NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30th June, 2005 (in HK Dollars)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants.

These condensed consolidated financial statements should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31st December, 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and interpretations (hereafter collectively referred to as "new HKFRS") which are effective for accounting periods commencing on or after 1st January, 2005.

These interim financial statements have been prepared in accordance with the HKFRS issued and effective as at the time of preparing these statements. The HKFRS standards and interpretations that will be applicable at 31st December, 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim financial statements.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 2 below.

2. CHANGES IN ACCOUNTING POLICIES

In 2005, the Group adopted the following new HKFRS, which are relevant to its operation. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 34	Interim Financial Reporting
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS-Int 12	Scope of HKAS-Int 12 Consolidation – Special Purpose Entities
HKAS-Int 15	Operating Leases – Incentives
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

(a) Effect of adopting new HKFRS

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 31, 33 and HKAS-Ints 12 and 15 did not result in substantial changes to the Group's accounting policies. In summary:

a. HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now shown within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period.

b. HKASs 2, 7, 8, 10, 16, 23, 27, 28, 31, 33 and HKAS-Ints 12 and 15 had no material effect on the Group's policies.

c. HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group's principal subsidiaries have the same functional currency as the presentation currency for respective entity financial statements.

d. HKAS 24 has affected the identification of related parties and some other related-party disclosures.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Effect of adopting new HKFRS (continued)

The adoption revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases and retrospective application is required. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. A lease of land and building is split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in land element and the building element of the lease at the inception of the lease. The lease of land is stated at cost and amortised over the period of the lease whereas the building is stated at cost less accumulated depreciation. In prior years, leasehold land was classified under property, plant and equipment at cost less impairment.

The adoption of HKAS 32 and HKAS 39 has resulted in a change in the accounting policy for recognition, measurement, derecognition and disclosure of financial instruments.

Under HKAS 32, convertible notes issued are split into their liability and equity components at initial recognition by recognising the liability component at its fair value which is determined using a market interest rate for equivalent non-convertible notes and attributing to the equity component the difference between the proceeds from issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the convertible notes reserve until the notes are either converted (in which case it is transferred to share premium) or the notes are redeemed (in which case it is released directly to accumulated losses). In prior years, convertible notes were stated at face value plus the accrued redemption premium. The redemption premium was accrued using effective interest rate method. The issuance costs incurred for the arrangement of convertible notes were capitalised and amortised on a straight-line basis over the period of the convertible notes. Retrospective application is required for adoption of HKAS 32.

Under HKAS 39, equity investments held on a continuing basis for an identifiable long-term purpose are classified as available-for-sale financial assets and are continued to be stated at cost less impairment as the fair value cannot be reliably measured. If there is objective evidence that an individual investment has been impaired, such impairment would be recognised in the income statement. Listed equity securities held for trading purpose are classified as financial assets held for trading and are continued to be stated at closing price with all realised and unrealised gains or losses to be recognised in the income statement. Long-term receivables are classified as other receivables and are recognised initially at cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment with changes in carrying value to be recognised in the income statement. All non-hedging derivative financial derivative financial instruments entered are stated at fair value with changes recognised in the income statement. In prior years, equity investments for long-term purpose were disclosed as long-term investments and stated at cost less impairment through profit or loss. Listed equity securities held for trading purpose were disclosed as other investments and were stated at market value with changes to such value accounted through profit or loss. Long-term receivables were stated at cost less impairment which, if any, was accounted through profit or loss. Derivative financial instruments entered were recognised on a cash basis. Prospective application is required for adoption of HKAS 39 by way of adjustments to the opening balance of accumulated losses as at 1st January, 2005. Comparative amounts have not been restated.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Effect of adopting new HKFRS (continued)

The adoption of revised HKAS 40 has resulted in a change in the accounting policy for investment properties of which the changes in fair values are recorded in the income statement as part of other income and retrospective application is required. In prior years, the increases in fair value were credited to the investment properties revaluation reserves. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. With effect from 1st January, 2005, the Group recognises the fair value of share options granted as an expense in the income statement over the vesting period with a corresponding increase being recognised in an option reserve. The related option reserve is transferred to share capital and share premium, together with the exercise price, when the option holder exercises its rights. In prior years, no amount was recognised when options were granted. If the option holders chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable. As a transitional provision, the cost of share option granted after 7th November, 2002 and had not yet vested on 1st January, 2005 was expensed retrospectively in the income statement of the respective periods.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for positive goodwill and negative goodwill and prospective application is required. Until 31st December, 2004,

a. positive goodwill was amortised on a straight line basis over its useful life of 10 years and was subject to impairment testing when there were indications of impairment; and

b. negative goodwill was amortised over the weighted average useful life of 10 years of the non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the income statement as those expected losses were incurred.

In accordance with the provisions of HKFRS 3:

a. the Group ceased amortisation of positive goodwill from 1st January, 2005;

b. accumulated amortisation as at 31st December, 2004 has been deducted from the cost of positive goodwill;

c. from the year ending 31st December, 2005 onwards, positive goodwill will be tested annually for impairment, as well as when there is indication of impairment;

d. in accordance with the transitional provision in HKFRS 3, all negative goodwill was derecognised as at 1st January, 2005 with a corresponding decrease in accumulated losses.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Effect of adopting new HKFRS (continued)

The Group has reassessed the useful lives of its intangible assets in accordance with the provision of HKAS 38. No adjustment resulted from this reassessment.

Following the adoption of the HKFRSs, the opening balances of the following accounts were adjusted retrospectively. The details of the prior period adjustments and opening adjustments are summarised as follows:

(i) Effect on opening balance of total equity as at 1st January, 2005

Effect of adopting new policies increase/(decrease)	**Employee share-based compensation reserve** ***HK$'000*** **(Unaudited)**	**Accumulated losses** ***HK$'000*** **(Unaudited)**	**Total** ***HK$'000*** **(Unaudited)**
Prior period adjustment:			
HKFRS 2 – Employee share option scheme	7,840	(7,840)	–

(ii) There was no effect on opening balance of total equity as at 1st January, 2004 with adoption of the HKFRSs.

The following table summarises the impact on loss after taxation, income or expenses recognised directly in equity and capital transactions with equity holders for the six months periods ended 30th June, 2005 and 2004 upon the adoption of the new HKFRSs.

Effect of adopting new policies increase/(decrease) in loss	**Six months ended 30th June,** **2005** ***HK$'000*** **(Unaudited)**	2004 *HK$'000* (Unaudited)
HKFRS 2 – Employee share option scheme	**12,721**	–
Effect on loss per share		
Basic and diluted	**2.64 cents**	–

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Effect of adopting new HKFRS (continued)

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

a. HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

b. HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

c. HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities and also to hedge relationships for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1st January, 2005.

d. HKAS 40 – since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information, any adjustment should be made to the accumulated losses as at 1st January, 2005, including the reclassification of any amount held in revaluation surplus for investment property.

e. HKAS-Int 15 – does not require the recognition of incentives for leases beginning before 1st January, 2005.

f. HKFRS 2 – only retrospective application for all equity instruments granted after 7th November, 2002 and not vested at 1st January, 2005; and

g. HKFRS 3 – prospective after the adoption date.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) New Accounting Policies

The accounting policies used for the condensed consolidated financial statements for the six months ended 30th June, 2005 are same as those set out in the note 3 to the 2004 annual financial statements except for the following:

1. *Acquisition of subsidiaries and associates*

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

An investment in an associate is account for using the equity method from the date on which it becomes an associate. On acquisition of the investment, the measurement and recognition of goodwill is same as that of goodwill arising from the acquisition of subsidiaries. Goodwill relating to an associate is included in the carrying amount of the investment. Appropriate adjustments to the investor's share of the profit or losses after acquisition are made to account based on their fair values at the date of acquisition.

2. *Joint ventures*

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets, and liabilities and cash flows on a line-by-line basis on the sale of assets by the Group to the joint venture that it is attributable to the other ventures. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) New Accounting Policies (continued)

3. *Foreign currency translation*

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserves in equity.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a. assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

b. income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

c. all resulting exchange differences are recognised as a separate component of equity.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) New Accounting Policies (continued)

3. Foreign currency translation (continued)

(iii) Group companies (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4. Property, plant and equipment

Cost may include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

5. Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) New Accounting Policies (continued)

5. *Investment properties (continued)*

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

Investment property held for sale without redevelopment is classified within non-current assets held for sale.

6. *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries and jointly controlled entities is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

7. *Impairment of assets*

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) New Accounting Policies (continued)

8. Investments

As at 31st December, 2004, the Group classified its investments in securities, other than subsidiaries, associates and jointly controlled entities, as non-trading securities and trading securities.

(i) Non-trading securities

Investments which are held for non-trading purpose were stated at fair value at the balance sheet date. Changes in the fair value of individual securities were credited or debited to the investment revaluation reserve until the security was sold, or was determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, was dealt with in the income statement.

Where there was objective evidence that individual investments were impaired the cumulative loss recorded in the revaluation reserve was taken to the income statement.

(ii) Trading securities

Trading securities were carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities were recognised in the income statement. Gain or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, were recognised in the income statement as they arisen.

From 1st January, 2005 onwards, the Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) New Accounting Policies (continued)

8. Investments (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the period, the Group did not hold any investments in this category.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) New Accounting Policies (continued)

8. Investments (continued)

(iv) Available-for-sale financial assets (continued)

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

9. Inventories

Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials.

10. Trade and other receivable

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

11. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (Treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) New Accounting Policies (continued)

12. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

13. Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

14. Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. There are no major changes in the critical estimates and judgments since 31st December, 2004. For the investment properties, the Group has relied on the professional valuation as at 31st December, 2004.

4. SEGMENT INFORMATION

The directors report the geographical segments as the Group's primary segment information.

Geographical segments

The following table provides an analysis of the Group's sales by location of markets.

For the six months ended 30th June, 2005

	Hong Kong and Macau *HK$'000* (Unaudited)	The People's Republic of China, excluding Taiwan ("PRC") *HK$'000* (Unaudited)	America and Europe *HK$'000* (Unaudited)	South-east Asia *HK$'000* (Unaudited)	Other *HK$'000* (Unaudited)	Consolidated *HK$'000* (Unaudited)
Turnover	**25,129**	**6,266**	**3,092**	**9,880**	**2,044**	**46,411**
Segment results	**746**	**(3,923)**	**2,827**	**3,599**	**1,262**	**4,511**
Other operating income						**7,214**
Unallocated corporate expenses						**(31,886)**
Loss from operations						**(20,161)**

For the six months ended 30th June, 2004

	Hong Kong and Macau *HK$'000* (Unaudited and restated)	PRC *HK$'000* (Unaudited and restated)	America and Europe *HK$'000* (Unaudited and restated)	South-east Asia *HK$'000* (Unaudited and restated)	Other *HK$'000* (Unaudited and restated)	Consolidated *HK$'000* (Unaudited and restated)
Turnover	65,142	13,348	9,636	17,138	2,803	108,067
Segment results	5,679	(7,272)	6,752	3,132	2,048	10,339
Amortisation of goodwill						(7,725)
Other operating income						3,073
Unallocated corporate expenses						(36,159)
Loss from operations						(30,472)

5. LOSS FROM OPERATIONS

	Six months ended 30th June,	
	2005	2004
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Loss from operations has been arrived at after charging (crediting):		
Amortisation of film rights (included in cost of sales and services)	**27,343**	66,854
Cost of inventories (included in cost of sales and services)	**193**	525
Depreciation and amortisation of property, plant and equipment	**5,049**	7,141
(Gain)/loss on disposal of property, plant and equipment	**(4)**	706
Staff costs including directors' emoluments	**8,603**	10,319
Share-based compensation (included in administrative expenses)	**12,721**	–
Unrealised (gain)/loss on investment of available-for-sale financial assets	**(1,452)**	8,664
Impairment loss recognised in respect of film rights deposits	**–**	2,000
Trade payables written off	**(1,470)**	–
Interest income	**(1,113)**	(757)

6. TAXATION

	Six months ended 30th June,	
	2005	2004
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Current tax in other jurisdictions	**47**	131

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries operating in Hong Kong incurred a tax loss for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

A deferred tax asset has not been recognised in the financial statements in respect of estimated tax losses due to the unpredictability of future profit streams.

7. BASIC AND DILUTED LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following data:

	Six months ended 30th June,	
	2005	2004
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited) and restated)
Loss for the purposes of basic and diluted loss per share attributable to equity holders of the Company	**(26,458)**	(39,546)

7. BASIC AND DILUTED LOSS PER SHARE (CONTINUED)

	Number of shares	
	30th June, 2005	30th June, 2004
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**482,284**	303,841

The computation of diluted loss per share for the six months ended 30th June 2005 and 30th June 2004 does not assume the exercise of the Company's outstanding share options and convertible loan notes outstanding during the period since their exercise would reduce loss per share.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, additions to the Group's property, plant and equipment amounted to approximately HK$300,000 (2004: HK$2,373,000).

The directors have considered the carrying amounts of the Group's investment properties carried at revalued amounts and have estimated that the carrying amounts did not differ significantly from that which would be determined using fair value as at 30th June, 2005. Consequently, no revaluation surplus or deficit has been recognised in the current period.

9. INTERESTS IN ASSOCIATES

	As at 30th June, 2005	As at 31st December, 2004
	HK$'000	*HK$'000*
	(Unaudited)	(Audited and restated)
Share of net assets	**37,143**	38,249
Goodwill *(note a)*	**63,479**	37,065
	100,622	75,314
Convertible notes issued by an associate *(note b)*	**–**	33,800
	100,622	109,114
Less: convertible notes due within one year and shown under current assets *(note 10)*	**–**	(33,800)
	100,622	75,314

9. INTEREST IN ASSOCIATES (CONTINUED)

Notes:

(a) During the period, increase in goodwill arose from the acquisition of additional 1.87% interest in Riche Multi-Media Holdings Limited ("Riche"). Details of movements in goodwill arising on acquisition of associates are as follows:

	HK$'000
COSTS	
As at 1st January, 2005	107,702
Arising on acquisition	26,414
Adjustment on adoption of HKFRS 3	(70,637)
As at 30th June, 2005	63,479
AMORTISATION AND IMPAIRMENT	
As at 1st January, 2005	70,637
Amortisation for the period	–
Adjustment on adoption of HKFRS 3	(70,637)
As at 30th June, 2005	–
CARRYING AMOUNTS	
As at 30th June, 2005	63,479
As at 31st December, 2004	37,065

On 15th March, 2004, the vendor's shareholder granted to the Group an option to require the vendor's shareholder to purchase from the Group an aggregate of 356 shares of US$1 each in the share capital of Golden Capital International Limited ("Golden Capital"), an associate of the Group, representing the Group's entire shareholding in Golden Capital, at an aggregate consideration of HK$25,000,000. The Group may exercise the option in the event that the net profits after taxation but before extraordinary items as shown in the audited accounts ("Audited Accounts") of Golden Capital for the year ended 31st December, 2004 is less than HK$14,600,000. As requested by the vendor, the Audited Accounts will be available on or before 19th January, 2006 due to certain unforeseeable difficulties relating to the preparation of the Audited Accounts.

With the adoption of HKFRS 3 "Business Combination" and its transitional provisions, goodwill is no longer amortised and the accumulated amortisation and impairment brought forward from 2004 has been eliminated with a corresponding decrease in the cost of goodwill. The carrying amount of goodwill is reviewed annually and is written down should any impairment arise.

In the opinion of the directors, the carrying values of the goodwill arising on the acquisitions of associates and Together Again Limited ("TAL"), do not differ significantly from its recoverable amount.

9. INTEREST IN ASSOCIATES (CONTINUED)

Notes: (Continued)

(b) As at 31st December, 2004, the convertible notes bear interest at 1% per annum which was payable semi-annually in arrears and had mature on 19th April, 2005. Prior to the maturity, neither the Group nor Riche had the right to redeem or request for redemption of the convertible notes. The convertible notes carry the right to convert the whole or any part of the outstanding principal amount of the notes into ordinary shares of HK$0.1 each in the share capital of Riche at a conversion price of HK$4.0 per share at any time on or before 19th April, 2005. No conversion was made by the Group and the convertible notes was repaid on 19th April, 2005 accordingly. On the same date, the Company granted a one-year term loan of HK$33,800,000 to Riche. The loan is unsecured, bears interest at 1% per annum and repayable on demand. This balance was included in the amount due from associates account as at 30th June, 2005.

10. CONVERTIBLE NOTES RECEIVABLES

	As at 30th June, 2005 ***HK$'000*** **(Unaudited)**	As at 31st December, 2004 *HK$'000* (Audited and restated)
Convertible notes issued by third parties *(note a)*	**52,000**	52,000
Convertible notes issued by an associate *(note b)*	**–**	33,800
	52,000	85,800

Notes:

(a) On 15th March, 2004, the Group entered into two subscription agreements with two shareholders ("Note Issuers") of Colima Enterprises Holdings Inc. ("Colima"), the holding company of TAL, pursuant to which the Group subscribed for two convertible notes of HK$26,000,000 each ("Convertible Notes") issued by the Note Issuers for an aggregate consideration of HK$52,000,000. Each of the Convertible Notes bears interest at 1% per annum, secured by a charge on the relevant Note Issuers' entire equity interest in Colima and will mature on 36 months from the date of the relevant subscription agreements or the date of the listing of a proposed holding company of TAL on a recognised stock exchange, whichever is the earlier.

Each of the Convertible Notes carries the rights to convert the whole or any part of the outstanding principal amount of the Convertible Notes into shares in the relevant Note Issuer in accordance with the formula as set out in the relevant subscription agreement from 15th March, 2005 to 14th March, 2007 or the date of the listing of a proposed holding company of TAL on a recognised stock exchange, whichever is the earlier. If the Group exercises its rights to convert the full amount of the Convertible Notes into each of the shares in the Note Issuers, the Group will have approximately 99% direct equity interests in the Note Issuers and 99% indirect equity interest in the group headed by Colima respectively.

(b) On 19th April, 2005, the Convertible Notes of HK$33,800,000 issued by Riche to the Group matured. The Group did not exercise the right to convert the outstanding principal amount of HK$33,800,000 into share capital of Riche and the amount was repaid by Riche accordingly. On the same date, the Company granted a one-year term loan of HK$33,800,000 to Riche. The loan is unsecured, bears interest at 1% per annum and repayable on demand.

11. FILM RIGHTS

Additions of film rights during the period amounted to approximately HK$29,411,000 (30th June, 2004: HK$84,420,000).

12. TRADE DEBTORS

The credit period granted to customers ranges from 30 to 90 days.

The following is an aged analysis of trade debtors at the reporting date:

	As at 30th June, 2005 ***HK$'000*** **(Unaudited)**	As at 31st December, 2004 *HK$'000* (Audited and restated)
Riche and its subsidiaries (collectively "Riche Group"):		
0 to 30 days	**181**	123
31 to 60 days	**–**	116
61 to 90 days	**–**	85
91 to 180 days	**–**	1
Over 180 days	**–**	–
	181	325
Others:		
0 to 30 days	**3,389**	1,004
31 to 60 days	**539**	270
61 to 90 days	**132**	333
91 to 180 days	**744**	2,316
Over 180 days	**8,271**	7,720
	13,075	11,643
	13,256	11,968

13. TRADE CREDITORS

The following is an aged analysis of trade creditors at the reporting date:

	As at 30th June, 2005 ***HK$'000*** **(Unaudited)**	As at 31st December, 2004 *HK$'000* (Audited and restated)
0 to 30 days	**3,296**	1,875
31 to 60 days	**1,756**	4,391
61 to 90 days	**827**	4,135
91 to 180 days	**1,596**	3,480
Over 180 days	**15,720**	11,406
	23,195	25,287

14. INTEREST-BEARING BANK BORROWINGS

	As at 30th June, 2005 *HK$'000* **(Unaudited)**	As at 31st December, 2004 *HK$'000* (Audited and restated)
Secured bank loans	**28,189**	36,200
The maturity of the above borrowings is as follows:		
Within one year	**13,959**	19,793
More than one year but not exceeding two years	**2,240**	3,449
More than two years but not exceeding five years	**7,347**	9,788
More than five years	**4,643**	3,170
	28,189	36,200
Less: Amount due within one year shown under current liabilities	**(13,959)**	(19,793)
Amount due after one year	**14,230**	16,407

Secured bank loans comprise a revolving loan, an instalment loan and a mortgage loan which bear interest at commercial rates. The instalment loan is secured by a first legal charge over all copyrights on a film produced by the Group in the beginning of 2005. The revolving loan and the mortgage loan are secured by the Group's investment properties and leasehold land and buildings in Hong Kong with carrying value of HK$38,650,000 (31st December, 2004: HK$38,650,000) and HK$5,120,000 (31st December, 2004: HK$5,361,000) as at 30th June, 2005 respectively. The instalment loan is repayable by 18 monthly instalments, the revolving loan is repayable on demand and the mortgage loan is repayable in instalments over a period of ten years.

15. UNSECURED CONVERTIBLE LOAN NOTES

The convertible loan notes (the "Notes") bear interest at 4% per annum which will be payable semi-annually in arrears was originally matured on 30th June, 2004. On 14th June, 2004, the Company and the noteholder entered into a supplemental deed, pursuant to which the Company and the noteholder agreed to extend the maturity date of the Notes from 30th June, 2004 to 30th June, 2007. The Notes carry the right to convert the principal amount of the Notes into shares of HK$0.05 each in the share capital of the Company at an initial conversion price of HK$0.2 per share, subject to adjustment. The conversion price was adjusted to HK$5.83 per share due to the completion of rights issue, consolidation of shares and rights issue with bonus issue during the year ended 31st December, 2002. From 14th June, 2004 to the 14 business day immediately preceding 30th June, 2007, the noteholder can convert the outstanding principal amount of the Notes into shares of the Company.

The fair values of the liability component and the equity conversion component were determined at issuance of the Notes.

The fair value of the liability component, included in long-term borrowings, was calculated using a market interest rate. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserve net of deferred income taxes.

15. UNSECURED CONVERTIBLE LOAN NOTES (CONTINUED)

The Notes recognised in the balance sheet is calculated as follows:

	As at 30th June, 2005 ***HK$'000*** **(Unaudited)**	As at 31st December, 2004 *HK$'000* (Audited and restated)
Face value of the Notes issued on 14th June, 2004	**20,000**	20,000
Equity component	**(545)**	–
Liability component on initial recognition as at 14th June, 2004	**19,455**	20,000
Interest expenses	**400**	–
Interest paid	**(400)**	–
Liability component as at 30th June, 2005 / 31st December, 2004	**19,455**	20,000

The fair value of the liability component of the Notes as at 30th June, 2005 amounted to HK$19,455,000. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate of 5%.

Interest expenses on the Notes are calculated using the effective interest method by applying the effective interest rate of 5% to the liability component.

Prospective application is required for adoption of HKAS 39 by way of adjustments to the opening balance of accumulated losses as at 1st January, 2005, comparative amounts have not been restated.

16. SHARE CAPITAL

	Number of shares ***'000***	**Amount** ***HK$'000***
Issued and fully paid:		
As at 1st January, 2005	**365,406**	**18,270**
Exercise of share options *(note b)*	**17,770**	**889**
Issue of new shares *(notes a and c)*	**137,365**	**6,868**
As at 30th June, 2005	**520,541**	**26,027**

16. SHARE CAPITAL (CONTINUED)

Notes:

(a) On 15th December, 2004, the Company had conditionally agreed to place 60,765,000 new shares to independent investors at a price of HK$0.60 per share, representing a discount of 14.29% to the closing price of the Company's shares on 14th December, 2004. The placing was completed on 27th January, 2005. Net proceeds of approximately HK$35,600,000 were intended to be used for two movies' production which have been scheduled to be produced in 2005 and as the general working capital of the Group. The issue of these new shares was approved by the shareholders of the Company at a special general meeting held on 21st January, 2005.

(b) In January 2005, certain option holders exercised their option rights to subscribe for an aggregate of 7,969,939 shares at an exercise price of HK$0.564 per share and an aggregate of 9,800,000 shares at an exercise price of HK$0.52 per share respectively in an aggregate amount of approximately HK$9,591,000.

(c) On 24th February, 2005, Porterstone Limited, a substantial shareholder of the Company, and Mr. Heung Wah Keung, a substantial shareholder and an executive director of the Company, entered into a top-up placing agreement with a placing agent and a subscription agreement with the Company respectively. Pursuant to the top-up placing agreement, Porterstone Limited and Mr. Heung Wah Keung placed an aggregate of 76,600,000 existing shares to independent investors at a price of HK$0.50 per share, representing a discount of 17.25% to the closing price of the Company's shares on 24th February, 2005. Pursuant to the subscription agreement, Porterstone Limited and Mr. Heung Wah Keung subscribed for an aggregate of 76,600,000 new shares at a price of HK$0.50 per share. 76,600,000 new shares issued for the subscription on 7th March, 2005 with net proceeds of approximately HK$37.3 million were intended to be used for general working capital of the Group and/or any future possible acquisition which is yet to be identified. These new shares were issued under the general mandate granted to the directors at the special general meeting of the Company held on 21st January, 2005.

17. RESERVES

	Share premium	Employee share-based compensation reserve	Convertible notes reserve	Negative goodwill on consolidation	Contributed surplus	Exchange reserve	Investment properties revaluation reserve	Capital reduction reserve	Investment revaluation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited and restated)	(Unaudited and restated)	(Unaudited and restated)	(Unaudited and restated)	(Unaudited and restated)	(Unaudited and restated)	(Unaudited and restated)	(Unaudited and restated)	(Unaudited and restated)	(Unaudited and restated)	(Unaudited and restated)
As at 1st January, 2004	746,090	–	–	6,326	186,624	445	–	316,008	(184)	(496,979)	758,330
Exchange adjustment	–	–	–	–	–	(106)	–	–	–	–	(106)
Net loss for the period	–	–	–	–	–	–	–	–	–	(39,546)	(39,546)
As at 30th June, 2004	746,090	–	–	6,326	186,624	339	–	316,008	(184)	(536,525)	718,678
As at 1st January, 2005	778,975	–	–	6,326	186,624	680	4,909	316,008	479	(800,198)	493,803
Exchange adjustment	–	–	–	–	–	(55)	–	–	–	–	(55)
Effect of adopting HKFRS 2	–	20,561	–	–	–	–	–	–	–	(7,840)	12,721
Effect of adopting HKAS 39	–	–	545	–	–	–	–	–	–	–	545
Issue of new shares	74,835	–	–	–	–	–	–	–	–	–	74,835
Net loss for the period	–	–	–	–	–	–	–	–	–	(26,458)	(26,458)
As at 30th June, 2005	**853,810**	**20,561**	**545**	**6,326**	**186,624**	**625**	**4,909**	**316,008**	**479**	**(834,496)**	**555,391**

18. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related parties transactions and balances set out in notes 9, 10 and 12, the Group also entered into the following significant transactions with related parties during the period.

(a) On 5th February, 2002, the Group and Riche Group entered into a territory supply agreement whereby the Group, during the term of three years from 8th April, 2002, granted in favour of Riche Group a first right of refusal to acquire the exclusive distribution rights excluding the theatrical and internet rights in respect of each film in the PRC and Mongolia ("Distribution Rights") and an option to acquire the theatrical rights.

Pursuant to the territory supply agreement, Riche Group paid an amount of HK$5,000,000 to the Group as a deposit, for the grant of the first right of refusal to acquire the Distribution Rights and as security for the licence fees payable under the territory distribution agreements to be entered into. If Riche Group elects to acquire the Distribution Rights, a territory distribution agreement in respect of the film will be entered into pursuant to which Riche Group shall pay a licence fee in respect of each film, ranging from approximately HK$200,000 and HK$1,000,000 calculated by reference to its grading. The Distribution Rights in respect of a film will be for a period of ten years. In relation to the option to acquire the theatrical rights, the additional license fee shall be equal to the balance of the total income received by Riche Group in respect of the exploitation of such theatrical rights before payment of any distribution expenses but after deducting a sum equal to 20% of the said total income which shall be retained by Riche Group.

During the period, the Group granted Distribution Rights to Riche Group at a total consideration of approximately HK$1,600,000 (six months ended 30th June, 2004: HK$5,400,000) and the Group granted theatrical rights to the Riche Group at a total license fee of approximately HK$3,400,000 (six months ended 30th June, 2004: HK$3,900,000) pursuant to the relevant territory distribution agreements.

(b) During the period, the Group entered into the following transactions with related parties:

		Six months ended 30th June,	
	Notes	**2005** ***HK$'000*** **(Unaudited)**	2004 *HK$'000* (Unaudited and restated)
Management fee income received from China Star Management Limited ("CSML")	(i) & (iii)	**2,340**	1,400
Service charges paid to CSML	(i) & (iii)	**2,760**	3,320
Artists promotion charges paid to CSML	(i) & (iii)	**2,919**	4,368
Post-production service income received from Riche Group	(i) & (iv)	**527**	1,095
Interest income from Riche Group	(ii) & (iv)	**168**	169

Notes:

(i) These transactions were transacted at price mutually agreed between the parties.

(ii) Interest income was calculated at 1% per annum in accordance with the terms of the convertible notes issued by Riche.

(iii) CSML is an associate of the Group.

(iv) Mr. Heung Wah Keung and Ms. Chen Ming Yin, Tiffany are also directors of Riche.

(v) During the period, the amount of liabilities settled by the Group on behalf of the associates, Riche Group and TAL and its subsidiaries ("TAL Group"), were approximately HK$7,000 and HK$1,360,000 respectively.

18. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) During the period, Golden Capital utilised the trade finance banking facility granted to the Group by a bank. The Group received a fee nil (six months ended 30th June, 2004: HK$14,000) from Golden Capital. The fee was agreed between the parties.

(d) During the period, Mr. Heung Wah Keung and Ms. Chen Ming Yin, Tiffany provided personal guarantees to a bank to secure banking facilities granted to the Group. No fee was paid to them by the Group.

19. DISPOSAL OF SUBSIDIARIES

The net assets of the wholly owned subsidiaries at the date of disposal were as follows:

	Six months ended 30th June,	
	2005	2004
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Net assets disposed of	**–**	24,363
Gain on disposal	**–**	7,524
Total consideration	**–**	31,887
Satisfied by:		
Cash	**–**	21,000
Interest in an associate *(note)*	**–**	10,887
	–	31,887

Note:

On 15th March, 2004, the Group entered into a sale and purchase agreement with TAL pursuant to which the Group agreed to sell and TAL agreed to purchase the entire issued share capital of Imperial International Limited ("Imperial"), a wholly-owned subsidiary of the Company. The principal assets of Imperial are the 100% shareholding interests in CSML and Anglo Market International Limited. The consideration for the sale and purchase of the entire issued share capital of Imperial was satisfied by the allotment and issue of 8,080 new shares of US$1 each in the share capital of TAL, credited as fully paid, by TAL to the Group. Since then, the Group holds an aggregate 49% equity interest in TAL.

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

20. EVENTS AFTER BALANCE SHEET DATE

1. On 7th July, 2005, a wholly owned subsidiary of the Company entered into an unconditional agreement to purchase certain properties from Riche Video Limited at a total consideration of HK$9,000,000.

2. On 7th September, 2005, a wholly owned subsidiary of the Company entered into a placing and subscription agreement with a placing agent and Riche to place 400,000,000 existing shares of Riche to not less than six independent investors at a price of HK$0.34 per share and conditionally agreed to subscribe for 400,000,000 new shares at a price of HK$0.34 per share. The placing and subscription agreement was completed on 20th September, 2005.

3. On 15th September, 2005, the Company entered into non-binding letter of intent with an independent third party. Pursuant to the non-binding letter of intent, a refundable deposit amounting to HK$20,000,000 was placed by the Company for acquisition of an equity interest in a company involved in gaining in Macau. If the proposed acquisition does not materialise or fails to complete by 14th December, 2005, the deposit will be returned to the Company.