

# NOTES TO FINANCIAL STATEMENTS

30 June 2003  
(in HK Dollars)

## 1. CORPORATE INFORMATION

The Company was incorporated in Hong Kong as a public limited company and its shares are listed on The Stock Exchange of Hong Kong Limited.

The principal activities of the Company and its subsidiaries are the manufacturing and trading of electrical equipment, the provision of electrical engineering and contracting services, the trading of listed securities, property development, celebrity management and distribution of certain cultural, media, film, entertainment and/or related products in Hong Kong and all other territories outside the People's Republic of China (the "PRC").

## 2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following new and revised SSAPs are effective for the first time for the current year's financial statements:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34	:	Employee benefits

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs, which have had a significant effect on the financial statements, are summarised as follows:

- (i) SSAP 1 (revised) prescribed the basis for presentation of financial statements and sets out guidelines for their structure and minimum requirements of the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The consolidated statement of changes in equity for the current financial year and the comparative figures has been presented in accordance with the revised SSAP.
- (ii) SSAP 11 (revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated into the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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### 2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPS") (Continued)

- (iii) SSAP 15 (revised) prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised.
- (iv) SSAP 34 prescribed the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no material change to the previously adopted accounting treatments for employee benefits. In addition, disclosures are required in respect of the Company's share option scheme.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all applicable SSAPs and Interpretations issued by the Hong Kong Society of Accountants (the "HKSA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. 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 measurement basis used in the preparation of the financial statements is historical cost as modified for the revaluation of investments in securities and properties under development for sale as explained in the accounting policies set out below.

#### (b) Basis of consolidation

The consolidated financial statements incorporated the financial statements of the Company and its subsidiaries made up to 30 June 2003.

Where a subsidiary operates under severe restrictions which significantly impair control by the Group over its assets and operations for the foreseeable future, the Group's interest in the subsidiary is stated in the consolidated financial statements at the amount at which it would have been included under the equity method of accounting at the date on which the restrictions came into force, less provision for any subsequent impairment in value.

The results of the subsidiaries and associates acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition and up to the effective dates of disposal, as appropriate.

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

## NOTES TO FINANCIAL STATEMENTS (Continued)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (c) Goodwill

Goodwill arising on consolidation of subsidiaries represents the excess purchase consideration paid for such companies ascribed to the net underlying assets at the date of acquisition and is capitalised and amortised on a straight-line basis over its useful economic life of 10 years.

Goodwill arising on the acquisition of an associate or a joint venture is included within the carrying amount of the associate or joint venture.

Upon the actual disposal of investments in subsidiaries and associates, the attributable amount of unamortised goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary, associate and joint venture.

#### (d) Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than 50% of the issued share capital or registered share capital, or controls more than 50% of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

In the financial statements of the Company, investments in subsidiaries are stated at cost. Provision is made to the extent that the directors consider significant diminution in value, which is other than temporary, has taken place. Results of the subsidiary are accounted for by the Company on the basis of dividends received or receivable during the year.

#### (e) Associates

An associate is an enterprise in which the Group has significant influence, but not control or joint control, and thereby has the ability to participate in their financial and operating policy decisions.

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 the net assets of the associates on acquisition in so far as it has not been written off.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost less any provision considered necessary by the directors to reflect a diminution in value which is other than temporary.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (f) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated income statement includes the Group's share of the results of jointly controlled entity for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entity and goodwill (net of accumulated amortisation) on acquisition.

#### (g) Turnover

Turnover represents the net amounts received and receivable for electrical equipment sold by and electrical engineering and contracting services provided by the Group to outside customers, entertainment income and trading of investments in securities.

#### (h) Recognition of revenue

1. Sale of products is recognised when goods are delivered and title has been passed.
2. Sale of securities is recognised when securities are traded on the trade day basis.
3. When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the percentage of revenue certified to date to estimated total contract value. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable that the costs incurred will be recovered.
4. Dividend income from investments is recognised when the Company's rights to receive payment has been established.
5. Interest income from bank deposit is recognised on a time apportioned basis on the principal outstanding and at the rates applicable.
6. Other interest income is recognised in the consolidated income statement as above, on a time apportioned basis, except in the case of receivables which are deemed to be doubtful at which stage interest accrual ceases.
7. Income from television dramas licence is recognised when the title has been passed.
8. Income from distribution of musical and related products is recognised when the production is completed, released and the amount can be ascertained.
9. Services income is recognised when the services are rendered.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (i) Tangible fixed assets and depreciation

##### 1. Valuation

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs bringing the asset to its present working condition and location for its intended use. Subsequent expenditure relating to a tangible fixed asset that has already recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the year which it is incurred.

##### 2. Depreciation

Depreciation is provided on the straight line method so as to write down the cost of tangible fixed assets to their estimated realisable value over their anticipated useful lives at the following annual rates:

Leasehold land	:	Over the remaining unexpired term of the lease
Buildings	:	Over the term of the leases
Leasehold improvement	:	20%
Furniture, fixtures and equipment	:	15% to 20%
Plant and machinery	:	15%
Tools	:	33 $\frac{1}{3}$ %
Motor vehicles	:	25%

##### 3. Gain or loss on disposal

The gain or loss on disposal of a tangible fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

#### (j) Leased assets

Assets held under finance leases have been capitalised. The interest element of the rental payments is charged to the consolidated income statement over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Depreciation is provided in accordance with the Group's depreciation policies.

All other leases are accounted for as operating leases and the rental payments are charged to the consolidated income statement on a straight line basis over the relevant lease term.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (k) Research and development costs

Expenditure on research and development is charged to the consolidated income statement in the year in which it is incurred except where a major project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity. Such development costs are deferred and written off over the life of the project from the date of commencement of commercial operation.

#### (l) Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and 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.

#### (m) Inventories

Inventories are stated at the lower of cost and the net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### (n) Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the consolidated income statement by reference to the stage of the completion of the contract activity at the balance sheet date on the same basis as the contract revenue is recognised.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the year in which they are incurred.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (n) Construction contracts (Continued)

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advance received. Amounts billed for work performed, but not yet paid by the customer, are included in the balance sheet within trade and other receivables.

#### (o) Properties under development for sale

Properties under development for sale are classified as current assets and are stated at the lower of cost and net realisable value which is determined by the directors based on prevailing market conditions.

#### (p) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that assets may be impaired.

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 or its cash-generating unit exceeds its recoverable amount.

##### 1. Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risks specific to the asset. Where there are assets that do not generate cash flows largely independent of those from other assets, recoverable amounts are determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

##### 2. Reversals of impairment losses

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

A reversal of impairment loss 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 consolidated income statement in the year in which the reversals are recognised.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (q) Current assets and 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.

#### (r) Foreign currencies

Transactions in foreign currencies are translated at the rates of exchange ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet dates are translated at the applicable rates of exchange ruling at that date. All exchange gains and losses on translation of foreign currencies are dealt with in the consolidated income statement.

On consolidation, the balance sheet items of subsidiaries and associates which are denominated in currencies other than Hong Kong dollars and which operate in the PRC and overseas are translated at the rates ruling at the balance sheet date whilst the income and expenses items are translated at the average rates for that period. Exchange differences arising on consolidation, if any, are dealt with in reserves.

#### (s) Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed.

Deferred taxation is provided on material timing differences, using the liability method, to the extent that there is a reasonable probability that a liability will arise in the foreseeable future.

#### (t) 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 influence.

#### (u) 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.

#### (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.



## NOTES TO FINANCIAL STATEMENTS (Continued)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (w) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated income statement.

#### (x) 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 the 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. Contingent assets are not recognised but are 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.

#### (y) Retirement benefits scheme

- (i) Salaries, annual bonuses, paid annual leave, 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 as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and to the state-managed retirement benefits schemes for the employees of the Group's entities in the People's Republic of China (the "PRC") are recognised as an expense in the consolidated income statement as incurred.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (y) Retirement benefits scheme (Continued)

(iii) The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the consolidated income statement or consolidated balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

#### (z) Borrowing costs

Borrowing costs are charged to the consolidated income statement in the period in which they are incurred.

### 4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the electrical equipment segment consisted of the manufacture and sale of electrical equipment;
- (b) the listed securities segment consisted of the purchase and sale of listed securities;
- (c) the electrical engineering and contracting services segment consisted of the provision of electrical engineering and contracting services; and
- (d) the entertainment segment consisted of the production and distribution of musical and entertainment products and the celebrities management.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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### 4. SEGMENT INFORMATION (Continued)

#### (a) Business segments THE GROUP

	Electrical equipment		Listed securities		Electrical engineering and contracting services		Entertainment		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
<b>Segment revenue:</b>										
Sales/services to external customers	59,045	92,516	17,544	—	10,295	11,475	1,980	—	88,864	103,991
<b>Segment results</b>	<b>7,925</b>	11,046	<b>3,705</b>	—	<b>2,036</b>	1,046	<b>(2,386)</b>	—	<b>11,280</b>	12,092
Interest income									141	199
Other income									38	1,610
Distribution costs									(1,259)	(2,379)
General and administrative expenses									(53,247)	(60,429)
Loss from operating activities									(43,047)	(48,907)
Finance costs									(1,419)	(82)
Loss before taxation									(44,466)	(48,989)
Taxation									(759)	(417)
Loss before minority interest									(45,225)	(49,406)
Minority interests									(54)	(306)
Net loss for the year									(45,279)	(49,712)
<b>Segment assets</b>	<b>55,952</b>	55,621	<b>18,155</b>	9,932	<b>5,510</b>	4,577	<b>157</b>	—	<b>79,774</b>	70,130
Investment in associates									—	11,500
Investment in joint venture									6,922	10,000
Unallocated assets									29,964	48,443
<b>Total assets</b>									<b>116,660</b>	140,073
<b>Segment liabilities</b>	<b>11,323</b>	14,144	<b>3,547</b>	3,445	<b>4,435</b>	2,941	<b>319</b>	—	<b>19,624</b>	20,530
Unallocated liabilities									28,355	23,637
<b>Total liabilities</b>									<b>47,979</b>	44,167
<b>Other segment information:</b>										
Capital expenditure	1,189	7,136	—	—	—	—	62	—	1,251	7,136
Unallocated amounts									122	11,171
									1,373	18,307
Depreciation and amortisation	781	478	—	—	—	—	—	—	781	478
Unallocated amounts									1,712	2,506
									2,493	2,984
Other non-cash expenses	—	—	88	156	—	—	—	—	88	156
Unallocated amounts									6,922	20,034
									7,010	20,190

## NOTES TO FINANCIAL STATEMENTS (Continued)

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### 4. SEGMENT INFORMATION (Continued)

#### (b) Geographical segments THE GROUP

	Hong Kong		The PRC		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
<b>Segment revenue:</b>						
Sales/services to external customers	88,864	103,991	—	—	88,864	103,991
Segment results	11,280	12,092	—	—	11,280	12,092
<b>Other segment information:</b>						
Segment assets	78,239	81,373	31,499	37,200	109,738	118,573
Investment in associates					—	11,500
Investment in joint venture					6,922	10,000
<b>Total assets</b>					<b>116,660</b>	<b>140,073</b>
<b>Capital expenditure</b>	<b>1,353</b>	8,307	<b>20</b>	10,000	<b>1,373</b>	18,307

## NOTES TO FINANCIAL STATEMENTS (Continued)

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### 5. LOSS FROM OPERATIONS

#### (a) Turnover:

	2003 HK\$'000	2002 HK\$'000
Manufacturing and trading of electrical equipment	59,045	92,516
Trading of listed securities	17,544	—
Entertainment income	1,980	—
Provision of electrical engineering and contracting services	10,295	11,475
	<b>88,864</b>	103,991

#### (b) Loss from operations is stated after charging:

	2003 HK\$'000	2002 HK\$'000
Amortisation of development costs	279	33
Amortisation of goodwill	594	1,426
Auditors' remuneration	851	925
Depreciation of owned tangible fixed assets	1,230	1,525
Depreciation of tangible fixed assets held under finance leases	390	—
Operating lease charges in respect of land and buildings	2,662	2,623
Provision for diminution in value of investment in securities — other investments	88	4,147
Provision for diminution in value of investment in a joint venture	6,922	—
Provision for diminution in value of a subsidiary not consolidated	—	16,043
Total staff costs, excluding directors' remuneration and including mandatory provident fund contributions	13,562	11,578
Mandatory provident fund contributions	595	601
Loss on disposal of a subsidiary	—	5,522
Loss on disposal of an associate	9,200	—
Loss on disposal of tangible fixed assets	1,985	79
Bad debts written off	1,591	73
Cost of inventories expensed	37,258	64,726
<b>and after crediting:</b>		
Gain on disposal of tangible fixed assets	—	20
Unrealised holding gain of investment in securities — other investments	—	258
Net gain on disposal of subsidiaries	210	—

## NOTES TO FINANCIAL STATEMENTS (Continued)

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### 5. LOSS FROM OPERATIONS (Continued) (c) Other revenue:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Interest income	<b>141</b>	199
Rental income	—	65
Unrealised holding gain on investment in securities — other investments	—	258
Commission received	<b>35</b>	44
Dividend income — listed securities	<b>1</b>	—
Others	<b>2</b>	1,243
	<b>179</b>	1,809

### 6. FINANCE COSTS

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Interest on bank overdrafts and other borrowings wholly repayable within five years	<b>206</b>	7
Interest on bank loans wholly repayable after five years	<b>112</b>	44
Interest on finance leases	<b>51</b>	31
Interest on convertible note	<b>1,050</b>	—
	<b>1,419</b>	82

## NOTES TO FINANCIAL STATEMENTS (Continued)

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### 7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2003 HK\$'000	2002 HK\$'000
<b>Fees:</b>		
Executive directors	50	364
Non-executive directors	—	33
Independent non-executive directors	183	149
	<b>233</b>	546
<b>Salaries and other emoluments:</b>		
Executive directors	2,830	6,561
Non-executive directors	—	—
Independent non-executive directors	—	—
	<b>2,830</b>	6,561
	<b>3,063</b>	7,107

During the year, no share options were granted to the directors under the Company's share options scheme.

The remuneration of the directors, including former directors, is within the following bands:

	Number of Directors	
	2003	2002
HK\$Nil — HK\$1,000,000	8	19
HK\$1,000,001 — HK\$1,500,000	2	—
HK\$1,500,001 — HK\$2,000,000	—	1
HK\$2,000,001 — HK\$2,500,000	—	—
HK\$2,500,001 — HK\$3,000,000	—	—
HK\$3,000,001 — HK\$3,500,000	—	1
	<b>10</b>	21

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2002: Nil).

## NOTES TO FINANCIAL STATEMENTS (Continued)

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### 8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2002: four) directors, details of whose remuneration are set out in Note 7 above. Details of the remuneration of the remaining three (2002: one) highest paid, non-director employees are as follows:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Salaries and other benefits	<b>2,636</b>	988
Mandatory provident fund contributions	<b>38</b>	35
	<b>2,674</b>	1,023

Their emoluments are within the following bands:

	<b>Number of employees</b>	
	<b>2003</b>	2002
HK\$Nil — HK\$1,000,000	<b>2</b>	—
HK\$1,000,001 — HK\$1,500,000	<b>1</b>	1

### 9. TAXATION

Hong Kong Profits Tax has been provided in the financial statements at a rate of 17.5% (2002: 16%) on the estimated assessable profits of the subsidiaries for the year. No provision for tax is required for the Company and its associates as no assessable profits were earned by the Company and the associates during the year.

	<b>THE GROUP</b>	
	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
<b>Current Taxation:</b>		
Provision for the year		
— Hong Kong	<b>759</b>	417

No provision for deferred taxation has been made as the Company and the Group have no material potential liabilities arising from timing difference. A deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.



## NOTES TO FINANCIAL STATEMENTS (Continued)

30 June 2003  
(in HK Dollars)

### 10. NET LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Dealt with in the financial statements of the Company	<b>20,240</b>	28,883
Attributable to subsidiaries	<b>18,117</b>	20,829
Attributable to joint venture	<b>6,922</b>	—
	<b>45,279</b>	49,712

### 11. LOSS PER ORDINARY SHARE

The calculation of the basic loss per ordinary share is based on the net loss for the year of HK\$45,279,000 (2002: HK\$49,712,000) and the weighted average of 2,079,545,000 (2002: 1,384,408,000) ordinary shares in issue during the year.

No diluted loss per ordinary share has been presented for the years ended 30 June 2003 and 30 June 2002 as the effect of the assumed conversion of the Company's outstanding convertible notes would result in a decrease in net loss per ordinary share for both years.

## NOTES TO FINANCIAL STATEMENTS (Continued)

30 June 2003  
(in HK Dollars)

### 12. TANGIBLE FIXED ASSETS

	Medium term leasehold land and buildings in Hong Kong HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Computer equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improvement HK\$'000	Total HK\$'000
<b>The Group:</b>							
<b>At cost:</b>							
At 1 July 2002	6,031	289	3,485	414	2,215	1,826	14,260
Additions	—	47	110	15	1,100	101	1,373
Disposals	—	—	(555)	(161)	(827)	(1,927)	(3,470)
At 30 June 2003	6,031	336	3,040	268	2,488	—	12,163
<b>Depreciation:</b>							
At 1 July 2002	72	162	1,473	89	1,164	384	3,344
Charge for the year	79	48	493	78	601	321	1,620
On disposals written back	—	—	(194)	(49)	(537)	(705)	(1,485)
At 30 June 2003	151	210	1,772	118	1,228	—	3,479
<b>Net book value:</b>							
<b>At 30 June 2003</b>	<b>5,880</b>	<b>126</b>	<b>1,268</b>	<b>150</b>	<b>1,260</b>	<b>—</b>	<b>8,684</b>
At 30 June 2002	5,959	127	2,012	325	1,051	1,442	10,916

At 30 June 2003, the net book value of tangible fixed assets pledged to secure general banking facilities granted to the Group amounted to HK\$5,880,000 (2002: HK\$5,959,000).

At 30 June 2003, the net book value of tangible fixed assets held under finance leases amounted to HK\$1,260,000 (2002: Nil).

## NOTES TO FINANCIAL STATEMENTS (Continued)

30 June 2003  
(in HK Dollars)

### 12. TANGIBLE FIXED ASSETS (Continued)

	<b>Leasehold improvement</b>	<b>Office equipment</b>	<b>Computer equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>The Company:</b>					
<b>At cost:</b>					
At 1 July 2002	3	19	106	600	728
Additions	101	11	16	1,100	1,228
Disposals	(104)	(10)	(77)	—	(191)
At 30 June 2003	—	20	45	1,700	1,765
<b>Depreciation:</b>					
At 1 July 2002	1	1	19	45	66
Charge for the year	17	3	19	395	434
On disposals written back	(18)	(2)	(17)	—	(37)
At 30 June 2003	—	2	21	440	463
<b>Net Book value:</b>					
<b>At 30 June 2003</b>	<b>—</b>	<b>18</b>	<b>24</b>	<b>1,260</b>	<b>1,302</b>
At 30 June 2002	2	18	87	555	662

At 30 June 2003, the net book value of tangible fixed assets held under finance leases amounted to HK\$1,260,000 (2002: Nil).

## NOTES TO FINANCIAL STATEMENTS (Continued)

30 June 2003  
(in HK Dollars)

### 13. DEVELOPMENT COSTS

HK\$'000

**The Group**

**At cost:**

At 1 July 2002	2,846
Additions	1,067

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At 30 June 2003	3,913
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**Accumulated amortisation:**

At 1 July 2002	2,846
Charge for the year	279

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At 30 June 2003	3,125
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**Net book value:**

<b>At 30 June 2003</b>	<b>788</b>
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At 30 June 2002	—
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### 14. GOODWILL

HK\$'000

**The Group**

**At cost:**

At 1 July 2002 and 30 June 2003	14,259
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**Accumulated amortisation:**

At 1 July 2002	13,665
Charge for the year	594

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At 30 June 2003	14,259
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**Net book value:**

<b>At 30 June 2003</b>	<b>—</b>
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At 30 June 2002	594
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## NOTES TO FINANCIAL STATEMENTS (Continued)

30 June 2003  
(in HK Dollars)

### 15. SUBSIDIARIES

	THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Unlisted investments, at cost	<b>36,410</b>	36,400
<i>Less: Provision for diminution in value</i>	<b>(5,000)</b>	(5,000)
	<b>31,410</b>	31,400
Amounts due from subsidiaries	<b>123,526</b>	110,800
<i>Less: Provision for amount due from subsidiaries</i>	<b>(37,967)</b>	(37,967)
	<b>85,559</b>	72,833

The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

## NOTES TO FINANCIAL STATEMENTS (Continued)

30 June 2003  
(in HK Dollars)

### 15. SUBSIDIARIES (Continued)

Particulars of the Company's subsidiaries at 30 June 2003 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Proportion of Nominal value of issued ordinary share capital/ registered capital held by the Company		Principal activity
			Directly %	Indirectly %	
Great Well Global Limited	The British Virgin Islands	US\$1	100	—	Leasing
Gold Winner Asia Limited	The British Virgin Islands	US\$1	100	—	Securities trading
Jumbo Profit Investments Limited	The British Virgin Islands	US\$1	100	—	Securities trading
Lexwin Company Limited	Hong Kong	HK\$2	100	—	Assets holding
Goalstar Holdings Limited	The British Virgin Islands	US\$1	100	—	Investment holding
Linfield International Limited*	The British Virgin Islands	US\$2,850,000	80	—	Investment holding
Metrix Engineering Company Limited*	Hong Kong	HK\$600,000	—	80	Manufacture and trading of electrical equipment
Metrix Engineering (China) Limited*	Hong Kong	HK\$500,000	—	80	Inactive
Metrix Engineering International Limited*	Hong Kong	HK\$22,000,000	—	80	Investment holding

## NOTES TO FINANCIAL STATEMENTS (Continued)

30 June 2003  
(in HK Dollars)

### 15. SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration/ operation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Proportion of Nominal value of issued ordinary share capital/ registered capital held by the Company		Principal activity
			Directly %	Indirectly %	
Metrix E & M Services Limited*	Hong Kong	HK\$500,000	—	80	Provision of electrical engineering and contracting services
Discovery Net Limited	The British Virgin Islands	US\$50,000	—	100	Securities trading
Sources Investments Limited	Hong Kong	HK\$2	100	—	Securities trading
World Target International Limited	The British Virgin Islands	US\$1	100	—	Securities trading
Tenin Investments Limited	Hong Kong	HK\$2	—	100	Property development
Anwill Investments Limited	Hong Kong	HK\$2	—	100	Property development
M-Star Limited* (In compulsory liquidation)	Hong Kong	HK\$18,000	—	60	Developing and marketing computer
Century Element Celebrities Management (HK) Limited	Hong Kong	HK\$2	—	100	Celebrities Management
Century Element Entertainment (HK) Limited	Hong Kong	HK\$2	—	100	Entertainment

## NOTES TO FINANCIAL STATEMENTS (Continued)

30 June 2003  
(in HK Dollars)

### 15. SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration/ operation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Proportion of Nominal value of issued ordinary share capital/ registered capital		Principal activity
			held by the Company		
			Directly %	Indirectly %	
Eagles Wing Limited	Hong Kong	HK\$2	100	—	Distribution
Massive Resources Corporation (China) Limited	Hong Kong	HK\$2	100	—	Investment holding
Smart Brilliance Development Limited	Hong Kong	HK\$10,000	100	—	Licence holders
Talent Ascent Limited	Hong Kong	HK\$2	100	—	Securities trading
Beijing Massive Resources Culture & Communication Co., Limited	Hong Kong	HK\$2	100	—	Investment holding
北京駿雷文化 傳播有限公司	People's Republic of China	HK\$50,000,000#	—	100	Investment holding

\* Companies not audited by HLB Hodgson Impey Cheng.

# As of the balance sheet date, an amount of HK\$7,500,000 was paid.

None of the subsidiaries had any loan capital outstanding 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.



## NOTES TO FINANCIAL STATEMENTS (Continued)

30 June 2003  
(in HK Dollars)

### 16. SUBSIDIARY NOT CONSOLIDATED

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares at cost, net of provision	—	—

In February 2001, Goalstar Holdings Limited ("Goalstar"), a wholly-owned subsidiary of the Company, purportedly entered into an agreement whereby Goalstar would purchase 60% of the issued shares and the shareholders' loan of M-Star Limited ("M-Star"). Having obtained legal advice, Goalstar duly rescinded the purported agreement. The Group's investment in M-Star had not been incorporated into these financial statements and as prudence, a full provision of HK\$16,043,000 for the investment in M-Star had been made in prior year. During the year, official receiver had been appointed for the liquidation of M-Star. In the opinion of the directors, the recoverability of the investment in M-Star is remote.

### 17. ASSOCIATES

#### Interests in Associates

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares at cost	<b>29,400</b>	40,900
Less: Goodwill arising on acquisition written off to capital reserve	<b>(29,400)</b>	(29,400)
	—	11,500

## NOTES TO FINANCIAL STATEMENTS (Continued)

30 June 2003  
(in HK Dollars)

### 17. ASSOCIATES (Continued)

At 30 June 2003, the Group had interest in the following associate:

Name of Company	Principal place of operation	Nature of business	Percentage of		
			Ownership interest	Voting power	Profit/Loss sharing
Fu Tai Vacationing Development Company Limited	Hong Kong	Property development	38	40	38

The associate has not yet commenced business for the year up to 30 June 2003.

### 18. JOINT VENTURE

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Unlisted shares at cost	10,000	10,000	—	—
Advance to a joint venture	3,844	—	—	—
	13,844	10,000	—	—
Less: Provision for diminution in value	(6,922)	—	—	—
	6,922	10,000	—	—

The advance to a joint venture is for a term of two years which is unsecured and interest free.

At 30 June 2003, the Group had interest in the following jointly controlled entity:

Name of Company	Principal place of operation	Nature of business	Percentage of		
			Ownership interest	Voting power	Profit/Loss sharing
北京世紀元素娛樂有限公司	People's Republic of China	Provision and distribution of musical and related products	50%	50%	50%

## NOTES TO FINANCIAL STATEMENTS (Continued)

30 June 2003  
(in HK Dollars)

### 19. INVESTMENTS IN SECURITIES — EQUITY SECURITIES

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Equity securities:				
Listed in Hong Kong	15,503	9,419	—	—
Unlisted in Hong Kong, net of provision	—	2,008	—	2,008
	15,503	11,427	—	2,008
Market value of listed securities (Note b)	17,171	9,419	—	—

Notes:

- During the year, the Group disposal of its entire equity interest in Maxview Enterprises Limited, a company over which the Group has been unable to exercise any significant influence since 1 January 1999. Full provision for loss on disposal of the Group's interest in Maxview Enterprises Limited has been made in prior years.
- The market value of listed securities was determined with reference to the closing prices as at 30 June 2003. However, certain listed securities, whose trading was suspended before 30 June 2003 and thus the market value could not be determined by reference to the closing price at 30 June 2003, was stated at their carrying value. At 30 June 2003, the carrying amount of these listed securities amounted to HK\$843,000 and the market value of these listed securities by reference to their latest available quoted market prices amounted to HK\$2,511,000. As it is impossible to obtain a closing price at 30 June 2003 for these securities, the directors considered that the most reliable measure of fair value would be to state these listed securities at their carrying amounts. Up to the date of approval of these financial statements, the trading of these listed securities has not yet been resumed.

### 20. PROPERTIES UNDER DEVELOPMENT FOR SALE

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
<b>At cost:</b>		
At 1 July 2002	32,000	56,160
Disposal of subsidiary not consolidated	—	(24,160)
	32,000	32,000
Less: Provision for diminution in value	(4,800)	(4,800)
At 30 June 2003	27,200	27,200

## NOTES TO FINANCIAL STATEMENTS (Continued)

30 June 2003  
(in HK Dollars)

### 21. INVENTORIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Raw materials	8,879	11,386
Work in progress	779	2,537
	<b>9,658</b>	<b>13,923</b>

### 22. CONSTRUCTION CONTRACTS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Amount due from contract customers included in trade and other receivables (Note 23)	330	257
Amount due to contract customers included in trade and other payables (Note 24)	(4,020)	(1,990)
	<b>(3,690)</b>	<b>(1,733)</b>
Contract costs incurred plus recognised profits less recognised losses to date	6,684	6,503
Less: Progress billings	(10,374)	(8,236)
	<b>(3,690)</b>	<b>(1,733)</b>

At 30 June 2003, no retention (2002: HK\$1,000) was held by customers for contract works as included in trade and other receivables under current assets.

### 23. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Trade debtors	23,263	28,685	—	—
Sundry deposit and prepayments	3,766	2,667	—	136
Other receivables	181	2,488	—	2,000
Amount due from contract customers (Note 22)	330	257	—	—
	<b>27,540</b>	<b>34,097</b>	<b>—</b>	<b>2,136</b>

## NOTES TO FINANCIAL STATEMENTS (Continued)

30 June 2003  
(in HK Dollars)

### 23. TRADE AND OTHER RECEIVABLES (Continued)

Aging analysis of trade debtors is set out below:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Current	6,104	10,576
Over 30 days	6,809	2,854
Over 60 days	3,101	8,339
Over 90 days	7,249	6,916
	<b>23,263</b>	<b>28,685</b>

The credit terms for customers are generally granted in between 30—60 days.

### 24. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Trade creditors	7,106	6,801	—	—
Other payables	1,981	1,971	—	—
Accruals	4,802	2,227	2,635	590
Advance received	451	52	—	—
Amount due to contract customers (Note 22)	4,020	1,990	—	—
Finance lease payables (Note 25)	430	—	430	—
	<b>18,790</b>	<b>13,041</b>	<b>3,065</b>	<b>590</b>

Aging analysis of trade creditors is set out below:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Current	2,195	3,481
Over 30 days	4,455	3,174
Over 60 days	451	104
Over 90 days	5	42
	<b>7,106</b>	<b>6,801</b>

## NOTES TO FINANCIAL STATEMENTS (Continued)

30 June 2003  
(in HK Dollars)

### 25. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles under finance leases with remaining lease terms of three years.

At 30 June 2003, the total future minimum lease payments under the finance leases and their present values, were as follows:

	<b>THE GROUP AND THE COMPANY</b>			
	<b>Minimum lease payments</b>		<b>Present value of minimum lease payments</b>	
	<b>2003</b>	2002	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Amounts payable:				
Within one year	<b>494</b>	—	<b>430</b>	—
In the second year	<b>494</b>	—	<b>430</b>	—
In the third to fifth years, inclusive	<b>273</b>	—	<b>237</b>	—
Total minimum finance lease payments	<b>1,261</b>	—	<b>1,097</b>	—
Future finance charges	<b>(164)</b>	—		
Total net finance lease payables	<b>1,097</b>	—		
Portion classified as current liabilities ( <i>Note 24</i> )	<b>(430)</b>	—		
Long term portion	<b>667</b>	—		

## NOTES TO FINANCIAL STATEMENTS (Continued)

30 June 2003  
(in HK Dollars)

### 26. CONVERTIBLE NOTES

	THE GROUP AND THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
At 1 July 2002/2001	15,000	—
New issues	15,000	15,000
Redemption	(15,000)	—
<b>At 30 June 2003/2002</b>	<b>15,000</b>	<b>15,000</b>

- (a) On 20 May 2003, the Company entered into 9 conditional subscription agreements with 9 independent third parties. On completion, the Company issued unsecured redeemable convertible notes in the principal amount of HK\$15,000,000. Under the agreements, the holder of the note ("Noteholder") has the right to convert the whole or part of the principal amount of the note into new shares of HK\$0.02 each in the issued share capital of the Company at the conversion price of \$0.02 per share, subject to adjustments, at any time from the date of issue of the note up to the maturity date (12 months after date of issue of the note). Interest is charged at 5% per annum and is repayable at the maturity date. At 30 June 2003, the outstanding principal amount of the notes amounted to HK\$15,000,000. If the Noteholders convert whole of the outstanding principal amount, the Company will be required to issue a further 750,000,000 new ordinary shares.
- (b) On 26 June 2003, the Company has redeemed convertible note in the principal amount of HK\$15,000,000.

### 27. SHARE CAPITAL

	THE GROUP AND THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.02 each	200,000	200,000
Issued and fully paid:		
2,270,340,000 ordinary shares of HK\$0.02 each (2002:1,830,340,000 ordinary shares of HK\$0.02 each)	45,407	36,607

## NOTES TO FINANCIAL STATEMENTS (Continued)

30 June 2003  
(in HK Dollars)

### 27. SHARE CAPITAL (Continued)

A summary of the above movements in the issued share capital of the Company is as follows:

	<b>Number of ordinary shares of HK\$0.02 each '000</b>	<b>Amount HK\$'000</b>
Issued and fully paid:		
As at 1 July 2002	1,830,340	36,607
Issue of shares	440,000	8,800
<hr/>		
As at 30 June 2003	2,270,340	45,407

During the year, the following movements in the Company's issued share capital were recorded:

- (a) on 27 September 2002, the Company entered into a conditional placing agreement with Kingston Securities Limited and Quest Stockbrokers (HK) Limited (the "Placing Agents") whereby the Company agreed to place, through the Placing Agents on a fully underwritten basis, 240,000,000 ordinary shares in the Company to more than six independent investors at a price of HK\$0.05 per share. On completion, 240,000,000 new ordinary shares were issued and the premium on the issue of the shares of HK\$7,200,000 was credited to the share premium account; and
- (b) on 28 January 2003, 369 Holdings Limited, the substantial shareholder of the Company, entered into an unconditional placing agreement in which 369 Holdings Limited has agreed to place an aggregate of 200,000,000 ordinary shares of the Company to no less than six independent institutional and/or professional investors at a price of HK\$0.03 per share. On the same date, the Company and 369 Holdings Limited entered into a conditional subscription agreement pursuant to which 369 Holdings Limited has agreed to subscribe for 200,000,000 new ordinary shares to be issued under the subscription agreement. On completion, 200,000,000 new ordinary shares were issued and the premium on the issue of the shares of HK\$2,000,000 was credited to the share premium account.



## NOTES TO FINANCIAL STATEMENTS (Continued)

30 June 2003  
(in HK Dollars)

### 27. SHARE CAPITAL (Continued)

#### Share options

Under the terms of the Share Option Scheme adopted by the Company on 30 November 2000 (the "Scheme"), the board of directors may, at its discretion, invite employees, including the directors of the Company and its subsidiaries, to take up options to subscribe for shares in the share capital of the Company. The subscription price for the Company's shares under the Scheme is determined by the board of directors and will not be less than 80% of the average of the closing prices of the Company's shares listed on the Stock Exchange on the five trading days immediately preceding the date of offer of the option or the nominal value of the Company's shares, whichever is the higher. The maximum number of shares in respect of which options may be granted may not exceed 10% of the issued share capital of the Company (excluding shares issued under the Scheme) from time to time and that the maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25% of the aggregate number of shares under the Scheme.

The Scheme was adopted prior to the new rules on share option schemes under the Listing Rules coming into operation. The Company may only grant further options under the Scheme if the options are granted in accordance with the requirements of the new rules of Chapter 17 of the Listing Rules which include, inter alia, the followings:

- (i) the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not in aggregate exceed 10% of the relevant class of shares of the Company (or its subsidiaries) in issue as at the date of approval of the Scheme. Subject to compliance with the Listing Rules, the limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 30% of the relevant class of shares of the Company in issue from time to time;
- (ii) the maximum number of shares issuable under share options to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Grant of options to connected persons are subject to more stringent requirements; and
- (iii) the exercise price of the share options is determined by directors, but may not be less than the higher of (a) the Stock Exchange closing price of the Company's share on the date of offer of the grant of the share options; and (b) the average of the Stock Exchange closing price of the Company's shares of the five trading days immediately preceding the date of the offer of the grant of the share options.

During the year, no share options have been granted nor exercised. At 30 June 2003, the Company had no outstanding options granted to eligible employees to subscribe for shares of the Company.

## NOTES TO FINANCIAL STATEMENTS (Continued)

30 June 2003  
(in HK Dollars)

### 28. RESERVES

	Share premium HK\$'000	Non- distributable reserve HK\$'000	Exchange reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
<b>The Group:</b>					
At 1 July 2001	12,675	2,264	(1,488)	42,998	56,449
Net loss for the year	—	—	—	(49,712)	(49,712)
Issue of shares at a premium	43,224	—	—	—	43,224
Disposal of a subsidiary	—	—	1,488	—	1,488
At 30 June 2002	55,899	2,264	—	(6,714)	51,449
Net loss for the year	—	—	—	(45,279)	(45,279)
Issue of shares at a premium	9,200	—	—	—	9,200
<b>At 30 June 2003</b>	<b>65,099</b>	<b>2,264</b>	<b>—</b>	<b>(51,993)</b>	<b>15,370</b>

	Share premium HK\$'000	Non- distributable reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
<b>The Company:</b>				
At 1 July 2001	12,675	1,264	45,257	59,196
Net loss for the year	—	—	(44,926)	(44,926)
Issue of shares at a premium	43,224	—	—	43,224
At 30 June 2002	55,899	1,264	331	57,494
Net loss for the year	—	—	(20,240)	(20,240)
Issue of shares at a premium	9,200	—	—	9,200
<b>At 30 June 2003</b>	<b>65,099</b>	<b>1,264</b>	<b>(19,909)</b>	<b>46,454</b>

## NOTES TO FINANCIAL STATEMENTS (Continued)

30 June 2003  
(in HK Dollars)

### 29. AMOUNT DUE TO A SUBSIDIARY

The amount due is unsecured, interest-free and has no fixed terms of repayments.

### 30. OPERATING LEASE COMMITMENTS

At 30 June 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within one year	1,872	2,758
In the second to fifth years, inclusive	—	1,866
	<b>1,872</b>	<b>4,624</b>

### 31. COMMITMENTS

In addition to the operating lease commitments detailed in Note 30 above, the Group had the following commitment in respect of transfer of television dramas licence as at 30 June 2002:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Contracted but not provided for	—	780

### 32. RETIREMENT BENEFITS SCHEME

The Group operates defined contribution Mandatory Provident Fund retirement benefits schemes (the "MPF Schemes") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Schemes. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Schemes. The assets of the MPF Schemes are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the MPF schemes, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Schemes.

At the balance sheet date, the total amount of forfeited contributions, which arose upon employees leaving the defined contribution retirement benefits scheme and which are available to reduce the contributions payable in the future years was HK\$11,000 (2002: HK\$38,000).

## NOTES TO FINANCIAL STATEMENTS (Continued)

30 June 2003  
(in HK Dollars)

### 32. RETIREMENT BENEFITS SCHEME (Continued)

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 pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represent for the entire pension obligations payable to retired employees.

### 33. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Bank overdrafts				
— secured	<b>2,597</b>	—	—	—
— unsecured	—	3,711	—	—
Bank loan, secured	<b>2,899</b>	3,352	—	—
Other borrowings, unsecured	<b>5,465</b>	—	<b>5,465</b>	—
	<b>10,961</b>	7,063	<b>5,465</b>	—
The maturity profile of the above bank and other borrowings is as follows:				
Within one year	<b>8,532</b>	4,164	<b>5,465</b>	—
In the second year	<b>487</b>	469	—	—
In the third to fifth years, inclusive	<b>1,571</b>	1,515	—	—
Beyond five years	<b>371</b>	915	—	—
	<b>10,961</b>	7,063	<b>5,465</b>	—
Portion classified as current liabilities	<b>(8,532)</b>	(4,164)	<b>(5,465)</b>	—
Non-current portion	<b>2,429</b>	2,899	—	—

As at 30 June 2003, the bank facilities of the Group were secured by the Group's leasehold land and buildings in Hong Kong with carrying values of HK\$5,880,000 (2002: HK\$5,959,000), fixed deposits of a subsidiary of HK\$3,000,000, fixed deposits of a subsidiary's director and a corporate guarantee given by a subsidiary of the Group.

## NOTES TO FINANCIAL STATEMENTS (Continued)

30 June 2003  
(in HK Dollars)

### 34. RELATED PARTY TRANSACTIONS — THE GROUP

During the year, the Group had entered into transactions with related parties which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business, as shown below:

Name of related parties	Relationship	Nature of transactions	2003 HK\$'000	2002 HK\$'000
Gason Electrical Contracting Ltd. (Note a)	Company in which two directors of subsidiaries have beneficial interests	Sales	14,112	11,592
Gold Arch Engineering Ltd. (Note b)	Company in which two directors of subsidiaries have beneficial interests	Management fee paid	360	643
Maxview Enterprises Ltd.	Investee company	Balance as at 30 June due by the Group	—	4,016

*Notes:*

- a. The transactions were carried out at market price or, where no market price was available, at cost plus a percentage profit mark-up.
- b. The transactions were based on amounts agreed between the parties concerned.

### 35. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease contracts in respect of assets with a total capital value at the inception of the leases of HK\$1,420,000 (2002: Nil).

## NOTES TO FINANCIAL STATEMENTS (Continued)

30 June 2003  
(in HK Dollars)

### 36. DISPOSAL OF SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
<b>Net assets/(liabilities) disposal of:</b>		
Amount due by holding company	4,714	—
Cash and bank balances	1	—
Trade and other payables	(2,011)	—
Amounts due to fellow subsidiaries	(21)	—
Amount due to holding company	(3,447)	—
Exchange reserve	—	1,488
Net investment cost in subsidiary not consolidated	—	17,172
	<b>(764)</b>	18,660
Amount due by holding company waived by the subsidiary	(4,714)	—
Amounts due to fellow subsidiaries waived by the fellow subsidiaries	21	—
Amount due to holding company waived by the Company	3,447	—
	<b>(2,010)</b>	18,660
Gain/(loss) on disposal of subsidiaries	210	(5,522)
	<b>(1,800)</b>	13,138
Satisfied by:		
Payment of cash	(1,800)	—
Decrease in amount due to a subsidiary	—	13,138
	<b>(1,800)</b>	13,138
Analysis of net outflow of cash and cash equivalents in connection with the disposal of subsidiaries		
Payment of cash	1,800	—
Cash and bank balances disposed of	1	—
	<b>1,801</b>	—

The subsidiaries disposed of during the year did not have any significant effect on the Group's cash flows for the year ended 30 June 2003.

## NOTES TO FINANCIAL STATEMENTS (Continued)

30 June 2003  
(in HK Dollars)

### 37. DE-CONSOLIDATION OF A SUBSIDIARY

	2003 HK\$'000	2002 HK\$'000
<b>Net assets de-consolidated:</b>		
Tangible fixed assets	—	181
Development costs	—	4,447
Goodwill	—	13,477
Inventories	—	30
Trade and other receivables	—	163
Cash and bank balances	—	250
Trade and other payables	—	(3,373)
Taxation payable	—	(29)
Minority interest	—	897
	—	16,043
Satisfied by:		
Reclassification to subsidiary not consolidated	—	16,043
Cash and bank balances de-consolidated	—	250

The subsidiary de-consolidated in prior year did not have any significant effect on the Group's cash flows for the year ended 30 June 2002.

### 38. CONTINGENT LIABILITIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Guarantees given to banks for general banking facilities granted to subsidiaries	3,500	3,500
Irrevocable letters of credit	187	—
Other trade guarantees	160	160
	3,847	3,660

As at 30 June 2003, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by a subsidiary of the Group were utilised to the extent of HK\$2,899,000 (2002: HK\$3,352,000).

### 39. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

### 40. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22 September 2003.