

Notes to the Financial Statements

For the year ended 30th June, 2005

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 27.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005, except for HKFRS 3 "Business Combinations". The Group has not early adopted these new HKFRSs in the financial statements for the year ended 30th June, 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1st January, 2005. The Group has not entered into any business combination for which the agreement date is on or after 1st January, 2005. Therefore, HKFRS 3 did not have any impact on the Group for the year ended 30th June, 2005.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are presented. These new HKFRSs may result in changes in the future as to how the results and financial position are presented.

Notes to the Financial Statements

For the year ended 30th June, 2005

3. 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.

Goodwill

Goodwill arising on consolidation prior to 1st January, 2005 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 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 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.

Notes to the Financial Statements

For the year ended 30th June, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

Sales of securities are recognised on a trade-date basis.

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.

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 %

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.

Notes to the Financial Statements

For the year ended 30th June, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

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.

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, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Taxation 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 amounts 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, 2005

3. 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.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into six operating divisions namely investment and financial services; distribution and trading; provision of entertainment services; provision of website, advertising and design services; provision of travelling agency services and provision of telecommunications services. However, there were no activities for the last four operating divisions during the year. Apart from actively developing the investment and financial services and the distribution and trading business, the management has been studying seriously and systematically the prospects of the Group's other core business segments, including increasing various relevant projects proposals, exploring and negotiating with well experienced potential business partners. Management considers that it is able to formulate valid action plans and conclusions for the Group in setting solid directions and viable strategies to deal with those core businesses in the coming year.

Notes to the Financial Statements

For the year ended 30th June, 2005

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Segment information about these businesses is presented below:

2005

	Investment and financial services HK\$'000	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 telecom- munications services HK\$'000	Consolidated HK\$'000
TURNOVER							
External sales	29,242	8	-	-	-	-	29,250
Segment results	(45,361)	(17)	-	-	-	-	(45,378)
Unallocated corporate expenses							(1,596)
Loss from operations							(46,974)
Finance costs							(587)
Amortisation of goodwill on acquisition of an associate							(3,110)
Share of results of associates							1,963
Loss before minority interests							(48,708)
Minority interests							-
Loss for the year							(48,708)
ASSETS							
Segment assets	15,241	69	-	-	-	-	15,310
Unallocated corporate assets							15,720
Total assets							31,030
LIABILITIES							
Segment liabilities	733	391	-	785	-	-	1,909
Unallocated corporate liabilities							9,016
Total liabilities							10,925

Notes to the Financial Statements

For the year ended 30th June, 2005

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2005 (continued)

	Investment and financial services HK\$'000	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 telecom- munications services HK\$'000	Others HK\$'000	Consolidated HK\$'000
OTHER INFORMATION								
Capital additions	-	-	-	-	-	-	9	9
Amortisation of goodwill on acquisition of an associate	-	-	-	-	-	-	3,110	3,110
Depreciation	-	12	-	-	-	-	248	260
Impairment loss on investment securities	723	-	-	-	-	-	-	723
Allowance for trade and other receivables	2,413	-	-	-	-	-	-	2,413
Allowance for short-term loans receivable	6,124	-	-	-	-	-	-	6,124

Notes to the Financial Statements

For the year ended 30th June, 2005

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2004

	Investment and financial services HK\$'000	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 telecom- munications services HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
TURNOVER								
External sales	8,277	-	13	-	-	2,968	-	11,258
Inter-segment sales	-	-	-	-	-	3	(3)	-
Total	8,277	-	13	-	-	2,971	(3)	11,258

Inter-segment sales are charged at prevailing market prices.

Segment results	(86,397)	(637)	(357)	(705)	(2,402)	(4,977)	-	(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 an 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	37,608	60	-	5	-	-	-	37,673
Interests in associates								26,943
Unallocated corporate assets								22,430
Total assets								87,046
LIABILITIES								
Segment liabilities	8,549	466	-	795	-	-	-	9,810
Unallocated corporate liabilities								8,423
Total liabilities								18,233

Notes to the Financial Statements

For the year ended 30th June, 2005

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2004 (continued)

	Investment and financial services HK\$'000	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 telecom- munications 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	2,000	-	-	248	2,411	-	-	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	29,321	557	-	-	191	-	-	30,069
Allowance for short-term loans receivable	16,531	-	-	-	-	-	-	16,531

Geographical segments

During the year, all of the Group's operations are principally located in Hong Kong. No geographical segment analysis is presented as all of the Group's turnover and assets were attributable to Hong Kong.

Notes to the Financial Statements

For the year ended 30th June, 2005

5. LOSS FROM OPERATIONS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Loss from operations has been arrived at after charging:		
Directors' emoluments (<i>note 7 (a)</i>)	2,904	2,132
Other staff costs	506	1,999
Retirement benefits scheme contributions, excluding directors	23	49
Total staff costs	3,433	4,180
Bad debts written off	–	4,659
Auditors' remuneration	525	500
Depreciation		
Owned assets	258	164
Assets held under finance leases	2	5
Loss on disposal of property, plant and equipment	–	1,117
and after crediting:		
Dividend income from listed securities	53	–
Interest income	2,394	1,308

6. FINANCE COSTS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interest on:		
Other loan wholly repayable within five years	586	591
Obligations under finance leases	1	2
	587	593

Notes to the Financial Statements

For the year ended 30th June, 2005

7. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

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

(a) Directors' emoluments

	2005 HK\$'000	2004 HK\$'000
Directors' fees:		
Executive directors	–	–
Independent non-executive directors	115	135
Other emoluments for executive directors:		
Basic salaries and allowances	2,741	1,955
Retirement benefits scheme contributions	48	42
Total emoluments	2,904	2,132

The emoluments of the directors of the Company, on a named basis, are as follows:

	2005 HK\$'000	2004 HK\$'000
Mr. Liu Ka Lim	1,128	688
Ms. Ada Lam	532	246
Mr. Wong Wing Cheong	857	454
Mr. Yeung Wood Sang	272	252
Mr. Lee Hong Chak, Heili	53	42
Mr. Shum Kai Wing	55	–
Mr. Fan King Shum	7	–
Ms. Hwang Sok In	–	42
Mr. Kong Chung Yau	–	50
Mr. Chan Tak Hung	–	213
Mr. Lum Chor Wah, Richard	–	145
	2,904	2,132

Notes to the Financial Statements

For the year ended 30th June, 2005

7. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

Of the five highest paid individuals in the Group, four (2004: four) are directors of the Company whose emoluments are set out in note 7 (a) above. The emoluments of the remaining one (2004: one) individual are as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Basic salaries and allowances	245	282

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.

8. TAXATION

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

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Loss before minority interests	(48,708)	(109,775)
Hong Kong Profits Tax at a rate of 17.5% (2004: 17.5%)	(8,524)	(19,211)
Tax effect of expenses not deductible for tax purposes	9,510	13,292
Tax effect of income not taxable for tax purposes	(3,545)	(1,853)
Tax effect of tax losses not recognised	2,683	7,760
Utilisation of tax losses previously not recognised	(164)	-
Others	40	12
Taxation for the year	-	-

Notes to the Financial Statements

For the year ended 30th June, 2005

8. TAXATION (continued)

At 30th June, 2005, the Group had unutilised tax losses of approximately HK\$157,074,000 (2004: HK\$142,678,000) available for offset against future taxable profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year of HK\$48,708,000 (2004: HK\$109,309,000) and on the 424,800,000 (2004: weighted average of 249,618,997) shares in issue during the year.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP			
COST			
At 1st July, 2004	402	4,214	4,616
Additions	–	9	9
At 30th June, 2005	402	4,223	4,625
DEPRECIATION			
At 1st July, 2004	120	4,059	4,179
Provided for the year	203	57	260
At 30th June, 2005	323	4,116	4,439
NET BOOK VALUES			
At 30th June, 2005	79	107	186
At 30th June, 2004	282	155	437

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

Notes to the Financial Statements

For the year ended 30th June, 2005

11. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2005	2004
	HK\$'000	HK\$'000
Unlisted shares, at cost	98,506	98,506
Amounts due from subsidiaries	427,354	427,726
	525,860	526,232
Less: Impairment loss recognised	(494,738)	(479,684)
	31,122	46,548

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, the directors of the Company have reviewed the carrying amount of the interests in subsidiaries with reference to the financial results and business operated by the subsidiaries. The directors have identified an impairment loss of approximately HK\$15,054,000 (2004: HK\$47,449,000) on the investment cost and advances to subsidiaries, estimated by reference to the recoverable amounts of the underlying assets of the respective subsidiaries at the balance sheet date, and the amount has been recognised in the income statement accordingly.

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, 2005 are set out in note 27.

Notes to the Financial Statements

For the year ended 30th June, 2005

12. INTERESTS IN ASSOCIATES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Share of net liabilities of a listed company in Hong Kong	-	(1,668)
Goodwill (<i>note</i>)	-	28,611
	-	26,943
Market value of listed shares	-	17,849

Note: Movement of goodwill is analysed as follows:

	HK\$'000
Cost	
At 1st July, 2004	37,318
Transfer to other investments	(37,318)
At 30th June, 2005	-
Amortisation	
At 1st July, 2004	8,707
Provided for the year	3,110
Transfer to other investments	(11,817)
At 30th June, 2005	-
Net book value	
At 30th June, 2005	-
At 30th June, 2004	28,611

The goodwill was amortised over a period of five years.

The directors of the Company are of the opinion that the Group could no longer exercise significant influence on B.A.L. Holdings Limited ("B.A.L."), and the holding of the shares in B.A.L. was transferred to other investments under investments in securities at their then carrying value of HK\$25,796,000 in late November 2004.

Subsequently, the entire investment in the shares of B.A.L. had been disposed of.

Notes to the Financial Statements

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12. INTERESTS IN ASSOCIATES (continued)

Particulars of the Group's remaining associate at 30th June, 2005 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
Magicon Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	50	Inactive

13. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
THE GROUP						
Listed equity securities in Hong Kong	2,196	2,919	9,901	37,608	12,097	40,527
Unlisted equity securities in Hong Kong	2,010	-	-	-	2,010	-
	4,206	2,919	9,901	37,608	14,107	40,527
Market value of listed securities	2,196	5,323	9,901	37,608	12,097	42,931
Carrying amount analysed for reporting purposes as:						
Non-current	4,206	2,919	-	-	4,206	2,919
Current	-	-	9,901	37,608	9,901	37,608
	4,206	2,919	9,901	37,608	14,107	40,527

Notes to the Financial Statements

For the year ended 30th June, 2005

13. INVESTMENTS IN SECURITIES (continued)

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	4.71%
Grandtop International Holdings Limited	Cayman Islands	Ordinary shares	5.09%

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 approximately HK\$723,000 (2004: HK\$18,420,000) on the investment securities, estimated by reference to the market value, and the amount has been recognised in the income statement accordingly.

14. INVENTORIES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Merchandise for sale, at cost	21	-

15. TRADE AND OTHER RECEIVABLES

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

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Over 3 months	942	-

Notes to the Financial Statements

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16. SHORT-TERM LOANS RECEIVABLE

On the balance sheet date, the loans were:

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Not yet due	–	10,000
Overdue	55,879	50,013
Accrued interest receivable	351	927
	56,230	60,940
Allowance	(53,983)	(50,013)
	2,247	10,927

The loans were made in general for a period from one to three months, but may be extended on mutual agreement. These loans carry interest ranging from 24% to 36% per annum.

17. TRADE AND OTHER PAYABLES

At 30th June, 2004, included in trade and other payable was the amounts of approximately HK\$7,488,000 which was the balance of the margin accounts with a securities company and carried interest at prevailing market rate.

18. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP				
Amounts payable under finance leases due within one year	–	3	–	3

Notes to the Financial Statements

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19. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each:		
Authorised:		
At 1st July, 2003, 30th June, 2004 and 30th June, 2005	20,000,000,000	200,000
Issued and fully paid:		
At 1st July, 2003	141,600,000	1,416
Open offer issue of shares	283,200,000	2,832
At 30th June, 2004 and 30th June, 2005	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.

20. 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.

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For the year ended 30th June, 2005

20. SHARE OPTION SCHEME (continued)

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.

21. RESERVES

	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>
THE COMPANY					
At 1st July, 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
Loss for the year	-	-	-	(16,581)	(16,581)
At 30th June, 2005	388,088	61,949	39,387	(464,180)	25,244

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.

Notes to the Financial Statements

For the year ended 30th June, 2005

21. RESERVES (continued)

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, 2005 and 30th June, 2004.

22. DISPOSAL OF SUBSIDIARIES

In December 2003, the Group disposed of certain subsidiaries which were 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>
Turnover	2,981
Segment results	(5,334)
Finance costs	(3)
Loss for the period	(5,337)

Notes to the Financial Statements

For the year ended 30th June, 2005

22. DISPOSAL OF SUBSIDIARIES

The net liabilities disposed of were as follows:

	THE GROUP	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets disposed 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

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

	THE GROUP	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
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 ended 30th June, 2004 did not make any significant contribution to the cash flows of the Group during that year.

Notes to the Financial Statements

For the year ended 30th June, 2005

23. MAJOR NON-CASH TRANSACTION

During the year, the carrying amount of interest in an associate amounting to approximately HK\$25,796,000 was reclassified as other investments.

24. OPERATING LEASE COMMITMENTS

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Minimum lease payments paid under operating leases in respect of rented premises	367	563

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	
	2005	2004
	HK\$'000	HK\$'000
Within one year	138	367
In the second to fifth year inclusive	–	169
	138	536

Operating lease payments represent rentals payable by the Group for its office. 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.

25. 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.

Notes to the Financial Statements

For the year ended 30th June, 2005

26. CONTINGENT LIABILITIES

On 10th November, 2000, the Company was 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, had decided to make a provision of HK\$5,996,000 for potential liability during the year ended 30th June, 2004. During the year, the Company applied for an order to strike out the proceedings. Subsequent to the balance sheet date, the application for striking out was dismissed and the legal case will go for trial.

27. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 30th June, 2005 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\$2	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

Notes to the Financial Statements

For the year ended 30th June, 2005

27. 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
Digital World Finance Limited*	Hong Kong	HK\$1,000,000	100	Money lending
Dynamic Rich Limited*	British Virgin Islands	US\$100	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
Harvest (HK) Limited	Hong Kong	HK\$100	100	Trading of lubricant oil additives
Money Link Investment Holdings Limited*	British Virgin Islands	US\$2	100	Investment holding
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.