

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31ST DECEMBER, 2005 – UNAUDITED

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2005 annual financial statements, except for the accounting policy changes are expected to be reflected in the 2006 annual financial statements. Details of these changes in accounting policies are set out in note 2.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which term collectively includes HKASs and Interpretations) that are effective or available for early adoption for accounting periods beginning on or after 1st January, 2005. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group’s annual financial statements for the year ending 30th June, 2006, on the basis of HKFRSs currently in issue.

The adoption of HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated financial statements.

Interim Report 2005/06

3. SEGMENT INFORMATION

The Group's primary format for reporting segment information is geographical segments.

Six months ended 31st December, 2005

	Hong Kong <i>HK\$'000</i>	The People's Republic of China (the "PRC") <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER			
External sales	<u>30,785</u>	<u>377</u>	<u>31,162</u>
SEGMENT RESULT	<u>619</u>	<u>40</u>	659
Other operating income			308
Unallocated corporate expenses			<u>(3,418)</u>
Loss for the period			<u>(2,451)</u>

Six months ended 31st December, 2004

	Hong Kong <i>HK\$'000</i>	The PRC <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER			
External sales	<u>27,511</u>	<u>517</u>	<u>28,028</u>
SEGMENT RESULT	<u>(888)</u>	<u>(244)</u>	(1,132)
Other operating income			220
Unallocated corporate expenses			<u>(7,020)</u>
Loss for the period			<u>(7,932)</u>

4. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging/(crediting):

	Six months ended	
	31.12.2005	31.12.2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	25	110
Interest income	(282)	(90)
Unrealised losses/(gain) on investments in securities	473	(123)
	<u><u>473</u></u>	<u><u>(123)</u></u>

5. TAXATION

No provision for Hong Kong Profits Tax and PRC enterprise income tax have been made in the financial statements as the Group's operations in both Hong Kong and PRC incurred tax loss for the period.

6. DIVIDEND

No dividends were paid during the period. The directors do not recommend the payment of an interim dividend.

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period of approximately HK\$2,451,000 (six months ended 31st December, 2004: HK\$7,932,000) and on the weighted average number of ordinary shares of 82,130,165 (six months ended 31st December, 2004: on 76,878,876 after adjusting for the Open Offer during the period).

Diluted loss per share has not presented as there is no dilutive potential ordinary shares in issue for both periods.

Interim Report 2005/06

8. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30-60 days to its trade customers.

The following is an ageing analysis of trade receivables at the reporting date:

	31.12.2005 <i>HK\$'000</i>	30.6.2005 <i>HK\$'000</i>
Trade receivables		
Within 30 days	4,739	5,480
31 to 60 days	99	135
Over 60 days	8	1
	<hr/>	<hr/>
Deposits and prepayments	4,846 197	5,616 1,454
	<hr/>	<hr/>
	5,043	7,070
	<hr/> <hr/>	<hr/> <hr/>

9. TRADE AND OTHER PAYABLES

The following is an ageing analysis of trade payables at the reporting date:

	31.12.2005 <i>HK\$'000</i>	30.6.2005 <i>HK\$'000</i>
Trade payables		
Within 30 days	1,141	2,680
31 to 60 days	296	3
Over 60 days	70	-
	<hr/>	<hr/>
Other payables and accrued charges	1,507 575	2,683 626
	<hr/>	<hr/>
	2,082	3,309
	<hr/> <hr/>	<hr/> <hr/>

10. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 31st December, 2005 and 30th June, 2005	<u>1,500,000,000</u>	<u>150,000</u>
Issued and fully paid:		
At 1st July, 2004	1,110,472,663	111,047
Share consolidation	<u>(1,054,949,030)</u>	<u>(105,495)</u>
At 30th June, 2005 and 1st July, 2005	55,523,633	5,552
Open Offer	<u>27,761,816</u>	<u>2,776</u>
At 31st December, 2005	<u>83,285,449</u>	<u>8,328</u>

On 22nd August, 2005, the Company raised net proceeds of approximately HK\$2.6 million by an open offer of 27,761,816 offer shares at HK\$0.10 per share on the basis of one offer share for every two shares held ("Open Offer") to provide additional working capital for the Group.