

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2004

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements ("Interim Financial Statements") for the six months ended 31 December 2004 are prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules").

The historical cost convention is adopted in the preparation of the Interim Financial Statements and the accounting policies and methods of computation used are consistent with those used in the Group's audited financial statements for the year ended 30 June 2004.

2. TURNOVER AND SEGMENTAL INFORMATION

Analysis of turnover and contribution to profit from operations by principal activities and geographical locations is as follows:

	Turnover		Contribution to	
	for the six months		profit/(loss)	
	ended 31 December		for the six months	
	2004	2003	2004	2003
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activities:				
Trading of multi-media and communication products	66,043	34,150	1,546	2,818
	66,043	34,150	1,546	2,818
Other group expenses net of other income			(5,125)	(6,562)
Write-back of provision for doubtful debt			20,064	-
			16,485	(3,744)
By geographical locations:				
The Hong Kong Special Administrative Region ("Hong Kong")	27,968	15,250	655	1,258
Other parts in the People's Republic of China ("PRC")	38,075	18,900	891	1,560
	66,043	34,150	1,546	2,818
Other group expenses net of other income			(5,125)	(6,562)
Write-back of provision for doubtful debt			20,064	-
			16,485	(3,744)

3. WRITE-BACK OF PROVISION FOR DOUBTFUL DEBT

The amount is in respect of an unsettled balance arising from the disposal of the Group's interest in Sanya Golden Coast Ltd. to the PRC partner of the project in 1994. Collectibility of the amount from the PRC partner in the sum of US\$2,595,597 or approximately HK\$20,064,000 was guaranteed by the Bank of China, Hainan Branch ("BOC Hainan") but was withdrawn without the Group's consent in 1995. Since 1996, ongoing legal action has been taken by the Group against the PRC partner and BOC Hainan for the recovery of the aforesaid amount. The PRC partner was wound up in 1997. Due to the uncertain outcome of the litigation, full provision of HK\$20,064,000 was made in the financial statements for the year ended 30 June 1999. In August 2004, the Supreme People's Court of the PRC finally handed down a verdict upholding the judgement of the previous hearings that BOC Hainan was liable for the unsettled amount in the dispute. Execution of the court order is now being undertaken by the Group's lawyer in the PRC.

4. PROFIT/(LOSS) FROM OPERATIONS

Profit/loss from operations is stated after charging the following items:

	For the six months ended 31 December	
	2004	2003
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Charging:		
Staff cost (including directors' emoluments)	4,027	3,214
Depreciation	72	86
Amortisation of goodwill	-	2,000
	_____	_____

5. TAXATION

No provision for Hong Kong profits tax and overseas income tax has been made since there is no estimated assessable profit derived from Hong Kong and overseas for the period.

6. EARNINGS/(LOSS) PER SHARE

Calculation of basic earnings per share for the period ended 31 December 2004 is based on the profit attributable to shareholders of approximately HK\$15,750,000 (2003: loss of approximately HK\$4,451,000) and on 6,174,916,922 (2003: 6,174,916,922) ordinary shares in issue during the period.

No diluted earnings/loss per share is shown for 2004 and 2003 respectively as there were no dilutive potential ordinary shares in issue during both periods.

7. INTERIM DIVIDEND

The Board of Directors does not recommend declaring any interim dividend for the six months ended 31 December 2004 (2003: Nil).

8. ACCOUNTS RECEIVABLE

All of the accounts receivable are stated net of provision of bad and doubtful debts and are expected to be recovered within one year. The aging analysis is as follows:

	31 December 2004 Unaudited HK\$'000	30 June 2004 Audited HK\$'000
0 – 90 days	7,439	3,285
91 – 180 days	–	–
Over 181 days	20,612	367
	<u>28,051</u>	<u>3,652</u>

9. ACCOUNTS AND BILLS PAYABLE

All of the accounts payable are expected to be settled within one year. The aging analysis is as follows:

	31 December 2004 Unaudited HK\$'000	30 June 2004 Audited HK\$'000
0 – 90 days	16,551	7,262
91 – 180 days	4,077	2
Over 181 days	2	–
	<u>20,630</u>	<u>7,264</u>
Bills payable	468	12,989
	<u>21,098</u>	<u>20,253</u>

10. SHARE CAPITAL

	31 December 2004 Unaudited		30 June 2004 Audited	
	No. of shares (‘000)	HK\$’000	No. of shares (‘000)	HK\$’000
Authorised:				
Ordinary shares of HK\$0.01 each	600,000,000	600,000	600,000,000	600,000
Issued and fully paid:				
Beginning of period/year	6,174,917	61,749	6,174,917	61,749
Movement during period/year	-	-	-	-
End of period/year	6,174,917	61,749	6,174,917	61,749

11. RESERVES

	Share premium HK\$’000	Capital reserve HK\$’000	Accumulated losses HK\$’000	Total HK\$’000
Beginning of period (audited)	293,907	(100)	(351,891)	(58,084)
Net profit for the period	-	-	15,750	15,750
End of period (unaudited)	293,907	(100)	(336,141)	(42,334)

12. PLEDGE OF ASSETS

At 31 December 2004, the Group did not have any pledge of assets.

13. CAPITAL COMMITMENTS

At 31 December 2004, the Group did not have any capital commitment.

14. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in these unaudited financial statements, the Group did not have other material transaction with related parties during the period.

15. CONTINGENT LIABILITES

As 31 December 2004, the Group had contingent liabilities of approximately HK\$46 million in respect of disputed claims against the Group in respect of outstanding loans and service fees.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified and restated to conform with the presentation in the current period.

17. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved by the Board of Directors on 30 March 2005.

By Order of the Board

Ke Jun Xiang

Chairman

Hong Kong, 30 March 2005