (the "PRC") and Taiwan.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales revenue by geographical market	
	2004 HK\$'000	2003 HK\$'000
Hong Kong	11,258	24,568
PRC	–	93
Taiwan	–	377
	11,258	25,038

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	87,046	154,113	556	130
PRC	–	560	–	2
Taiwan	–	2,489	–	110
	87,046	157,162	556	242

Notes to the Financial Statements

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:		
Directors' emoluments (<i>note 8 (a)</i>)	2,132	1,476
Other staff costs	1,999	4,167
Retirement benefits scheme contributions, excluding directors	49	154
Total staff costs	4,180	5,797
Amortisation of intangible assets (included in administrative expenses)	–	1,500
Bad debts written off	4,659	19,539
Auditors' remuneration	500	527
Depreciation		
Owned assets	164	3,375
Assets held under finance leases	5	20
Loss on disposal of property, plant and equipment	1,117	3,933
and after crediting:		
Interest income	1,308	4,344
Dividend income from listed securities	–	342

7. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on:		
Bank loan wholly repayable within five years	–	136
Other loan wholly repayable within five years	591	570
Obligations under finance leases	2	7
	593	713

Notes to the Financial Statements

For the year ended 30th June, 2004

8. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Particulars of the directors' and the five highest paid employees' emoluments are as follows:

(a) Directors' emoluments

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Directors' fees:		
Executive directors	–	–
Independent non-executive directors	135	83
Other emoluments for executive directors:		
Basic salaries and allowances	1,955	1,365
Retirement benefits scheme contributions	42	28
Total emoluments	2,132	1,476

The emoluments of each of the directors was under HK\$1,000,000.

(b) Employees' emoluments

Of the five highest paid individuals in the Group, four (2003: two) are directors of the Company whose emoluments are set out in note 8 (a) above. The emoluments of the remaining one (2003: three) individuals are as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Basic salaries and allowances	282	1,215

The emoluments of each of the employees was under HK\$1,000,000.

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors has waived any emoluments during the year.

Notes to the Financial Statements

For the year ended 30th June, 2004

9. TAXATION

No provision for taxation has been made in the financial statements as the Group had no assessable profit for both years.

The tax charge for the year can be reconciled to the loss before minority interests per the income statement as follows:

	2004 HK\$'000	2003 HK\$'000
Loss before minority interests	(109,775)	(118,440)
Hong Kong Profits Tax at a rate of 17.5% (2003: 17.5%)	(19,211)	(20,727)
Tax effect of expenses not deductible for tax purposes	13,292	5,775
Tax effect of income not taxable for tax purposes	(1,853)	(36)
Tax effect of tax losses not recognised	7,760	14,718
Others	12	270
Tax charge for the year	-	-

At 30th June, 2004, the Group had unutilised tax losses of HK\$160,254,000 (2003: HK\$115,912,000) available for offset against future taxable profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year of HK\$109,309,000 (2003: HK\$118,440,000) and on the weighted average of 249,618,997 (2003: 149,684,552) shares in issue during the year.

The adjustment to comparative basic loss per share, arising from the effects of fundamental errors shown in note 2 above and after adjusting the effect of an open offer as described in note 21, is as follows:

	HK\$
Reconciliation of 2003 basic loss per share:	
Reported figures before adjustments	(1.35)
Adjustments arising from correcting of errors and the effect of an open offer	0.56
Restated	(0.79)

Notes to the Financial Statements

For the year ended 30th June, 2004

11. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1st July, 2003	472	6,184	752	7,408
Additions	402	154	–	556
Disposals	(172)	(1,622)	(752)	(2,546)
On disposal of subsidiaries	(300)	(502)	–	(802)
At 30th June, 2004	402	4,214	–	4,616
DEPRECIATION				
At 1st July, 2003	165	4,940	372	5,477
Provided for the year	120	49	–	169
Eliminated on disposals	(82)	(702)	(372)	(1,156)
Eliminated on disposal of subsidiaries	(83)	(228)	–	(311)
At 30th June, 2004	120	4,059	–	4,179
NET BOOK VALUES				
At 30th June, 2004	282	155	–	437
At 30th June, 2003	307	1,244	380	1,931

At 30th June, 2004, the net book value of furniture, fixtures and equipment included an amount of HK\$11,000 (2003: HK\$72,000) in respect of assets held under finance leases.

Notes to the Financial Statements

For the year ended 30th June, 2004

12. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	98,506	98,514
Amounts due from subsidiaries	427,726	453,892
	526,232	552,406
Less: Impairment loss recognised	(479,684)	(432,235)
	46,548	120,171

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and are therefore shown as non-current.

During the year, an impairment loss of HK\$47,449,000 (2003: HK\$108,009,000) has been recognised in respect of the investments in and advances to subsidiaries to their recoverable amounts of the respective subsidiaries at the balance sheet date.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

Particulars of the Company's principal subsidiaries at 30th June, 2004 are set out in note 29.

13. INTERESTS IN ASSOCIATES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net liabilities of a listed company in Hong Kong	(1,668)	(8,150)
Goodwill (<i>note</i>)	28,611	36,074
	26,943	27,924
Market value of listed shares	17,849	47,810

Notes to the Financial Statements

For the year ended 30th June, 2004

13. INTERESTS IN ASSOCIATES (continued)

Note: Movement of goodwill is analysed as follows:

	HK\$'000
Cost	
At 1st July, 2003 and 30th June, 2004	37,318
Amortisation	
At 1st July, 2003	1,244
Provided for the year	7,463
At 30th June, 2004	8,707
Net book value	
At 30th June, 2004	28,611
At 30th June, 2003	36,074

The goodwill is amortised over a period of five years.

Particulars of the Group's associates at 30th June, 2004 are as follows:

Name of associate	Form of business structure	Place of incorporation	Place of operation	Class of shares held	Proportion of issued share capital held by the Group %	Principal activities
B.A.L. Holdings Limited ("B.A.L.")	Incorporated	Cayman Islands	Hong Kong	Ordinary	26.02	Sale and distribution of beauty and personal care products and provision of beauty services
Magicon Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	50	Inactive

The result of B.A.L. incorporated into the Group's financial statements are derived from financial statements made from 1st May to 30th April each year.

Notes to the Financial Statements

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13. INTERESTS IN ASSOCIATES (continued)

A summary of the financial information of the Group's major associate, B.A.L., a public listed company with its shares listed on the Stock Exchange, is set out as follows:

	Year ended 31st October,		Six months ended 30th April,	
	2003 <i>HK\$'000</i> (audited)	2002 <i>HK\$'000</i> (audited)	2004 <i>HK\$'000</i> (unaudited)	2003 <i>HK\$'000</i> (unaudited)
(a) Results				
Turnover	14,640	51,612	19,672	5,552
Profit (loss) for the year/period	13,809	(58,195)	6,226	(4,878)
	As at 31st October,		As at 30th April,	
	2003 <i>HK\$'000</i> (audited)	2002 <i>HK\$'000</i> (audited)	2004 <i>HK\$'000</i> (unaudited)	2003 <i>HK\$'000</i> (unaudited)
(b) Financial position				
Non-current assets	4,462	5,368	5,155	2,694
Current assets	2,981	3,677	9,882	3,679
Current liabilities	(16,024)	(54,598)	(17,890)	(35,008)
Non-current liabilities	(4,046)	(54)	(3,554)	(2,686)
Minority interest	-	-	6	-
Net assets	(12,627)	(45,607)	(6,401)	(31,321)

Notes to the Financial Statements

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14. INVESTMENTS IN SECURITIES

THE GROUP

	Investment securities		Other investments		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Listed equity securities in Hong Kong	2,919	7,811	37,608	43,881	40,527	51,692
Unlisted equity securities in Hong Kong	-	12,680	-	-	-	12,680
	2,919	20,491	37,608	43,881	40,527	64,372
Market value of listed securities	5,323	16,147	37,608	43,881	42,931	60,028
Carrying amount analysed for reporting purposes as:						
Non-current	2,919	20,491	-	-	2,919	20,491
Current	-	-	37,608	43,881	37,608	43,881
	2,919	20,491	37,608	43,881	40,527	64,372

Details of individual investment with carrying amount exceeds one-tenth of the Group's total asset value disclosed pursuant of Section 129(2) of the Hong Kong Companies Ordinance are as follows:

Name of investee company	Place of incorporation	Class of shares held	Attributable equity interest
Rontex International Holding Limited	Cayman Islands	Ordinary shares	4.98%
Grandtop International Holdings Limited	Cayman Islands	Ordinary shares	5.43%

During the year, the directors of the Company have reviewed the carrying amount of the investment securities in light of the current market condition with reference to the financial results and business operated by certain investees. The directors have identified an impairment loss of HK\$18,420,000 (2003: HK\$25,000,000) on the investment securities, estimated by reference to the market value, and the amount has been recognised in the income statement accordingly.

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For the year ended 30th June, 2004

15. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables which the following aged analysis:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
0 – 1 month	–	872
Over 3 months	–	775
	–	1,647

16. SHORT-TERM LOANS RECEIVABLE

On the balance sheet date, the loans were:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Not yet due	10,000	4,300
Overdue	50,013	53,613
Accrued interest receivable	927	3,473
	60,940	61,386
Allowance	(50,013)	(34,500)
	10,927	26,886

The loans were made in general for a period from one to eighteen months, but may be extended on mutual agreement. These loans carry interest ranging from 5% to 27% per annum.

17. PLEDGED BANK DEPOSIT

At 30th June, 2003, a bank deposit of HK\$90,000 was pledged to a bank to secure banking facilities granted to the Group.

Notes to the Financial Statements

For the year ended 30th June, 2004

18. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with the following aged analysis:

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 1 month	–	1,683
1 – 3 months	–	380
Over 3 months	–	95
	–	2,158

Included in trade and other payable was the amounts of approximately HK\$7,488,000 (2003: 3,957,000) which was the balance of the margin accounts in a securities company and carry interest at prevailing market rate.

19. AMOUNTS DUE TO DIRECTORS

The balances were unsecured, interest free and were fully repaid during the year.

Notes to the Financial Statements

For the year ended 30th June, 2004

20. OBLIGATIONS UNDER FINANCE LEASES

THE GROUP

	Minimum lease payments		Present value of minimum lease payments	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Amounts payable under finance leases:				
Within one year	3	41	3	37
In the second to fifth year inclusive	–	16	–	10
	3	57		
Less: Future finance charges	–	(10)		
Present value of finance leases	<u>3</u>	<u>47</u>	<u>3</u>	<u>47</u>
Less: Amount due within one year shown under current liabilities			(3)	(37)
Amount due after one year			<u>–</u>	<u>10</u>

It is the Group's policy to lease certain of its furniture, fixtures and equipment under finance leases. The average lease term is one year. The average effective borrowing rate is approximately 12% (2003: 12%). The leases are paid on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Notes to the Financial Statements

For the year ended 30th June, 2004

21. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each at 1st July, 2002, 30th June, 2003 and 30th June, 2004	20,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1st July, 2002	7,904,257,416	79,043
Ordinary shares of HK\$0.80 each:		
Consolidation of 80 existing shares of HK\$0.01 each into 1 share of HK\$0.80 each	(7,805,454,199)	-
Ordinary shares of HK\$0.01 each:		
Reduction of nominal value of existing shares of HK\$0.80 each to HK\$0.01 each by the cancellation of HK\$0.79 on each paid up share	-	(78,055)
Placing of new shares	42,796,783	428
Ordinary shares of HK\$0.01 each at 30th June, 2003	141,600,000	1,416
Open offer issue of shares	283,200,000	2,832
Ordinary shares of HK\$0.01 each at 30th June, 2004	424,800,000	4,248

Pursuant to ordinary resolutions passed at a special general meeting held on 18th February, 2004, the Company issued 283,200,000 new ordinary shares of HK\$0.01 each in the Company at HK\$0.12 per share to the then existing shareholders by way of open offer ("Open Offer") in the proportion of two offer shares for every share then held. The net proceeds of the Open Offer of approximately HK\$33,000,000 were used for the general working capital of the Group and investment funding for expanding the Group's business.

Notes to the Financial Statements

For the year ended 30th June, 2004

22. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 16th December, 1997 for the purpose of providing incentives to directors and employees. The Scheme will remain in force for a period of 10 years from the date of adoption and will expire on 15th December, 2007.

Under the Scheme, the board of directors of the Company may, at their discretion, grant options to directors or employees of the Company or any of its subsidiaries to subscribe for shares in the Company in accordance with the Scheme.

The subscription price of the options shall be a price to be determined by the directors of the Company being not less than the nominal value of the ordinary shares nor 80% of the average closing price of the ordinary shares of the Company for the five trading days immediately preceding the date of the offer of the options.

The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any individual at the grant date shall not exceed 25% of the number of shares issued and issuable under the Scheme.

Options granted must be taken up within 21 days from the date of grant. No consideration is payable on the grant of an option. An option may be exercised in accordance with the terms of the Scheme at any time during a period of 3 years commencing 12 months after the date on which the option is granted but, in any event, no later than 15th December, 2007.

No option was granted or exercised during the year.

At the balance sheet dates, no option was outstanding under the Scheme.

Notes to the Financial Statements

For the year ended 30th June, 2004

23. RESERVES

THE COMPANY

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Distributable reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st July, 2002	351,526	61,949	39,387	(303,366)	149,496
Premium arising on issue of shares	6,469	-	-	-	6,469
Share issue expenses	(202)	-	-	-	(202)
Credit arising on reduction of share capital	-	-	-	78,055	78,055
Loss for the year	-	-	-	(111,131)	(111,131)
At 30th June, 2003	357,793	61,949	39,387	(336,442)	122,687
Premium arising on issue of shares	31,152	-	-	-	31,152
Share issue expenses	(857)	-	-	-	(857)
Loss for the year	-	-	-	(111,157)	(111,157)
At 30th June, 2004	388,088	61,949	39,387	(447,599)	41,825

The contributed surplus of the Company represents the excess of the then combined net assets of the subsidiaries acquired pursuant to the group reorganisation in December 1997, over the nominal value of the Company's shares issued in exchange.

The distributable reserve of the Company represents the aggregate of the credit arising from the reduction of nominal value of the Company's share capital in March 1999 and March 2001 less the amount utilised for a bonus issue of shares in September 2000.

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) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's 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, the Company had no reserves available for distribution as at 30th June, 2004 and 30th June, 2003.

Notes to the Financial Statements

For the year ended 30th June, 2004

24. ACQUISITION OF SUBSIDIARIES

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
<hr/>		
Net assets acquired:		
Property, plant and equipment	–	39
Inventories	–	70
Trade and other receivables	–	208
Bank balances and cash	–	1,396
Trade and other payables	–	(159)
Minority interests	–	(466)
<hr/>		
Net assets	–	1,088
Goodwill on acquisition of subsidiaries	–	18,912
<hr/>		
Consideration	–	20,000
<hr/> <hr/>		
Satisfied by:		
Deposit made for acquisition of a subsidiary	–	20,000
<hr/> <hr/>		

The subsidiaries acquired during the year ended 30th June, 2003 did not have any significant impact on the Group's cash flows or operating results for that year.

Notes to the Financial Statements

For the year ended 30th June, 2004

25. DISPOSAL OF SUBSIDIARIES

In December 2003, the Group disposed of certain subsidiaries which are principally engaged in the provision of entertainment services and provision of telecommunications services.

The results of the disposed subsidiaries for the period from 1st July, 2003 to the date of disposal which have been included in the consolidated financial statements, were as follows:

	THE GROUP	
	1.7.2003 to 8.12.2003 <i>HK\$'000</i>	1.7.2002 to 30.6.2003 <i>HK\$'000</i>
Turnover	2,981	12,963
Segment results	(5,334)	(14,638)
Finance costs	(3)	(198)
Loss for the period/year	(5,337)	(14,836)

The net liabilities disposed of were as follows:

	THE GROUP	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Net assets disposal of:		
Property, plant and equipment	491	-
Trade and other receivables	880	-
Bank balances and cash	5	-
Trade and other payables	(5,738)	-
Obligations under finance leases	(29)	-
Bank overdraft	(37)	-
Minority interests	3	-
Net liabilities	(4,425)	-
Gain on disposal of subsidiaries	4,445	-
	20	-
Satisfied by:		
Cash received	20	-

Notes to the Financial Statements

For the year ended 30th June, 2004

25. DISPOSAL OF SUBSIDIARIES (continued)

Analysis of net inflow of cash and cash equivalents in connection with the disposal of subsidiaries:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Cash consideration received	20	-
Bank balances and cash disposed of	(5)	-
Bank overdraft disposed of	37	-
Net inflow of cash and cash equivalents in connection with the disposal of subsidiaries	52	-

The subsidiaries disposed of during the year did not make any significant contribution to the cash flows of the Group during the year.

26. OPERATING LEASE COMMITMENTS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Minimum lease payments paid under operating leases in respect of rented premises	563	2,865

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	367	575
In the second to fifth year inclusive	169	296
	536	871

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of two years with fixed rental.

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

Notes to the Financial Statements

For the year ended 30th June, 2004

27. RETIREMENT BENEFITS SCHEME

The Group participates in the MPF Scheme established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules.

During the year, the total amount contributed by the Group to the MPF Scheme charged to the income statement represent contributions payable to the fund by the Group at rates specified in the rules of the scheme.

28. CONTINGENT LIABILITIES

On 10th November, 2000, the Company has been named as a defendant in a legal action in which a claim was made against the Company for failure to pay, as the guarantor, an amount of approximately HK\$5,996,000 and interest thereon. In January 2003, the Company's lawyers had sought discovery of the original copies of the relevant documents from the plaintiff and yet the plaintiff had failed to respond or furnish any of the requested documents. The plaintiff had since then not taken any further steps to activate the proceedings which had then become dormant for over a year. In July 2004, the Company was informed by the plaintiff of its decision of re-activating the proceedings. The directors, after seeking legal advice in July 2004, are of the opinion that a provision of HK\$5,996,000 for potential liability was made during the year.

Notes to the Financial Statements

For the year ended 30th June, 2004

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 30th June, 2004 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Proportion of issued share capital/ registered capital held by the Group %	Principal activities
Ancora Worldwide Limited*	British Virgin Islands	US\$100	100	Investment holding
Best Time Investments Limited	Hong Kong	HK\$10,000	100	Investment holding
Best Victory Trading Limited*	Hong Kong	HK\$2,000,000	100	Distribution of electrical consumer products computer related products and electronic components
Capital Ace Holdings Limited*	British Virgin Islands	US\$1	100	Investment holding
Chiefast Company Limited*	British Virgin Islands	US\$1	100	Investment holding
CWAP Technology (Shenzhen) Limited	PRC	HK\$1,000,000	100	Provision of wap technology and content
Digital World Finance Limited*	Hong Kong	HK\$1,000,000	100	Money lending
Dynamic Rich Limited*	British Virgin Islands	US\$1,000	100	Investment holding
Dynamic Wealth Limited*	British Virgin Islands	US\$1	100	Investment holding
E-World Net International Limited	Taiwan	NT\$5,000,000	70	Provision of e-travel services
Fast Track United Limited*	British Virgin Islands	US\$1	100	Investment holding
Fullscale Enterprises Limited	British Virgin Islands	US\$1	100	Asset holding
Mojoco Enterprise Incorporation*	British Virgin Islands	US\$1	100	Investment holding
Money Link Investments Holdings Limited*	British Virgin Islands	US\$2	100	Investment holding

Notes to the Financial Statements

For the year ended 30th June, 2004

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Proportion of issued share capital/ registered capital held by the Group %	Principal activities
Trade Win Limited	Hong Kong	HK\$2	100	Provision of administrative services to group companies
Vital Tech Company Limited*	British Virgin Islands	US\$1,000	100	Investment holding
Wing Kit Worldwide Limited*	British Virgin Islands	US\$1,000	100	Investment holding
World Express Investment Limited*	British Virgin Islands	US\$1,000	100	Investment holding

Other than those subsidiaries with an "*" which are directly held by the Company, all the subsidiaries are indirectly held.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.