

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2003

1. BASIS OF PREPARATION

The condensed interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (“Listing Rules”).

The condensed interim financial statements have been prepared on a going concern basis. As at 31 December 2003, the Group had convertible notes of HK\$15,000,000, if not converted, to be repayable in one year’s time. The validity of the going concern assumption depends upon future profitable operations and funding being available. The condensed interim financial statements have been prepared on a going concern basis as the Group has cash and bank balances and investments in listed securities which can be readily utilised to settle the convertible notes.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation adopted in the preparation of the condensed consolidated interim financial statements are consistent with those used in the Group’s annual financial statements for the year ended 30 June 2003, except that the Group has adopted the revised SSAP 12 “Income Taxes” issued by the HKSA which is effective for the accounting periods commencing on or after 1 January 2003.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2003

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The changes to the Group's accounting policy and the effect of adopting the new policy is as follows:

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantially enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with equity.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

In prior years, deferred taxation was accounted for at the current taxation rate in respect of temporary differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy and should be applied retrospectively. However, since the effect on prior periods was not material, no prior period adjustment has been made.

3. SEGMENTAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the manufacturing and trading of electrical equipment, the trading of listed securities, the provision of electrical engineering and contracting services and entertainment business. An analysis of the Group's turnover and contribution to loss from operations by principal activities and geographical locations during the period is shown as follows:

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2003

3. SEGMENTAL INFORMATION *(Continued)*

(a) Business segments

	Six months ended 31 December 2003 (unaudited)				Consolidated HK\$'000
	Electrical equipment HK\$'000	Listed securities HK\$'000	Electrical engineering and contracting services HK\$'000	Entertainment business HK\$'000	
Segment revenue:					
Sales/services to external customers	23,079	-	5,516	-	28,595
Segment results	2,767	-	286	-	3,053
Interest income					43
Other income					755
Distribution costs					(527)
General and administrative expenses					(21,412)
Loss from operating activities					(18,088)
Finance costs					(480)
Loss before taxation					(18,568)
Taxation					(23)
Loss before minority interest					(18,591)
Minority interests					(25)
Net loss for the period					(18,616)
Segment assets	44,011	6,546	6,697	95	57,349
Unallocated assets					38,547
Total assets					95,896
Segment liabilities	10,055	4,239	4,196	138	18,628
Unallocated liabilities					27,178
Total liabilities					45,806
Other segment information:					
Unallocated capital expenditure					734
Depreciation and amortisation	462	-	-	-	462
Unallocated amounts					220
					682
Other non-cash expenses	-	9,275	-	-	9,275
Unallocated amounts					6,922
					16,197

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2003

3. SEGMENTAL INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Six months ended 31 December 2002 (unaudited)			Consolidated HK\$'000
	Electrical equipment HK\$'000	Listed securities HK\$'000	Electrical engineering and contracting services HK\$'000	
Segment revenue:				
Sales/services to external customers	26,281	655	7,696	34,632
Segment results	3,017	(86)	798	3,729
Interest income				65
Other income				2,211
Distribution costs				(388)
General and administrative expenses				(24,194)
Loss from operating activities				(18,577)
Finance costs				(1,166)
Loss before taxation				(19,743)
Taxation				(53)
Loss before minority interest				(19,796)
Minority interests				(57)
Net loss for the period				(19,853)
Segment assets	49,739	15,579	9,416	74,734
Investment in associates				11,500
Investment in a joint venture				10,000
Unallocated assets				40,447
Total assets				136,681
Segment liabilities	10,795	3,449	5,096	19,340
Unallocated liabilities				29,231
Total liabilities				48,571
Other segment information:				
Unallocated capital expenditure				1,298
Depreciation and amortisation	213	-	-	213
Unallocated amounts				1,199
				1,412
Other non-cash income	-	1,926	-	1,926

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2003

3. SEGMENTAL INFORMATION *(Continued)*

(b) Geographical segments

	Six months ended		
	31 December 2003 (unaudited)		
	Hong Kong	The PRC	Consolidated
	HK\$'000	HK\$'000	HK\$'000
Segment revenue:			
Sales/services to external customers	28,595	–	28,595
	<u>28,595</u>	<u>–</u>	<u>28,595</u>
Segment results	3,053	–	3,053
	<u>3,053</u>	<u>–</u>	<u>3,053</u>
Other segment information:			
Segment assets	66,320	29,576	95,896
			<u>95,896</u>
Capital expenditure	734	–	734
			<u>734</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2003

3. SEGMENTAL INFORMATION *(Continued)*

(b) Geographical segments *(Continued)*

	Six months ended		
	31 December 2002 (unaudited)		
	Hong Kong HK\$'000	The PRC HK\$'000	Consolidated HK\$'000
Segment revenue:			
Sales/services to external customers	34,632	–	34,632
Segment results	3,729	–	3,729
Other segment information:			
Segment assets	81,533	33,648	115,181
Investment in associates			11,500
Investment in a joint venture			10,000
Total assets			136,681
Capital expenditure	1,276	22	1,298

4. DEPRECIATION AND AMORTISATION

During the period, depreciation of HK\$542,000 (2002: HK\$818,000) was charged in respect of the Group's tangible fixed assets. Amortisation of HK\$140,000 (2002: HK\$594,000) was charged in respect of the Group's intangible assets.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2003

5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period.

6. INTERIM DIVIDEND

The Directors does not recommend the payment of an interim dividend for the period under review (2002: Nil).

7. LOSS PER ORDINARY SHARE

The calculation of the basic loss per ordinary share is based on the net loss for the period of HK\$18,616,000 (2002: HK\$19,853,000) and the 2,270,340,000 ordinary shares (2002: weighted average of 1,932,079,000 ordinary shares) in issue during the period.

No diluted loss per ordinary share has been presented for the periods ended 31 December 2003 and 31 December 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 periods.

8. TANGIBLE FIXED ASSETS

The net book value of tangible fixed assets pledged to secure general banking facilities granted to the Group amounted to HK\$5,840,000 (at 30 June 2003: HK\$5,880,000) and the net book value of tangible fixed assets held under finance leases amounted to HK\$1,048,000 (at 30 June 2003: HK\$1,260,000).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2003

9. GOODWILL

	Unaudited
	HK\$'000
At cost:	
At 1 July 2003 and 31 December 2003	<u>14,259</u>
Accumulated amortisation:	
At 1 July 2003 and 31 December 2003	<u>14,259</u>
Net book value:	
At 31 December 2003	<u><u>–</u></u>
At 30 June 2003	<u><u>–</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2003

10. SUBSIDIARIES NOT CONSOLIDATED

	31 December 2003 (Unaudited) HK\$'000	30 June 2003 (Audited) 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 investments in M-Star had not been incorporated into these financial statements and as prudence, full provision of HK\$16,043,000 for the investment in M-Star had been made during the year ended 30 June 2002. Official receiver had been appointed for the liquidation of M-Star during the year ended 30 June 2003. In the opinion of the Directors, the recoverability of the investment in M-Star is remote.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2003

11. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to 60 days to its trade customers. Included in trade and other receivables are trade debtors of HK\$18,885,000 (at 30 June 2003: HK\$23,263,000) with the following aging analysis:

	31 December 2003 (Unaudited) HK\$'000	30 June 2003 (Audited) HK\$'000
Within 60 days	11,177	12,913
Over 60 days	2,061	3,101
Over 90 days	5,647	7,249
	<u>18,885</u>	<u>23,263</u>

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$5,570,000 (at 30 June 2003: HK\$7,106,000) with the following aging analysis:

	31 December 2003 (Unaudited) HK\$'000	30 June 2003 (Audited) HK\$'000
Within 90 days	5,570	7,101
Over 90 days	—	5
	<u>5,570</u>	<u>7,106</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2003

13. CONVERTIBLE NOTES

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 (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 share capital of the Company at the conversion price of HK\$0.02 per share, subject to adjustments, at any time from the date of issue of 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 31 December 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 new ordinary shares.

14. SHARE CAPITAL

	31 December 2003 (Unaudited) HK\$'000	30 June 2003 (Audited) HK\$'000
<i>Authorised:</i>		
10,000,000,000 ordinary shares of HK\$0.02 each	<u><u>200,000</u></u>	<u><u>200,000</u></u>
<i>Issued and fully paid:</i>		
2,270,340,000 ordinary shares of HK\$0.02 each	<u><u>45,407</u></u>	<u><u>45,407</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31 December 2003

15. RESERVES

	Share premium (Unaudited) HK\$'000	Non-distributable reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
The Group:				
At 1 July 2003	65,099	2,264	(51,993)	15,370
Net loss for the period	—	—	(18,616)	(18,616)
At 31 December 2003	<u>65,099</u>	<u>2,264</u>	<u>(70,609)</u>	<u>(3,246)</u>

16. PLEDGE OF ASSETS

At 31 December 2003, the net book value of tangible fixed assets of HK\$5,840,000 (at 30 June 2003: HK\$5,880,000) and bank deposits of HK\$3,000,000 (at 30 June 2003: HK\$3,000,000) were pledged to secure general banking facilities granted to the Group.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

For the six months ended 31 December 2003

17. CONTINGENT LIABILITIES

	31 December 2003 (Unaudited) HK\$'000	30 June 2003 (Audited) HK\$'000
Guarantees given to banks for general banking facilities granted to subsidiaries	3,500	3,500
Irrevocable letters of credit	187	187
Other trade guarantees	160	160
	<hr/>	<hr/>
	3,847	3,847
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18. OPERATING LEASE COMMITMENTS

At 31 December 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2003 (Unaudited) HK\$'000	30 June 2003 (Audited) HK\$'000
Within one year	798	1,872
In the second to fifth years, inclusive	54	–
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	852	1,872
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19. POST BALANCE SHEET EVENT

On 4 March 2004, the Company announced a proposed open offer with bonus issue and additional issue (the "Open Offer") whereby 4,540,680,000 new ordinary shares ("Offer Shares") are proposed to be offered to the qualifying holders for subscription on the basis of two Offer Shares for every share held on the record date pursuant to the Open Offer. Qualifying holders are entitled to apply for Offer Shares not taken up by other shareholders in excess of their respective entitlements under the Open Offer. A maximum of 600,000,000 additional shares ("Additional Shares") are proposed to be issued by the Company in the event that the aggregate number of excess Offer Shares being applied for exceeds the aggregate number of Offer Shares not taken up for a maximum of HK\$12.0 million. The Company also proposes to issue bonus shares on the basis of one bonus share for every two Offer Shares or Additional Shares issued.

On the same date, the Company entered into a conditional underwriting agreement (the "Underwriting Agreement") with Kingston Securities Limited (the "Underwriter") whereby the Underwriter agreed to fully underwrite all Offer Shares.

The Open Offer with bonus issue and additional issue is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. The Open Offer is scheduled to be completed in May 2004.

20. RELATED PARTY TRANSACTIONS

During the period, the Group entered into sales transactions of HK\$5,447,000 (2002: HK\$7,745,000) and paid management fees of HK\$180,000 (2002: HK\$180,000) to related companies, in which directors of subsidiaries have controlling interests.

21. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board of Directors on 23 March 2004.

By Order of the Board

Lau Kwok Hung

Executive Director

Hong Kong, 23 March 2004