1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 27 March 1992 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) 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 principal activities and other particulars of the Company's significant subsidiaries are set out in note 16 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively referred to as the "new HKFRSs") which are effective for accounting periods commencing on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 30 June 2005. The new HKFRSs may result in changes in the future as to how the Group's financial performance and financial position are prepared and presented.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice ("SSAPs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies followed by the Group in the preparation of the financial statements is set out below:

(a) Basis of Preparation

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

(b) Basis of Consolidation

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

The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Goodwill/Negative Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries and associates at the date of acquisition.

In accordance with SSAP 30, goodwill arising on acquisitions occurring on or after 1 July 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill arising on major strategic acquisitions of the Group to expand its product or geographical market coverage is amortised over a maximum period of 15 years. For all other acquisitions goodwill is generally amortised over 5 to 10 years.

Goodwill on acquisition that occurred prior to 1 January 2001 was written off against reserves. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 and goodwill previously written off against reserves has not been restated. However, any impairment arising on such goodwill will be accounted for in accordance with SSAP 31.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisitions on or after 1 July 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the income statement immediately.

For acquisitions prior to 1 July 2001, negative goodwill was taken directly to reserves on acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such negative goodwill has not been restated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Goodwill/Negative Goodwill (Continued)

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1 July 2001 acquisitions, the related goodwill written off against reserve to the extent it has not previously been realised in the income statement.

(e) Property, Plant and Equipment

Property, plant and equipment, other than leasehold properties, are stated at cost less accumulated depreciation and accumulated impairment losses at the balance sheet date. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put in to operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

Leasehold properties are stated in the balance sheet at their revalued amounts, being the fair values on the basis of their existing use at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of leasehold properties is credited to the asset revaluation reserves, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset.

Depreciation is charged so as to write off the valuation of leasehold properties over their estimated useful lives, using the straight-line basis, at the following annual rates:

Leasehold land	: Term of lease
Buildings	: Over 40 years or term of lease, whichever is shorter

Depreciation is charged so as to write off the cost of other property, plant and equipment over their estimated useful lives, using the straight-line basis, at the rate of 20% per annum.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, Plant and Equipment (Continued)

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in property, plant and equipment are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal or retirement of an asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profits and is shown as a movement in reserves.

(f) Investment Properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuation is released to the income statement.

(g) Film Rights

Film rights represent films and television drama series produced or acquired by the Group for reproduction, distribution and sub-licensing, are stated at cost less accumulated amortisation and any identified impairment loss.

Amortisation is charged to the income statement based on the proportion of actual income earned during the year to the total estimated income from the distribution of film rights. The amortisation of film rights will not exceed twenty years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Films and Music Production in Progress

Films and music production in progress represent films, televisions drama series and music products under production, are stated at cost incurred to date, less any identified impairment loss. Cost is transferred to film and music production rights upon completion.

(i) Artiste Contract Rights

Artiste contract rights are stated at cost less accumulated amortisation and any identified impairment loss.

Amortisation is charged to the income statement over the contract term.

(j) Trademark

Trademark is stated at cost less accumulated amortisation and any identified impairment loss.

Amortisation is charged to the income statement over the contract terms.

(k) Revenue Recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, revenue is recognised in the income statement as follows:

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

(ii) Revenue from provision of telecommunication and system integration services are recognised when services performed.

(iii) Revenue from distribution of films is recognised when the video products or master materials of films are delivered to customers and the title has passed.

(iv) Revenue from provision of model and artiste services are recognised when services performed.

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

(vi) Rental income, including rentals invoices in advance from properties under operating leases, recognised on a straight-line basis over the term of the relevant leases.

(l) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less all costs to completion and costs to make the sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Current Assets and Current Liabilities

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Group's operating cycle.

(n) Foreign Currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the balance sheet date. Gains and losses arising on translation are dealt with in the income statement.

On consolidation, the balance sheet items of overseas subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date whilst the income and expenses items are translated at the average rates for the period. The resulting translation differences are dealt with in the exchange reserve.

(o) Leases

Leases are classified as finance leases whenever the terms of the contract transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised at their fair value at the date of acquisition or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as an obligation under finance leases. Finance charges, which represent the difference between the total leasing commitments and the recorded value of the assets acquired, are charged to the income statement over the term of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rental payable under operating leases are charge to income statement on a straight-line basis over the term of the relevant lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Convertible Bonds

Convertible bonds are stated at the aggregate of the net proceeds from the issue.

The net proceeds represent the amount received on the issue of the convertible bonds after deduction of direct issue costs. Direct issue costs are amortised to the income statement on a straight-line basis over the period from the date of issue to their final redemption date. If any of the convertible bonds are purchased and cancelled, redeemed or converted prior to the final redemption date, any remaining unamortised issue costs attributable to the convertible bonds purchased, redeemed or converted will be written off immediately to the income statement.

(q) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference 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 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 investment in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset realised. Deferred tax is charged or credited to 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Impairment of Assets

Internal and external sources of information are reviewed at each balance sheet date to determine whether there is any indication of impairment of assets (excluding inventories, investment properties and financial assets other than interest in subsidiaries, associates and joint ventures), or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

i. *Calculation of recoverable amount*

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash-generating unit).

ii. *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expect to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(s) Provisions

A provision is recognised when the Group has a present legal or constructive obligation, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value at the balance sheet date of the expenditures expected to be required to settle the obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(u) Employee Benefits

(i) Salaries, annual bonuses, paid annual leaves, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds are required under the Hong Kong Mandatory Provident Funds Schemes Ordinance are recognised as an expenses in the consolidated income statement as incurred.

(iii) When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

(iv) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Cash Equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(w) Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influences.

(x) Related Party Transactions

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(y) Segment Reporting

A segment is a distinguishable component of the Group that is either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial and reporting system, the Group has determined that business segments as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables, and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Intra-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the year to segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

3. TURNOVER

Turnover represents revenue from the manufacture and sale of multimedia electronic products, toys, games and trading of telecommunication components and provision of system integration services. During the year ended 30 June 2005, the Group also engaged in the investment in film rights and provision of model and artiste services. The amounts of each significant category of revenue recognised during the year are as follows:

	2005	2004
	HK$'000	HK$'000
Continuing operations:		
Manufacture and sale of		
– Multimedia electronic products	**53,281**	22,128
– Toys and games products	**–**	4,552
Trading of telecommunication products and provision of system integration service income	**3,178**	21,587
Investment return from film rights	**2,370**	–
Model and artiste service income	**332**	–
Others	**–**	1,288
	59,161	49,555

4. SEGMENT INFORMATION

(a) Business Segments

Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

The following table present revenue, results, certain assets, liabilities and expenditure information for the Group's business segments:

	Multimedia electronic products		Toys and games products		Telecommunication/ system integration		Entertainment		Others		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**53,281**	22,128	**–**	4,552	**3,178**	21,587	**2,702**	–	**–**	1,288	**59,161**	49,555
Segment results	**5,054**	3,737	**–**	438	**444**	2,298	**2,634**	–	**–**	277	**8,132**	6,750
Interest income and unallocated gains											**307**	1,851
Unallocated corporate expenses											**(31,917)**	(27,365)
Amortisation of film rights											**(2,500)**	–
Reversal of revaluation decrease on disposal of investment properties											**–**	6,500
Provision for doubtful debts											**(13,036)**	(14,646)
Loss from operations											**(39,014)**	(26,910)
Amortisation of goodwill											**(946)**	(11)
Impairment loss in respect of goodwill											**(3,809)**	–
Finance costs											**(980)**	(3,847)
Gain on disposal of subsidiaries											**4**	80,034
(Loss)/profit before taxation											**(44,745)**	49,266
Taxation											**–**	–
(Loss)/profit before minority interests											**(44,745)**	49,266
Minority interests											**7,913**	–
Net (loss)/profit for the year											**(36,832)**	49,266
Segment assets	**1,628**	6,255	**–**	695	**7,318**	3	**22,709**	–	**51,651**	18,207	**83,306**	25,160
Segment liabilities	**3,533**	3,953	**–**	106	**4,082**	8	**1,433**	–	**1,975**	27,547	**11,023**	31,614
Other segment information:												
Capital expenditures	**37**	313	**–**	23	**99**	–	**22**	–	**24,460**	171	**24,618**	507
Depreciation	**68**	281	**–**	–	**526**	–	**1**	–	**264**	468	**859**	749

4. SEGMENT INFORMATION (Continued)

(b) Geographical Segments

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers. More than 90% of the Group's assets and liabilities are located in the region of Hong Kong and mainland China. Accordingly, analysis of segment assets and liabilities based on the geographical segments has not been disclosed.

The following table presents revenue for the Group's geographical segments:

	North America		Europe		Japan		Hong Kong		China		Others		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**3,443**	5,762	**5,490**	4,129	**21**	377	**29,284**	14,556	**20,757**	24,457	**166**	274	**59,161**	49,555

No information was available for the geographical segment results.

5. LOSS FROM OPERATIONS

	2005 HK$'000	2004 HK$'000
Loss from operations is stated after charging:		
Auditors' remuneration	**380**	280
Amortisation of trademark	**20**	–
Amortisation of artiste contract rights	**3**	–
Amortisation of film rights	**2,500**	–
Depreciation		
– Owned assets	**859**	651
– Assets held under finance leases	**–**	98
Operating leases in respect of land and buildings	**1,316**	960
Cost of inventories	**51,029**	42,805
Staff costs		
– Retirement benefit scheme contributions	**177**	161
– Other staff costs, including directors' emoluments	**6,347**	7,212
Provision for obsolete inventories	**–**	7,444
and after crediting:		
Reversal of revaluation decrease		
on disposal of investment properties	**–**	6,500
Interest income	**37**	24
Rental income	**–**	1,299
Gain on disposal of other investments	**24**	–

6. FINANCE COSTS

	2005 HK$'000	2004 HK$'000
Interest on:		
Bank borrowings wholly repayable		
– within five years	**217**	937
Discount bills	**31**	–
Short-term borrowings	**244**	1,432
Convertible bonds	**426**	1,353
Obligations under finance leases	**–**	58
Amortisation of issue costs of convertible bonds	**62**	67
	980	3,847

7. TAXATION

No provision for Hong Kong profits tax has been made in the financial statements as the Company and its subsidiaries incurred taxation loss for the year (2004: Nil).

No provision for deferred tax liabilities has been made as the Group and the Company had no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The Group has not recognised deferred tax assets in respect of losses due to the unpredictability of the future profit streams.

Reconciliation between tax expense and accounting (loss)/profit at applicable tax rate:

	2005		2004	
	HK$'000	**%**	HK$'000	%
(Loss)/Profit before taxation	**(44,745)**		49,266	
Tax at domestic income tax rate	**(7,830)**	**17.5**	8,622	17.5
Tax effect of income that is not taxable in determining taxable profit	**(1)**	**–**	(14,478)	(29.3)
Tax effect of expenses that are not deductible in determining taxable profit	**579**	**(1.3)**	5,535	11.2
Tax effect of unrecognised temporary differences	**(221)**	**0.5**	257	0.5
Tax effect of tax losses in prior year utilised this year	**–**	**–**	(825)	(1.7)
Tax effect of unrecognised tax losses	**7,473**	**(16.7)**	889	1.8
Taxation charge for the year	**–**	**–**	–	–

Tax payable amounted to approximately HK$401,000 stated in the consolidated balance sheet represents the value added tax arising from the PRC operation which included in the cost of sales in the consolidated income statement.

8. NET (LOSS)/PROFIT FOR THE YEAR

Of the Group's net loss for the year of HK$36,832,000 (2004: a profit of HK$49,266,000), HK$8,593,000 (2004: a loss of HK$15,783,000) has been dealt with in the financial statements of the Company.

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per ordinary share is based on the following data:

	2005	2004
	HK$'000	HK$'000
(Loss)/Earnings for calculation of basic (loss)/earnings per ordinary share (net (loss)/profit attributable to ordinary shareholders)	**(36,832)**	49,266
Effect of dilutive potential ordinary shares		
– interest on convertible bonds	**–**	773
(Loss)/Earnings for calculation of diluted (loss)/earnings per ordinary share	**(36,832)**	50,039

	Number of shares '000	Number of shares '000
Weighted average number of shares used in calculating basic (loss)/earnings per share	**388,118**	260,599
Effect of dilutive potential ordinary shares		
– convertible bonds	**–**	11,597
Weighted average number of shares used in calculating diluted (loss)/earnings per ordinary share	**388,118**	272,196

The weighted average number of ordinary shares for the year ended 30 June 2004 for the purpose of basic and diluted earnings per share has been adjusted for the share consolidation which was approved by the shareholders effect on 17 December 2004.

10. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 30 June 2005 (2004: Nil).

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' Emoluments

Directors' remuneration, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

			Group		
	Fees	**Salaries**	**Housing Allowances**	**Provident Fund Contributions**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Name of Director					
2005:					
Executive directors					
Mr. Carl Chang	–	1,520	400	15	1,935
Mr. Yu Kam Yuen, Lincoln	83	–	–	–	83
Mr. Wu Jiahong	110	–	–	–	110
Mr. Liao Chongde	791	–	216	–	1,007
Independent non-executive directors					
Mr. Li Fui Lung, Danny	100	–	–	–	100
Mr. Ng Hol Yue, Herman	100	–	–	–	100
Mr. John Paul McLellan	75	–	–	–	75
	1,259	**1,520**	**616**	**15**	**3,410**
2004:					
Executive directors					
Mr. Wu Jiahong	–	698	193	12	903
Mr. Liao Chongde	–	465	132	10	607
Mr. Zhang Yiwei	–	391	141	6	538
Mr. Lee Kwok Leung, Alan	120	–	–	–	120
Independent non-executive directors					
Mr. Li Fui Lung, Danny	100	–	–	–	100
Mr. Ng Hoi Yue, Herman	100	–	–	–	100
	320	1,554	466	28	2,368

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' Emoluments (Continued)

During the year, no share options (2004: Nil) were granted to directors under the Company's share option scheme. The details of these benefits in kind are disclosed under the section headed "Directors' Interests in Shares, Underlying Shares and Debentures" in Report of the Directors. In the absence of a readily available market value for an accurate assessment of the value of these share options, accordingly, no value has been included in the emoluments of the directors in respect thereof.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

(b) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2004: three) directors of the Company, details of whose emoluments are set out above. The emoluments payable to the remaining three (2004: two) individuals during the year are as follows:

	2005	2004
	HK$'000	HK$'000
Salaries and other benefits	**773**	924

The emoluments of the non-director individuals fell within the following bands:

	2005	2004
	Number of employees	
Nil to HK$1,000,000	**3**	2
HK$1,000,001 to HK$1,500,000	**–**	–
	3	2

12. EMPLOYEE BENEFITS

Retirement Benefit Scheme

Prior to 1 December 2000, the Group operated a defined contribution retirement benefits scheme ("Defined Contribution Scheme") for its qualifying employees in Hong Kong. The assets of the scheme were held separately from those of the Group in funds under the control of an independent trustee. Where there are employees who leave the Defined Contribution Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce the contributions payable by the Group. The Defined Contribution Scheme was terminated on 1 December 2000.

Effective from 1 December 2000, the Group joined the MPF Scheme for all of its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Authority under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. 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 Group and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. No forfeited contribution is available to reduce the contribution payable in the future years.

The employees of the Company's subsidiary in the People's Republic of China (the "PRC") are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the basic salary of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pension or post-retirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represent the entire pension obligations payable to retired employees.

The Group does not have any other pension schemes for its employees in respect of its subsidiaries outside Hong Kong and the PRC.

Equity Compensation Benefits

Share Options

The Company has adopted a share option scheme ("Share Option Scheme") on 23 November 2001 under which the directors may grant options to employees, including any directors of the Company, its subsidiaries or any entity in which any member of the Group holds an equity interest to subscribe for shares in the Company as incentive or rewards for their contribution to the Group. The subscription price will be determined by the directors (subject to adjustment), and will not be less than (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for trades in one or more board lots of shares on the date of offer of the options; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the options; or (iii) the nominal value of the shares of the Company, whichever is the highest. The maximum number of shares in respect of which options may be granted under this scheme may not exceed 30% of the issued share capital of the Company from time to time. The amount paid on acceptance of an option was HK$1. An option may be exercised at any time before the expiration of ten years from the date of grant of the option. The maximum entitlement of each participant under the Share Option Scheme in any 12-month period is 1% of the shares of the Company in issue from time to time. As at the date of this report, a total of 215,422,444 shares of the Company (representing 10% of the existing issued share capital of the Company) are available for issue under the Share Option Scheme. The Share Option Scheme will expire on 23 November 2011.

12. EMPLOYEE BENEFITS (Continued)

Equity Compensation Benefits (Continued)

Details of the movement of share options during the year ended 30 June 2005 under the Share Option Scheme were as follows:

		Number of share options		
Exercisable on or after	**Exercise price** HK$	**Outstanding as at 1 July 2004**	**Exercised during year**	**Outstanding as at 30 June 2005**
20 February 2003	0.017	50,000,000	(50,000,000)	–

13. INTANGIBLE ASSETS

Group

	Trademark HK$'000	**Artiste contract rights** HK$'000	**Goodwill** HK$'000	**Total** HK$'000
Cost:				
At 1 July 2004	–	–	107	107
Additions	1,169	120	5,767	7,056
At 30 June 2005	**1,169**	**120**	**5,874**	**7,163**
Accumulated amortisation and impairment:				
At 1 July 2004	–	–	27	27
Provided for the year	20	3	946	969
Impairment loss	–	–	3,809	3,809
At 30 June 2005	**20**	**3**	**4,782**	**4,805**
Net book value:				
At 30 June 2005	**1,149**	**117**	**1,092**	**2,358**
At 30 June 2004	–	–	80	80

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold properties HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Tools and moulds HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:						
At 1 July 2004	–	30	288	258	1,090	1,666
Acquisition of subsidiaries	–	–	3,157	–	–	3,157
Additions	21,879	1,805	934	–	–	24,618
Disposals	–	(30)	(201)	–	(1,090)	(1,321)
At 30 June 2005	**21,879**	**1,805**	**4,178**	**258**	**–**	**28,120**
Accumulated depreciation:						
At 1 July 2004	–	7	71	13	207	298
Charge for the year	119	90	598	52	–	859
Acquisition of subsidiaries	–	–	559	–	–	559
Written back on disposals	–	(7)	(60)	–	(207)	(274)
At 30 June 2005	**119**	**90**	**1,168**	**65**	**–**	**1,442**
Net book value:						
At 30 June 2005	**21,760**	**1,715**	**3,010**	**193**	**–**	**26,678**
At 30 June 2004	–	23	217	245	883	1,368

The net book value of certain of the above assets held under finance leases are analysed as follows:

	Leasehold properties HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Tools and moulds HK$'000	Motor vehicles HK$'000	Total HK$'000
At 30 June 2005	**–**	**–**	**–**	**–**	**–**	**–**
At 30 June 2004	–	–	–	–	883	883

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Cost:				
At 1 July 2004	30	233	1,090	1,353
Additions	1,805	777	–	2,582
Disposals	(30)	(201)	(1,090)	(1,321)
At 30 June 2005	**1,805**	**809**	**–**	**2,614**
Accumulated depreciation:				
At 1 July 2004	7	64	207	278
Charge for the year	90	55	–	145
Written back on disposals	(7)	(60)	(207)	(274)
At 30 June 2005	**90**	**59**	**–**	**149**
Net book value:				
At 30 June 2005	**1,715**	**750**	**–**	**2,465**
At 30 June 2004	23	169	883	1,075

The net book value of property, plant and equipment includes an amount of approximately HK$Nil (2004: HK$883,000) in respect of assets held under financial leases.

15. INVESTMENT PROPERTIES

	Group	
	2005	2004
	HK$'000	HK$'000
Valuation:		
At 1 July 2004/2003	**–**	28,000
Disposal	**–**	(28,000)
At 30 June 2005/2004	**–**	–

On 12 March 2004, the investment property has been sold at a consideration of HK$34,500,000.

16. INVESTMENT IN SUBSIDIARIES

	Company 2005 HK$'000	2004 HK$'000
Unlisted shares, at cost	**1**	1
Net amounts due from subsidiaries, less provision	**57,378**	–
	57,379	1

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The following is a list of the significant subsidiaries at 30 June 2005:

Name of subsidiary	Place of incorporation/ operation	Issued capital/ registered capital	Proportion of nominal value of issued shares/ registered capital held by the Company Directly	Indirectly	Principal activities
Anyone Holdings Limited	British Virgin Islands ("BVI")	1 share of US$1	100%	–	Property holding
Cross Challenge Limited	BVI	1 share of US$1	100%	–	Investment holding
Day Achieve Limited	BVI	1 share of US$1	100%	–	Investment holding
Ease Strong Limited	Hong Kong	1 share of HK$1	100%	–	Provision of secretarial services
Enjoy Profits Limited	BVI	1 share of US$1	100%	–	Investment holding
Great Central Trading Limited	BVI	1 share of US$1	100%	–	Investment holding
Joybase Investments Limited *Note (iii)*	BVI	1 share of US$1	–	70%	Entertainment and provision of artiste management services
Look Models Hong Kong Limited	Hong Kong	500,000 shares of HK$1 each	–	100%	Provision of model agency services

16. INVESTMENT IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued shares/ registered capital	Proportion of nominal value of issued shares/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Media Platform Limited	BVI	1 share of US$1	100%	–	Investment holding
Ruian Technology Company Limited	Hong Kong	2 shares of HK$1 each	–	100%	Trading in multimedia electronic products
See Corporation Limited *Note (iv)*	Hong Kong	1 share of HK$1	–	100%	Dormant
See Entertainment Limited	Hong Kong	1 share of HK$1	–	100%	Investment in film production and provision of concert management services
See Movie Limited	Hong Kong	1 share of HK$1	–	100%	Distribution of motion pictures and television drama series
See Music Limited	Hong Kong	1 share of HK$1	–	100%	Production of music video and provision of promotion services
See People Limited	Hong Kong	1 share of HK$1	–	100%	Provision of artiste management services
深圳銀河通信息技術有限公司 *Note (v)*	People's Republic of China	RMB20,000,000	–	55%	Provision of telecommunication and system integration services
Shineidea Limited	BVI	1 share of US$1	100%	–	Investment in securities

16. INVESTMENT IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued shares/ registered capital	Proportion of nominal value of issued shares/ registered capital held by the Company Directly	Indirectly	Principal activities
Talent Bang Limited	Hong Kong	100 shares of HK$1 each	–	100%	Provision of model agency services
Transfer Networks Limited	BVI	1 share of US$1	100%	–	Investment holding
Wise Novel Investments Limited	BVI	1 share of US$1	100%	–	Investment holding

Notes:

(i) All are ordinary share capital unless otherwise stated.

(ii) Investment in Future Wealth Investments Limited was disposed of at a consideration of US$1 on 16 August 2004.

(iii) Name changed to Snazz Entertainment Group Limited on 29 August 2005.

(iv) Name changed to Seethru Limited on 8 October 2005.

(v) Sino-foreign equity joint venture.

None of the subsidiaries had any loan capital subsisting at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. FILM RIGHTS

	Group HK$'000
Cost:	
Additions and at 30 June 2005	**5,000**
Accumulated amortisation:	
Provided for the year and at 30 June 2005	**2,500**
Carrying amount:	
At 30 June 2005	**2,500**

18. FILM AND MUSIC PRODUCTION IN PROGRESS

	Group	
	2005	2004
	HK$'000	HK$'000
Film production in progress	**12,903**	–
Music production in progress	**1,876**	–
	14,779	–

19. INVENTORIES

	Group	
	2005	2004
	HK$'000	HK$'000
Finished goods	**12,316**	8,268
Less: Provision for obsolete inventories	**(9,617)**	(8,268)
	2,699	–

20. INVESTMENT DEPOSITS

	Group	
	2005	2004
	HK$'000	HK$'000
Deposit for acquisition of a subsidiary *(Note)*	**–**	16,100

Note: On 10 September 2003, Transfer Networks Limited ("TNL"), a wholly owned subsidiary of the Company, entered into a conditional Investment Agreement (the "Investment Agreement") with the shareholders of 深圳銀河通信息技術有限公司 ("SRT"), inter alia, to invest RMB17,000,000 (approximately HK$16,100,000) in registered share capital of SRT.

As some of the conditions of the Investment Agreement cannot be fulfilled within 45 days from the Investment Agreement, parties to the Investment Agreement agreed on two occasions to extend the completion date to 31 July 2004. On 21 July 2004, all of the conditions were fulfilled and the Investment Agreement was completed. As such, the amount injected was treated as the acquisition cost for 55% of equity interest in SRT as at the year end date, 30 June 2005.

21. TRADE AND OTHER RECEIVABLES

At 30 June 2005, the balances of trade and other receivables included trade receivables of approximately HK$4,750,000 (2004: HK$2,440,000). An aged analysis of trade receivables prepared on the basis of sales invoice date is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
0–90 days	**4,077**	1,373
91 days or above	**673**	1,067
	4,750	2,440

The Group allows an average credit period of 90–180 days (2004: 90–180 days) to its trade customers.

22. TRADE AND OTHER PAYABLES

At 30 June 2005, the balances of trade and other payables included trade payables of approximately HK$4,731,000 (2004: HK$2,181,000). An aged analysis of trade payables prepared on the basis of supplier invoice date is as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
0–90 days	**3,887**	1,598
91 days or above	**844**	583
	4,731	2,181

23. SHORT-TERM SECURED BANK BORROWINGS

	Group	
	2005	2004
	HK$'000	HK$'000
Trust receipts and import loans	**–**	1,442

24. OBLIGATIONS UNDER FINANCE LEASES

Group and Company

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**–**	250	**–**	208
In the second to fifth year inclusive	**–**	542	**–**	504
	–	792	**–**	712
Less: Future finance charges	**–**	(80)	**–**	–
Present value of obligations under finance leases	**–**	712	**–**	712
Less: Amount due within one year shown under current liabilities			**–**	(208)
Amount due after one year			**–**	504

The average lease term is five years. All leases are on fixed repayment basis and no arrangement have been entered into for contingent rental payments.

25. CONVERTIBLE BONDS

	Group and Company	
	2005	2004
	HK$'000	HK$'000
Principal amount		
At the beginning of year	**16,000**	15,602
Redemption during the year	**–**	(15,602)
Conversion during the year	**(16,000)**	–
Issue during the year	**–**	16,000
At the end of year	**–**	16,000
Less: Issue costs		
At the beginning of year	**62**	–
Incurred during the year	**–**	129
Amortisation during the year including amounts written back upon conversion	**(62)**	(67)
At the end of year	**–**	62
Carrying value at 30 June	**–**	15,938

The HK$16,000,000 8% convertible bonds (the "Bonds") were issued on 23 December 2003 with a maturity date of 22 December 2004. On 29 November 2004, the Company received notice from the holders of the Bonds. 888,888,888 ordinary shares were duly issued and allotted at the conversion price of HK$0.018 per share in accordance with the terms of the Bonds. The consideration received by the Company for the issue of the 888,888,888 shares amounted to HK$16,000,000.

26. SHORT-TERM BORROWINGS

Group and Company

Short-term borrowings of HK$8,560,000 is unsecured, chargeable with interest at 10% p.a. and fully repaid on 7 February 2005 by issuing 21,732,430 shares at HK$0.40 each in settlement of the loan.

27. SHARE CAPITAL

	Note	Number of shares	Nominal value HK$'000
Authorised:			
Ordinary shares of HK$0.01 each at 1 July 2004		20,000,000,000	200,000
Share consolidation	*(c)*	(19,500,000,000)	–
		500,000,000	200,000
Increase in authorised share capital	*(d)*	750,000,000	300,000
		1,250,000,000	500,000
Capital reorganisation			
– Cancellation of unissued shares	*(g)(ii)*	(711,443,889)	(284,578)
– Capital reduction	*(g)(i)*	–	(210,036)
– Increase in authorised share capital	*(g)(ii)*	49,461,443,889	494,614
Ordinary shares of HK$0.01 each at 30 June 2005		50,000,000,000	500,000

27. SHARE CAPITAL (Continued)

	Note	Number of shares	Nominal value HK$'000
Issued:			
Ordinary shares of HK$0.01 each at 1 July 2003		9,614,124,132	96,141
Issue of shares pursuant to – Subscription agreements		1,000,000,000	10,000
Ordinary shares of HK$0.01 each at 30 June 2004 and 1 July 2004		10,614,124,132	106,141
Exercise of share options	*(a)*	50,000,000	500
Conversion of convertible bonds	*(b)*	888,888,888	8,889
Share consolidation	*(c)*	(11,264,187,695)	–
Placing of shares	*(e)*	225,000,000	90,000
Settlement of short-term borrowings	*(f)*	24,730,786	9,892
Capital reduction	*(g)(i)*	–	(210,036)
Ordinary shares of HK$0.01 each at 30 June 2005		538,556,111	5,386

All new shares rank pari passu in all respects with the existing shares in issue.

27. SHARE CAPITAL (Continued)

Notes:

The following movements in the Company's authorised and issued share capital took place during the year ended 30 June 2005:

(a) On 29 November 2004, the Company received notice from a holder of the share options to fully exercise rights attached to the 50,000,000 share options granted under the Share Option Scheme. A total of 50,000,000 ordinary shares of HK$0.01 each were duly issued and allotted at the exercise price of HK$0.017 per share in accordance with the rules of the Share Option Scheme. The consideration received by the Company for the issue of the 50,000,000 shares amounted to HK$850,000.

(b) On 29 November 2004, the Company received notice from the holders of the Bonds. 888,888,888 ordinary shares were duly issued and allotted at the conversion price of HK$0.018 per share in accordance with the terms of the Bonds. The consideration received by the Company for the issue of the 888,888,888 shares amounted to HK$16,000,000.

(c) Pursuant to a resolution passed by the shareholders of the Company at a special general meeting held on 17 December 2004, every forty issued and unissued ordinary shares of HK$0.01 each in the share capital of the Company were consolidated into one share of HK$0.40 each.

(d) On 20 December 2004, the authorised share capital was increased from HK$200,000,000 to HK$500,000,000 by the creation of 750,000,000 new consolidated shares of HK$0.40 each.

(e) On 21 January 2005, 225,000,000 new consolidated shares of par value of HK$0.40 each were issued by the Company through placement to independent third parties at par value pursuant to a placing agreement entered into between the Company and Tai Fook Securities Company Limited as the placing agent on 12 November 2004. The consideration received by the Company for the issue of the 225,000,000 shares amounted to HK$90,000,000.

(f) On 7 February 2005, the Company entered into settlement agreements with Ms. Tsim Shui Ting ("Ms. Tsim") and Asano (Pte) Ltd. ("APL"), pursuant to which the Company agreed to allot and issue 21,732,430 shares and 2,998,356 shares, all credited as fully paid, at HK$0.40 each to Ms. Tsim and APL respectively in settlement of the loans owed to them. Such shares were issued on 9 March 2005. The consideration received by the Company for the issue of the 24,730,786 shares amounted to HK$9,892,314.

(g) At a special general meeting held on 27 June 2005, a capital reorganisation which involves, inter alia, (i) a reduction of the nominal value of each of the 538,556,111 issued shares from HK$0.40 to HK$0.01 by cancelling the Company's paid up capital to the extent of HK$0.39 on each issued share and (ii) the cancellation of all of the authorised but unissued 711,443,889 shares with the subsequent increase of the authorised share capital to HK$500,000,000 of HK$0.01 each by the creation of 49,461,443,889 shares of HK$0.01 each was approved by the shareholders of the Company.

Share Options

The Company operates a share option scheme, further details of which are set out under the heading "Equity Compensation Benefits" in note 12 to the financial statements.

28. RESERVES

Group

	Share premium HK$'000	Contributed surplus HK$'000	Asset revaluation reserve HK$'000	Capital reserve on consolidation HK$'000	Accumulated deficits HK$'000	Total HK$'000
At 1 July 2003	109,448	–	1,461	10,800	(277,533)	(155,824)
Premium arising on issue of shares pursuant to subscription agreements	6,224	–	–	–	–	6,224
Release upon disposal of subsidiaries	–	–	(1,461)	(10,800)	–	(12,261)
Net profit for the year	–	–	–	–	49,266	49,266
At 30 June 2004	115,672	–	–	–	(228,267)	(112,595)
At 1 July 2004	115,672	–	–	–	(228,267)	(112,595)
Premium arising on issue of shares pursuant to exercise of share options	350	–	–	–	–	350
Premium arising on issue of shares pursuant to conversion of convertible bonds	7,111	–	–	–	–	7,111
Share issue expenses on placing of shares	(2,610)	–	–	–	–	(2,610)
Capital reduction	–	210,036	–	–	–	210,036
Amount transferred to write off accumulated deficits	–	(210,036)	–	–	210,036	–
Net loss for the year	–	–	–	–	(36,832)	(36,832)
At 30 June 2005	**120,523**	**–**	**–**	**–**	**(55,063)**	**65,460**

28. RESERVES (Continued)

Company

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated deficits HK$'000	Total HK$'000
At 1 July 2003	109,448	13,508	(231,938)	(108,982)
Premium arising on issue of shares pursuant to subscription agreements	6,224	–	–	6,224
Release upon disposal of subsidiaries	–	(13,508)	–	(13,508)
Net loss for the year	–	–	(15,783)	(15,783)
At 30 June 2004	115,672	–	(247,721)	(132,049)
At 1 July 2004	115,672	–	(247,721)	(132,049)
Premium arising on issue of shares pursuant to exercise of share options	350	–	–	350
Premium arising on issue of shares pursuant to conversion of convertible bonds	7,111	–	–	7,111
Share issue expenses on placing of shares	(2,610)	–	–	(2,610)
Capital reduction	–	210,036	–	210,036
Amount transferred to write off accumulated deficits	–	(210,036)	210,036	–
Net loss for the year	–	–	(8,593)	(8,593)
At 30 June 2005	**120,523**	**–**	**(46,278)**	**74,245**

28. RESERVES (Continued)

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

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) 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.

The contributed surplus represents the difference between the consolidated shareholders' funds of WIIL group at the date on which its shares were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition.

During the year ended 30 June 2004, the entire of equity interest of WIIL Group has been disposed. Accordingly, the contribution surplus brought forward was released upon the completion of disposal.

Pursuant to a resolution passed by the shareholders of the Company at a special general meeting held on 27 June 2005, a capital reorganisation which involves (i) a reduction of the nominal value of each of the 538,556,111 issued shares from HK$0.40 to HK$0.01 by cancelling the Company's paid up capital to the extent of HK$0.39 on each issued share by standing credit of the Company's contributed surplus accounts, and (ii) transferring the amount to write off the accumulated deficits.

In the opinion of the directors, the Company did not have any reserves available for distribution to shareholders at 30 June 2005 and 30 June 2004.

29. DISPOSAL OF SUBSIDIARIES

	2005 HK$'000	2004 HK$'000
Net assets disposed of:		
Property, plant and equipment	–	40,518
Inventories	–	26,751
Trade and other receivables	1,003	22,682
Cash and bank balances	1	2,598
Pledged bank deposit	–	8,997
Trade and other payables	(8)	(96,390)
Amount due to a related company	–	(38,301)
Secured short term bank borrowing	–	(16,593)
Obligation under finance leases – due within one year	–	(993)
Other secured borrowings	–	(14,378)
Amount due to the Group	(1,042)	(145,069)
Net liabilities	(46)	(210,178)
Asset revaluation reserve released on disposal	–	(1,461)
Capital reserve on consolidation released on disposal	–	(10,800)
Amount due to the Group written off on disposal	42	142,810
Gain on disposal of subsidiaries	4	80,034
	–	405
Satisfied by:		
Cash consideration received	1	405
Net cash outflow in respect of the disposal of a subsidiary:		
Cash consideration received	1	405
Cash and bank balances disposed of	(1)	(2,598)
	–	(2,193)

The subsidiary disposed of during the year does not have material effect on the Group's operating cash flow, turnover and operating loss for the year ended 30 June 2005.

30. ACQUISITION OF SUBSIDIARIES

	2005 HK$'000	2004 HK$'000
Net assets acquired:		
Property, plant and equipment	2,598	–
Inventories	2,699	–
Trade and other receivables	21,151	–
Cash and bank balances	973	–
Trade and other payables	(1,905)	–
Tax payable	(118)	–
Secured short term bank borrowing	(4,717)	–
Minority interest	(9,348)	–
Net assets	11,333	–
Goodwill arising on acquisition	5,767	–
Total purchase price	17,100	–
Satisfied by:		
Cash consideration paid	17,100	–
Net cash outflow in respect of the acquisition of subsidiaries:		
Cash consideration paid	17,100	–
Cash and bank balances acquired	(973)	–
	16,127	–

The subsidiaries acquired during the year contributed approximately HK$3,281,000 to the Group's turnover and loss after taxation and minority interests of approximately HK$9,670,000 to the Group for the year.

31. OPERATING LEASES COMMITMENTS

As at 30 June 2005, the Group had outstanding commitments under non-cancellable operating leases which fall due as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Within one year	**255**	719
In the second to fifth year inclusive	**100**	180
	355	899

Operating lease payments represent rentals payable by the Group for certain of its office property and staff quarters. Leases and rentals were negotiated and fixed for an average term of two years (2004: two years).

32. CAPITAL COMMITMENTS

At 30 June 2005, the Group had the following commitments which were not provided for in the consolidated balance sheet:

	Group	
	2005	2004
	HK$'000	HK$'000
Authorised and contracted for in respect of capital contribution in film production in progress	**4,884**	–
Authorised and contracted for in respect of a music production in progress	**1,400**	–
	6,284	–

33. CONTINGENT LIABILITIES

(i) As at 30 June 2005, the Company provided corporate guarantees amounting to approximately HK$24 million to a financial institution in respect of banking facilities granted to WIIL group, approximately HK$5.5 million of which was utilized by members of the WIIL group and such amount was subject to action by the financial institution as disclosed in point (iii) below.

(ii) The Company and its former subsidiary, P.N. Elecronics Ltd. ("PNE") are in an arbitration with North American Foreign Trading Corporation ("NAFT") in respect of a gross receivable of HK$18 million and related damages from various parties for goods shipped by PNE to NAFT IN 1996. The arbitration proceedings were initiated by NAFT against the Company and PNE claiming for alleged damages in New York, USA. The Company has, upon legal advice, vigorously contested the alleged claims and has counterclaimed for the said sum of HK$18 million as well as other damages in the said proceedings. At this time, the action is in a standstill and thus it is not possible to predict the outcome with reasonable certainty.

(iii) On 13 October 2003, a Writ of Summons and Statement of Claim was made by BII Finance Company Limited ("BII Finance") against the Company under a guarantee allegedly given by the Company in favour of BII Finance in respect of certain alleged liabilities of a former subsidiary, Welback Enterprise Limited. The claim is for a sum of approximately HK$3,583,000 and US$248,000 (approximately HK$1,934,000) together with interest and costs. BII Finance made an application for summary judgment against the Company on 25 February 2004. This application was dismissed on 15 July 2005. The Company was successful in defending BII Finance's application for summary judgment and was granted unconditional leave to defend the action by the Court. The Company has also issued Third Party proceedings against Mr. Lee Chun Kwok and Mr. Fong Wing Seng, former directors of the Company, seeking where necessary a contribution to the extent of 49% of BII Finance's claim. The Company will continue to defend BII Finance's claim, and will also continue to pursue the Third Party proceedings against Mr. Lee Chun Kwok and Mr. Fong Wing Seng. The parties in the main action are currently in the process of discovery.

The Company is considering the merits of these claims and regards some of these claims as groundless. Nonetheless, the Company is currently seeking financial and legal advice on the effect on the Company of these matters and on what further actions are appropriate.

34. SUBSEQUENT EVENTS

(i) On 21 April 2005, the Company proposed to raise approximately HK$161.6 million before expenses by way of the rights issue of 1,615,668,333 rights shares at a price of HK$0.10 each payable in full on acceptance on the basis that three rights shares for every existing share held on the record date. The rights issue was approved by the shareholders at the special general meeting held on 27 June 2005 and completed on 22 July 2005.

(ii) On 21 April 2005, the Company has entered into convertible notes subscription agreement with Hanny Holdings Limited ("Hanny") which Hanny will subscribe for and the Company will issue to Hanny the convertible notes in the principal amount of HK$170 million for a total cash consideration of HK$170 million. The convertible notes subscription was approved by the shareholders at the special general meeting held on 27 June 2005 and completed on 10 August 2005.

(iii) On 21 April 2005, pursuant to the convertible notes placing agreement, Tai Fook Securities Company Limited ("Tai Fook") will procure placees, on a best effort basis, to subscribe in cash for the convertible notes up to the principal amount of HK$130 million. On the assumption that all the HK$130 million convertible notes are successfully placed by Tai Fook, the net proceeds raised from the convertible notes placing is approximately HK$126.5 million. The convertible note placing was approved by the shareholders at the special general meeting held on 27 June 2005. The Company has agreed with Tai Fook to further extend the time for completion of the convertible notes placing to 31 October 2005.

(iv) On 21 April 2005, a sales and purchase agreement was entered between Enjoy Profits Limited, a wholly owned subsidiary of the Group and TVB Satellite TV Holdings Limited to acquire 49% equity interest in Galaxy Satellite TV Holdings Limited with consideration of HK$336,274,510 ("Proposed Acquisition"). The Proposed Acquisition has been agreed by shareholders at the special general meeting held on 27 June 2005 and the Proposed Acquisition was completed on 12 August 2005.

(v) Pursuant to a resolution passed by the shareholders of the Company at a special general meeting held on 27 June 2005, a capital reorganisation which involves cancellation of approximately HK$28.7 million standing to the credit of the Company's share premium accounts, and the cancellation became effective on 15 July 2005.

35. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 October 2005.