

## **BUSINESS OVERVIEW**

The audited net loss of the Group for the year ended 30 June 2002 amounted to HK\$49,712,000.

The Management is reviewing the cash flow position of the Group and will consider raising funds by means of issuing new shares of the Company and negotiation with various banks for new and/or additional banking facilities. Furthermore, the Board is at all times identifying suitable projects and/or investments that would be reasonably expected to generate profits and/or have potential for capital appreciation. Should they be materialized, the consideration for such projects and/or investments would be satisfied by means of the issue of new shares of the Company and/or by being granted new and/or additional banking facilities.

## **MANUFACTURING AND TRADING OF ELECTRICAL EQUIPMENT AND PROVISION OF ELECTRICAL ENGINEERING AND CONTRACTING SERVICES**

For the year ended 30 June 2002, the Group recorded a turnover of approximately HK\$103,991,000 which was mainly contributed by the manufacturing and the trading of electrical equipment and the provision of electrical engineering and contracting services. Due to the poor market demand for consumer electrical products and adverse economic conditions, turnover of such business operations dropped by approximately 14% as compared with those of last year and the gross profit decreased by 5.6%.

## **TRADING OF LISTED INVESTMENTS IN SECURITIES**

The Group did not sell any of its listed securities during the year.

## **SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS/DISPOSALS**

During the year, provisions have been made in respect of M-Star Limited and Maxview Enterprises Limited amounting to HK\$16,043,000 and HK\$3,991,000 respectively and a loss of HK\$5,522,000 was realized on disposal of Hebei Dezhi Industry Co., Ltd. In April 2002, the Group invested in a joint venture business with CITIC Cultural and Sports Industry Co., Ltd in the PRC.

## **Liquidity, Financial Resources and Funding**

The Group had net current assets of HK\$65,795,000 and a convertible note of HK\$15,000,000 due in November 2002. The Net Asset Value of the Group as at year end was HK\$88,056,000. In October 2002, the Company placed 240,000,000 new shares to independent investors and realized around HK\$11,300,000. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 30 June 2002, was approximately 1:2.

## **Employees**

The Group employs approximately 70 staff in Hong Kong. Total staff costs for the year under review amounted to approximately HK\$11,578,000. The Group's remuneration packages are generally structured by reference to market terms and individual merit. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

The Company maintains a share option scheme under which share options are granted to certain eligible directors and full-time employees. Details of the share option scheme are set out in Note 27 to financial statements.

**Charges on Assets, Unsecured Debts and Contingent Liabilities**

As at 30 June 2002, the leasehold land and buildings of a Group's subsidiary were pledged to a bank for banking facilities which were subject to guarantees given by our subsidiary and have been utilized to an extent of HK\$3,352,000.

At the close of business on 30 June 2002, the purported unsecured debts of the Group include an amount due to an investee company of HK\$4,016,000 which was then settled subsequent to 30 June 2002.