



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 the manufacturing and trading of electrical equipment, the provision of electrical engineering and contracting services, the trading of listed securities, property development 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. ADOPTION OF REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

In the current year, the Group adopted the revised SSAP 26 "Segment reporting" issued by the Hong Kong Society of Accountants ("HKSA") which is effective for the current year's financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in Note 4 to financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all applicable SSAPs and Interpretations issued by 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 2002.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(b) Basis of Consolidation (Continued)**

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

(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.

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 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.

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 ¹ / ₃ %
Motor vehicles	:	25%

3. *Gain or loss on sale*

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.



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 period.

(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.

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.

**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 financial statements 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. Exchange differences arising on consolidation, if any, are dealt with in reserves.

(s) Deferred Taxation

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 were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance.

(w) Retirement Benefits Scheme

The pension costs charged in the consolidated income statement represent the amount of contribution payable in respect to the Group's defined contribution retirement benefits scheme (the "DCRB Scheme")/Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Scheme Ordinance (the "MPFS Ordinance").

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(x) Borrowing Costs**

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

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in Note 2 to financial statements. 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; and
- (c) the electrical engineering and contracting services segment consisted of the provision of electrical engineering and contracting services.

During the year ended 30 June 2001, the building materials segment was sold.

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.

4. SEGMENT INFORMATION (Continued)

(a) Business segments

THE GROUP

	Electrical equipment		Listed securities		Electrical engineering and contracting services		Building materials		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales/services to external customers	92,516	93,861	—	76,826	11,475	27,332	—	5	103,991	198,024
Segment results	11,046	18,320	—	(7,700)	1,046	2,511	—	5	12,092	13,136
Interest income									199	1,902
Other income									1,610	11,046
Distribution costs									(2,379)	(2,485)
General and administrative expenses									(60,429)	(66,353)
Loss from operating activities									(48,907)	(42,754)
Finance costs									(82)	(15)
Loss before taxation									(48,989)	(42,769)
Taxation									(417)	(1,086)
Profit before minority interest									(49,406)	(43,855)
Minority interests									(306)	(3,134)
Net loss for the year									(49,712)	(46,989)
Segment assets	55,621	53,598	9,932	8,335	4,577	7,258	—	—	70,130	69,191
Investment in subsidiary not consolidated									—	17,172
Investment in associates									11,500	11,500
Investment in joint venture									10,000	—
Unallocated assets									48,443	58,286
Total assets									140,073	156,149
Segment liabilities	14,144	15,059	3,445	10,390	2,941	5,138	—	—	20,530	30,587
Unallocated liabilities									23,637	44,460
Total liabilities									44,167	75,047
Other segment information:										
Capital expenditure	7,136	205	—	—	—	—	—	—	7,136	205
Unallocated amounts									11,171	4,040
									18,307	4,245
Depreciation and amortisation	478	1,243	—	—	—	—	—	—	478	1,243
Unallocated amounts									2,506	2,545
									2,984	3,788
Other non-cash expenses	—	—	156	551	—	—	—	—	156	551
Unallocated amounts									20,034	5,665
									20,190	6,216

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4. SEGMENT INFORMATION (Continued)
(b) Geographical segments
THE GROUP

	Hong Kong		The PRC		Consolidated	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales/services to external customers	103,991	198,024	—	—	103,991	198,024
Segment results	12,091	13,136	—	—	12,091	13,136
Other segment information:						
Segment assets	81,373	100,277	37,200	27,200	118,573	127,477
Investment in subsidiary not consolidated					—	17,172
Investment in associates					11,500	11,500
Investment in joint venture					10,000	—
Total assets					140,073	156,149
Capital expenditure	8,307	4,245	10,000	—	18,307	4,245

5. LOSS FROM OPERATIONS
(a) Turnover:

	2002	2001
	HK\$'000	HK\$'000
Continuing operations		
— Manufacturing and trading of electrical equipment	92,516	93,861
— Trading of listed securities	—	76,826
— Provision of electrical engineering and contracting services	11,475	27,332
Discontinued operations		
— Manufacturing and trading of building materials	—	5
	103,991	198,024



5. LOSS FROM OPERATIONS (Continued)

(b) Loss from operations is stated after charging:

	2002 HK\$'000	2001 HK\$'000
Amortisation of development costs	33	1,473
Amortisation of goodwill	1,426	1,654
Impairment of goodwill	—	29,400
Auditors' remuneration	925	685
Depreciation of owned tangible fixed assets	1,525	612
Depreciation of tangible fixed assets held under finance leases	—	49
Operating lease charges in respect of land and buildings	2,623	453
Provision for doubtful debts	—	865
Provision for diminution in value of properties	—	4,800
Provision for diminution in value of investment in securities — other investments	4,147	551
Provision for diminution in value of a subsidiary not consolidated	16,043	—
Total staff costs, excluding directors' remuneration and including pension fund contributions	11,578	14,581
Pension fund contributions	601	524
Loss on disposal of a subsidiary	5,522	2,281
Loss on disposal of tangible fixed assets	79	—
Bad debts written off	73	—
Cost of inventories expensed	64,726	81,895

and after crediting:

Gain on disposal of tangible fixed assets	20	9,389
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(c) Other revenue:

	2002 HK\$'000	2001 HK\$'000
Interest income	199	1,902
Rental income	65	128
Unrealised holding gain on investment in securities — other investments	258	—
Commission received	44	50
Dividend income — listed securities	—	1,400
Others	1,243	79
	1,809	3,559

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6. FINANCE COSTS

	2002	2001
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	7	—
Interest on bank loans wholly repayable after five years	44	—
Interest on finance leases	31	15
	82	15

7. DIRECTORS' REMUNERATION

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

	2002	2001
	HK\$'000	HK\$'000
Fees:		
Executive directors	364	—
Non-executive directors	33	—
Independent non-executive directors	149	—
	546	—
Salaries and other emoluments:		
Executive directors	6,561	4,505
Non-executive directors	—	—
Independent non-executive directors	—	—
	6,561	4,505
	7,107	4,505

In prior year, share options were granted to certain directors of the Company. All such share options had not been exercised and had lapsed during the year, further details of which are included in the disclosures set out under the section entitled "Directors' Interests in Securities" in the directors' report. No value in respect of the share options granted was charged to the consolidated income statement, or otherwise disclosed in prior year.

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

**7. DIRECTORS' REMUNERATION (Continued)**

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

	Number of Directors	
	2002	2001
HK\$Nil–HK\$1,000,000	19	6
HK\$1,000,001–HK\$1,500,000	—	—
HK\$1,500,001–HK\$2,000,000	1	1
HK\$2,000,001–HK\$2,500,000	—	—
HK\$2,500,001–HK\$3,000,000	—	1
HK\$3,000,001–HK\$3,500,000	1	—
	21	8

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2001 — Nil).

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2001 — two) directors, details of whose remuneration are set out in Note 7 above. Details of the remuneration of the remaining one (2001 — three) highest paid, non-director employees are as follows:

	2002	2001
	HK\$'000	HK\$'000
Salaries and other benefits	988	2,704
Pension fund contributions	35	82
	1,023	2,786

Their emoluments are within the following bands:

	Number of employees	
	2002	2001
HK\$Nil–HK\$1,000,000	—	2
HK\$1,000,001–HK\$1,500,000	1	1

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9. TAXATION

Hong Kong Profits Tax has been provided in the financial statements at a rate of 16% (2001 — 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.

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Current Taxation:		
Provision for the year — Hong Kong	417	1,247
Deferred Taxation:		
Reversal for the year	—	(161)
	417	1,086

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.

10. NET LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS

	2002	2001
	HK\$'000	HK\$'000
Dealt with in the financial statements of the Company	(28,883)	(19,228)
Attributable to subsidiaries	(20,829)	(27,761)
	(49,712)	(46,989)

11. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK\$49,712,000 (2001 — HK\$46,989,000) and the weighted average of 1,384,408,000 (2001 — 887,350,000) shares in issue during the year.

There were no dilutive potential ordinary shares in issue during the year ended 30 June 2002 and accordingly, the diluted loss per share was not shown. In prior year, deemed ordinary shares were identified as shown in reconciliation below for the purpose of calculating diluted loss per share during the year ended 30 June 2001. The effect is anti-dilutive and accordingly the diluted loss per share was not shown for the year ended 30 June 2001.

11. LOSS PER SHARE (Continued)

The reconciliation of the number of ordinary shares is as follows:

	2002 '000	2001 '000
Weighted average number of ordinary shares used in calculating basic loss per share	1,384,408	887,350
Deemed issue of ordinary shares for no consideration	—	1,200
Weighted average number of ordinary shares used in calculating diluted loss per share	1,384,408	888,550

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	Tools HK\$'000	Motor vehicles HK\$'000	Leasehold improvement HK\$'000	Total HK\$'000
The Group:								
At cost:								
At 1 July 2001	—	909	3,626	533	846	3,125	1,460	10,499
Additions	6,031	47	1,155	109	—	600	366	8,308
Disposals	—	(667)	(1,248)	—	(801)	(1,510)	—	(4,226)
Attributable to subsidiary deconsolidated	—	—	(48)	(228)	(45)	—	—	(321)
At 30 June 2002	6,031	289	3,485	414	—	2,215	1,826	14,260
Depreciation:								
At 1 July 2001	—	775	2,152	138	802	1,939	50	5,856
Charge for the year	72	54	591	69	—	405	334	1,525
On disposals written back	—	(667)	(1,248)	—	(801)	(1,180)	—	(3,896)
Attributable to subsidiary deconsolidated	—	—	(22)	(118)	(1)	—	—	(141)
At 30 June 2002	72	162	1,473	89	—	1,164	384	3,344
Net book value:								
At 30 June 2002	5,959	127	2,012	325	—	1,051	1,442	10,916
At 30 June 2001	—	134	1,474	395	44	1,186	1,410	4,643

At 30 June 2002, the net book value of tangible fixed assets pledged to secure general banking facilities granted to the Group amounted to HK\$5,959,000 (2001: Nil).

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12. TANGIBLE FIXED ASSETS (Continued)

	Leasehold improvement HK\$'000	Office equipment HK\$'000	Computer equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
The Company:					
At cost:					
At 1 July 2001	—	—	36	—	36
Additions	3	19	70	600	692
At 30 June 2002	3	19	106	600	728
Depreciation:					
At 1 July 2001	—	—	5	—	5
Charge for the year	1	1	14	45	61
At 30 June 2002	1	1	19	45	66
Net book value:					
At 30 June 2002	2	18	87	555	662
At 30 June 2001	—	—	31	—	31

13. DEVELOPMENT COSTS

	HK\$'000
The Group:	
At cost:	
At 1 July 2001	8,514
Attributable to a subsidiary not consolidated	(5,668)
At 30 June 2002	2,846
Accumulated amortisation:	
At 1 July 2001	4,034
Attributable to a subsidiary not consolidated	(1,221)
Charge for the year	33
At 30 June 2002	2,846
Net book value:	
At 30 June 2002	—
At 30 June 2001	4,480



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14. GOODWILL

	HK\$'000
The Group:	
At cost:	
At 1 July 2001	36,697
Attributable to a subsidiary not consolidated	(13,705)
Attributable to disposal of a subsidiary	(8,733)
At 30 June 2002	14,259
Accumulated amortisation:	
At 1 July 2001	21,200
Attributable to disposal of a subsidiary	(228)
Charge for the year	1,426
Written back on disposal	(8,733)
At 30 June 2002	13,665
Net book value:	
At 30 June 2002	594
At 30 June 2001	15,497

15. SUBSIDIARIES

	THE COMPANY	
	2002	2001
	HK\$'000	HK\$'000
Unlisted investments, at cost	36,400	63,120
Less: Provision for diminution in value	(5,000)	(15,745)
	31,400	47,375
Amounts due from subsidiaries	110,800	87,619
Less: Provision for amount due from subsidiaries	(37,967)	(21,924)
	72,833	65,695

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

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15. SUBSIDIARIES (Continued)

Particulars of the Company's subsidiaries at 30 June 2002 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



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
Prime Profit Investments Limited	The British Virgin Islands	US\$1	100	—	Securities trading
Sources Investments Limited	Hong Kong	HK\$2	100	—	Securities trading
Top Yield Investments Limited	The British Virgin Islands	US\$1	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*	Hong Kong	HK\$18,000	—	60	Developing and marketing computer

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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 %	
Century Element Celebrities Management (HK) Limited	Hong Kong	HK\$2	—	100	Celebrities management
Century Element Entertainment (HK) Limited	Hong Kong	HK\$2	—	100	Entertainment
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\$2	—	100	Licence holders
Talent Ascent Limited	Hong Kong	HK\$2	100	—	Securities trading

* Companies not audited by HLB Hodgson Impey Cheng.

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.

16. SUBSIDIARY NOT CONSOLIDATED

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares at cost, net of provision	—	17,172

- (i) During the year, the Group fully disposed of its equity interest in Hebei Dezhi Industry Co. Ltd. in which the Group had not been able to participate in the management of the subsidiary and the subsidiary had not been consolidated in the financial statements in prior year.
- (ii) 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. In the opinion of the directors, the Group’s investment in M-Star should not be incorporated into these financial statements and as prudence, a full provision of HK\$16,043,000 (2001: Nil) for the investment in M-Star is made in current year.

17. ASSOCIATES**Interest in Associates**

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted shares at cost	40,900	40,900	—	—
Goodwill arising on acquisition written off to capital reserve (Note 28)	(29,400)	(29,400)	—	—
	11,500	11,500	—	—

At 30 June 2002, the Group had interests in the following associates:

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 (Note)	Hong Kong	Property development	38	40	38
Eastrip Development Limited (Note)	Hong Kong	Property development	50	50	50

Note: These associates have not yet commenced business for the year up to 30 June 2002.

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18. JOINT VENTURE
Jointly Controlled Entity

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted shares at cost	10,000	—	—	—

At 30 June 2002, 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
Beijing Century Element Entertainment Company Limited	the PRC	Provision and distribution of musical and related products	50%	50%	50%

The jointly controlled entity have not yet commenced business for the year up to 30 June 2002.

19. INVESTMENTS IN SECURITIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Investment securities	—	5,999

	THE COMPANY	
	2002	2001
	HK\$'000	HK\$'000
Investment securities		
Unlisted investments, at cost	14,879	14,879
Less: Provision for diminution in value	(12,871)	(9,000)
	2,008	5,879
Less: Reclassified as current assets (Note 20)	(2,008)	—
	—	5,879

19. INVESTMENTS IN SECURITIES (Continued)

Included in unlisted investment securities above is the Group's investment in Maxview Enterprises Limited, a company incorporated in the United States of America engaged in property investment. At 30 June 2002, the Group's unlisted investment represented a holding of 50% of the ordinary shares of Maxview Enterprises Limited.

Since 1 January 1999, in the opinion of the directors, the Group has been unable to exercise any significant influence over Maxview Enterprises Limited and thus equity accounting has been discontinued from that date. Accordingly, Maxview Enterprises Limited was stated in prior year's consolidated balance sheet at its equity carrying value as at 31 December 1998 of HK\$5,999,000 and in the Company's balance sheet at cost less provision of HK\$5,879,000. After the balance sheet date, the Group fully disposed of its equity interest in Maxview Enterprises Limited and a loss of HK\$3,991,000 was incurred. Accordingly, a further provision of HK\$3,991,000 has been made for the impairment of the Group's investment in Maxview Enterprises Limited in current year.

20. INVESTMENTS IN SECURITIES — EQUITY SECURITIES

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Equity securities:				
Listed in Hong Kong	9,419	280	—	—
Unlisted in Hong Kong, net of provision <i>(Note 19)</i>	2,008	—	2,008	—
	11,427	280	2,008	—
Market value of listed securities	9,419	269	—	—

21. PROPERTIES UNDER DEVELOPMENT FOR SALE

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
At cost:		
At 1 July 2001	56,160	24,160
Additions	—	32,000
Disposal of subsidiary not consolidated	(24,160)	—
	32,000	56,160
Less: Provision for diminution in value	(4,800)	(4,800)
Less: Subsidiary not consolidated	—	(24,160)
	27,200	27,200

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22. INVENTORIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Raw materials	11,386	14,066
Work in progress	2,537	2,490
Finished goods	—	30
	13,923	16,586

23. CONSTRUCTION CONTRACTS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Amount due from contract customers included in trade and other receivables (<i>Note 24</i>)	257	844
Amount due to contract customers included in trade and other payables (<i>Note 25</i>)	(1,990)	(3,930)
	(1,733)	(3,086)
Contract costs incurred plus recognised profits less recognised losses to date	6,503	16,753
Less: Progress billings	(8,236)	(19,839)
	(1,733)	(3,086)

At 30 June 2002, retentions held by customers for contract works as included in trade and other receivables under current assets amounted to approximately HK\$1,000 (2001 — HK\$12,000).

24. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade debtors	28,685	32,349	—	—
Loans receivable	—	6,000	—	—
Sundry deposit and prepayments	2,667	1,775	136	—
Other receivables	2,488	54	2,000	—
Amount due from contract customers (<i>Note 23</i>)	257	844	—	—
	34,097	41,022	2,136	—



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24. TRADE AND OTHER RECEIVABLES (Continued)

Aging analysis of trade debtors is set out below:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Current	10,576	14,557
Over 30 days	2,854	9,505
Over 60 days	8,339	6,470
Over 90 days	6,916	1,817
	28,685	32,349

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

25. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade creditors	6,801	13,098	—	—
Other payables	1,971	12,676	590	2,182
Accruals	2,227	3,098	—	—
Deposit received	—	30	—	—
Deferred income	—	181	—	—
Advance received	52	652	—	—
Amount due to contract customers (<i>Note 23</i>)	1,990	3,930	—	—
	13,041	33,665	590	2,182

Aging analysis of trade creditors is set out below:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Current	3,481	5,894
Over 30 days	3,174	3,929
Over 60 days	104	2,620
Over 90 days	42	655
	6,801	13,098

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26. CONVERTIBLE NOTE

	THE GROUP AND THE COMPANY	
	2002	2001
	HK\$'000	HK\$'000
Convertible note	15,000	—

On 16 May 2002, the Company entered into a conditional subscription agreement (the "Agreement") with an independent third party. On completion, the Company issued an unsecured redeemable convertible note in the principal amount of HK\$15,000,000 (the "Note"). The terms of the Note have been negotiated on an arm's length basis. Under the Agreement, the holder of the Note (the "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 shared capital of the Company at the conversion price of HK\$0.15 per share, subject to adjustments, at any time after the expiry of four months from the date of issue of the Note. Shares issued upon conversion shall rank pari passu in all respect with all other existing ordinary shares of the Company. The Note will be matured in November, six months from the date of the issue of the Note.

At 30 June 2002, the outstanding principal amount of the Note amounts to HK\$15,000,000. If the Noteholder converts whole of the outstanding principal amount, the Company will be required to issue a further 100,000,000 new ordinary shares.

27. SHARE CAPITAL

	THE GROUP AND THE COMPANY	
	2002	2001
	HK\$'000	HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.02 each		
(2001: 10,000,000,000 ordinary shares of HK\$0.02 each)	200,000	200,000
Issued and fully paid:		
1,830,340,000 ordinary shares of HK\$0.02 each		
(2001: 900,340,000 ordinary shares of HK\$0.02 each)	36,607	18,007

**27. SHARE CAPITAL (Continued)**

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

	Number of ordinary shares of HK\$0.02 each '000	Amount HK\$'000
Issued and fully paid:		
As at 1 July 2001	900,340	18,007
Issue of shares	930,000	18,600
As at 30 June 2002	1,830,340	36,607

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

- (a) on 6 September 2001, the Company entered into an unconditional placing agreement and a conditional subscription agreement with 369 Holdings Limited, the substantial shareholder of the Company. On completion, the Company issued 160,000,000 new ordinary shares of HK\$0.05 each. The premium on the issue of the shares of HK\$4,800,000 was credited to the share premium account;
- (b) on 8 November 2001, the Company entered into an unconditional placing agreement and a conditional subscription agreement with 369 Holdings Limited, the substantial shareholder of the Company. On completion, the Company issued 211,000,000 new ordinary shares of HK\$0.06 each. The premium on the issue of the shares of HK\$8,440,000 was credited to the share premium account;
- (c) on 10 December 2001, the Company entered into an unconditional placing agreement and a conditional subscription agreement with 369 Holdings Limited, the substantial shareholder of the Company. On completion, the Company issued 254,000,000 new ordinary shares of HK\$0.066 each. The premium on the issue of the shares of HK\$11,684,000 was credited to the share premium account; and
- (d) on 31 January 2002, the Company entered into an unconditional placing agreement with 369 Holdings Limited, the substantial shareholder of the Company. On completion, the Company issued 305,000,000 new ordinary shares of HK\$0.08 each. The premium on the issue of the shares of HK\$18,300,000 was credited to the share premium account.

In addition to the above movements, subsequent to the balance sheet date, there were further movements in the Company's issued share capital, as detailed in Note 44 to the financial statements.

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. There were options granted to former directors of the Company and resigned staff which had not been exercised and lapsed by effluxion of time according to the terms as stipulated in the Scheme.

At 30 June 2002, the Company had no outstanding options granted to eligible employees to subscribe for shares of the Company.

28. RESERVES

	Share premium HK\$'000	Non- distributable reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
The Group:					
At 1 July 2000	—	1,264	(1,815)	89,987	89,436
Net loss for the year	—	—	—	(46,989)	(46,989)
Issue of shares at a premium	12,675	—	—	—	12,675
Goodwill arising on the acquisition of associates (Note 17)	—	(29,400)	—	—	(29,400)
Impairment of goodwill	—	29,400	—	—	29,400
Negative goodwill on acquisition of assets	—	1,000	—	—	1,000
Net recognised gains	—	—	327	—	327
At 30 June 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
The Company:					
At 1 July 2000	—	1,264	—	64,485	65,749
Net loss for the year	—	—	—	(19,228)	(19,228)
Issue of shares at a premium	12,675	—	—	—	12,675
At 30 June 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

29. AMOUNTS DUE TO SUBSIDIARIES

The amounts due are unsecured, interest-free and have no fixed terms of repayments. In the opinion of directors, no portion of these amounts are repayable within next twelve months from the balance sheet date.

30. AMOUNT DUE TO AN INVESTEE COMPANY

The amount due is unsecured, interest-free and has been fully settled after the balance sheet date.

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31. DEFERRED TAXATION

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Balance at 1 July 2001	—	162
Credit for the year	—	(162)
Balance at 30 June 2002	—	—

32. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2002	2001
	HK\$'000	HK\$'000
Operating loss before taxation	(48,989)	(42,769)
Interest income	(199)	(1,902)
Interest paid	82	15
Amortisation of goodwill	1,426	1,654
Impairment of goodwill	—	29,400
Amortisation of development costs	33	1,821
Depreciation of owned fixed assets	1,525	612
Depreciation of fixed assets held under finance lease	—	49
Decrease in inventories	2,633	800
(Increase)/decrease in other investments	(9,037)	16,905
Decrease in trade and other receivables	6,762	1,511
Decrease in amount due from a related company	—	2,787
(Decrease)/increase in amounts due to related companies	(122)	122
(Decrease)/increase in amounts due to directors	(6,652)	4,325
(Decrease)/increase in trade and other payables	(17,251)	6,553
Decrease in amount due to subsidiary not consolidated	(13,137)	—
Provision for doubtful debts	—	865
Provision for diminution in properties	—	4,800
Loss on disposal of subsidiaries	5,522	2,281
Loss on disposal of tangible fixed assets	79	—
Unrealised holding gain on investment in securities — other investments	(258)	—
Provision for diminution in value of investments in securities — other investments	4,147	551
Provision for diminution in value of subsidiary not consolidated	16,043	—
Gain on disposal of fixed assets	(20)	(9,389)
Decrease in amount due to minority shareholders of subsidiaries	—	(11,424)
Net cash (outflow)/inflow from operating activities	(57,413)	9,567



33. DISPOSAL OF SUBSIDIARIES

On 17 May 2002, the Group disposed of a subsidiary in which the Group had been unable to exercise effective control since 1 July 1998 and the subsidiary was deconsolidated since that date.

Net assets/(liabilities) disposed of:

	2002	2001
	HK\$'000	HK\$'000
Tangible fixed assets	—	2,908
Inventories	—	1,751
Trade and other receivables	—	291
Bank balances	—	36
Amount due to holding company	—	(18,441)
Trade and other payables	—	(1,697)
Taxation payable	—	(55)
Bank loan	—	(280)
Exchange reserve	1,488	327
Net investment cost in subsidiary not consolidated	17,172	—
	18,660	(15,160)
Amount due to holding company waived by the Company	—	18,441
	18,660	3,281
Loss on disposal of subsidiaries	(5,522)	(2,281)
	13,138	1,000
Satisfied by:		
Other receivable	—	865
Decrease in accrued expenses	—	135
Decrease in amount due to a subsidiary	13,138	—
	13,138	1,000

The subsidiary disposed of during the year did not have any significant effect on the Group's cash flows for the year ended 30 June 2002.

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34. ANALYSIS OF CHANGES IN FINANCING

	Share premium HK\$'000	Share capital HK\$'000	Convertible note HK\$'000	Bank loans and finance lease obligations HK\$'000
At 1 July 2000	—	17,684	—	—
Issue of shares at a premium	12,675	325	—	—
Inception of finance leases	—	—	—	488
Net cash outflow from financing activities	—	—	—	(87)
At 30 June 2001	12,675	18,009	—	401
Issue of shares at a premium	43,224	18,600	—	—
Issue of convertible note	—	—	15,000	—
New bank loans	—	—	—	3,500
Net cash outflow from financing activities	—	—	—	(549)
At 30 June 2002	55,899	36,609	15,000	3,352

35. OPERATING LEASE COMMITMENTS

At 30 June 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within one year	2,758	3,371
In the second to fifth years, inclusive	1,866	4,974
	4,624	8,345

36. COMMITMENTS

In addition to the operating lease commitments detailed in Note 35 above, the Group had the following commitment in respect of transfer of television dramas licence as at balance sheet date:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Contracted but not provided for	780	—

37. 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.

During the year, the Group’s defined contribution retirement benefits scheme was converted into one of the existing 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\$38,000 (2001 — HK\$81,000).

38. INTEREST-BEARING BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2002 HK\$’000	2001 HK\$’000	2002 HK\$’000	2001 HK\$’000
Bank overdrafts				
— secured	—	176	—	—
— unsecured	3,711	—	—	—
Bank loan, secured	3,352	—	—	—
Total bank borrowings	7,063	176	—	—
Bank overdrafts repayable within one year	3,711	176	—	—
Bank loans repayable:				
Within one year	453	—	—	—
In the second year	469	—	—	—
In the third to fifth years, inclusive	1,515	—	—	—
Beyond five years	915	—	—	—
	3,352	—	—	—
	7,063	176	—	—
Portion classified as current liabilities	(4,164)	(176)	—	—
Non-current portion	2,899	—	—	—

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38. INTEREST-BEARING BANK BORROWINGS (Continued)

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

39. 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	2002 HK\$'000	2001 HK\$'000
Gason Electrical Contracting Ltd. (Note a)	Company in which two directors of subsidiaries have beneficial interests	Sales	11,592	18,364
Gold Arch Engineering Ltd. (Note b)	Company in which two directors of subsidiaries have beneficial interests	Management fee paid	643	800
Maxview Enterprises Ltd.	Investee company	Balance as at 30 June due by the Group	4,016	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.

40. MAJOR NON-CASH TRANSACTION

In prior 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\$488,000.



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41. PURCHASE OF SUBSIDIARIES

	2002	2001
	HK\$'000	HK\$'000
Net assets acquired		
Investment in securities	—	35,000
Properties under development	—	32,000
Goodwill	—	13,705
Development costs	—	4,595
Trade and other payables	—	(987)
Amount due to directors	—	(2,327)
Deposits received	—	(1,197)
	—	80,789
Satisfied by:		
Shares allotted	—	13,000
Cash	—	3,000
Accounts and other receivables	—	64,789
	—	80,789

42. DE-CONSOLIDATION OF A SUBSIDIARY

	2002	2001
	HK\$'000	HK\$'000
Net assets de-consolidated:		
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 during the year did not have any significant effect on the Group's cash flows for the year ended 30 June 2002.

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43. CONTINGENT LIABILITIES

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

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to banks for general banking facilities granted to subsidiaries	3,500	12,359	—	—
Other guarantees	—	533	—	—
Other trade guarantees	160	160	—	—
	3,660	13,052	—	—

As at 30 June 2002, the banking facilities granted to the subsidiaries subject to guarantees given to a bank by a subsidiary of the Group were utilised to the extent of HK\$3,352,000 (2001: Nil).

44. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the Group had the following material post balance sheet events:

- (a) On 11 July 2002, the Company entered into an agreement with an independent third party with regard to the disposal of the Company's shareholding in Maxview Enterprises Limited and the full and final settlement of the Company's indebtedness to Maxview Enterprises Limited for a consideration of HK\$2,008,000. The disposal transaction resulted in a loss of HK\$3,991,000. The proceeds was used to partly settle the amount due by the Company to Maxview Enterprises Limited.
- (b) 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 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 shares representing approximately 13.11% of the then existing issued share capital of the Company were issued. The placement realised around HK\$11.3 million which would mainly be used to reduce the Company's short term debt and for investment in the cultural and media business in the PRC and also for the general operating expenses.

45. COMPARATIVE FIGURES

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

46. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 21 October 2002.