

Notes to Financial Statements

30 June 2005 (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 investment and cruise ship operation and management.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively referred to as the “new HKFRSs”) which are effective for accounting periods commencing on or after 1 January 2005, except for HKFRS 3 “Business Combinations” which is applicable for business combinations for which the agreement date is on or after 1 January 2005.

HKFRS 3 Business Combinations

In the current year, the Group has applied HKFRS 3 “Business Combinations”, which is applicable for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses, if any, after initial recognition.

The adoption of HKFRS 3 has no material impact on the Group’s financial statements in prior years and comparative figures have not been restated.

In the current year, the Group has early adopted the following new HKFRSs. The revised accounting policies are set out in Note 3 to financial statements.

HKAS 40	Investment Property
HKAS Interpretation 21	Income Taxes – Recovery of Revalued Non Depreciable Assets

Following the adoption of the new HKAS 40, all investment properties are stated at fair value and any changes in fair value of the Group’s investment properties are recognised in the consolidated income statement. With the introduction of HKAS-Int 21, deferred tax is provided on the basis that the carrying amounts of investment properties will be recovered through use and calculated at applicable profits tax rates.



2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS (Continued)

The adoption of HKAS 40 and HKAS-Int 21 have no material impact on the Group's financial statements in prior years and comparative figures have not been restated.

For those new HKFRSs that the Group has not early adopted in the financials for the year ended 30 June 2005, the Group is in the process of making an assessment of the potential impact of those new HKFRSs but has not yet been in a position to determine whether those new HKFRSs would have an effect on the results of operations and financial position of the Group. Those new HKFRSs may result in change in the future as to how the results and financial position of the Group are prepared and presented.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice ("SSAPs") and Interpretations) issued by the HKICPA, 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 Company 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 investment properties 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 2005.

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.



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

(b) Basis of consolidation *(Continued)*

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.

(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. Goodwill arising on the acquisitions with agreement date price to 1 January 2005 is capitalised and amortised on a straight-line basis over its useful economic life of 10 years.

Goodwill arising on acquisitions with agreement date on or after 1 January 2005, represents the excess purchase consideration paid for such companies ascribed to the net underlying assets at the date of acquisition, is measured at cost less accumulated impairment losses, if any, after initial recognition. The Goodwill will be tested for impairment at least annually.

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



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Tangible fixed assets and depreciation (Continued)

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%
Cruise ship	:	5%

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.

4. *Investment properties*

Investment properties, including property interests that are held under an operating lease, which are held to earn rentals and/or for capital appreciation, are stated at fair value at the balance sheet date. Increase or decrease in the fair value of investment properties is included in the net profit or loss for the year in which they arise.

(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 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.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Construction contracts (Continued)

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.

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 (other than inventories, assets arising from construction contracts, deferred tax assets, financial assets other than interests in subsidiaries, associates and joint ventures, and investment properties) 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).



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Impairment of assets (Continued)

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.

(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

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Taxation (Continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets that are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

(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.

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.



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)

30 June 2005 (in HK Dollars)

4. SEGMENT INFORMATION (Continued)

(a) Business segments

THE GROUP

	Electrical equipment		Listed securities		Electrical engineering and contracting services		Entertainment		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Segment revenue:										
Sales/services to external customers	60,665	43,698	-	-	16,344	10,796	-	-	77,009	54,494
Segment results	6,212	4,782	-	-	1,993	1,616	-	-	8,205	6,398
Interest income									264	57
Other income									1,668	248
Distribution costs									(1,462)	(694)
General and administrative expenses									(19,154)	(30,802)
Loss from operating activities									(10,479)	(24,793)
Finance costs									(129)	(927)
Loss before taxation									(10,608)	(25,720)
Taxation									(366)	(76)
Loss before minority interest									(10,974)	(25,796)
Minority interests									(379)	(79)
Net loss for the year									(11,353)	(25,875)
Segment assets	52,861	49,693	8,704	13,747	7,641	5,476	80	88	69,286	69,004
Unallocated assets									216,768	83,430
Total assets									286,054	152,434
Segment liabilities	11,338	8,780	3,021	3,587	3,610	2,736	120	177	18,089	15,280
Unallocated liabilities									37,129	5,950
Total liabilities									55,218	21,230
Other segment information:										
Capital expenditure	3	762	-	-	-	-	-	-	3	762
Unallocated amounts									97,029	-
									97,032	762
Depreciation and amortisation	417	1,071	-	-	-	-	-	-	417	1,071
Unallocated amounts									390	534
									807	1,605
Other non-cash expenses	-	-	5,795	9,196	-	-	-	-	5,795	9,196
Unallocated amounts									-	10,815
									5,795	20,011

4. SEGMENT INFORMATION (Continued)

(b) Geographical segments

THE GROUP

	Hong Kong		The PRC		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Segment revenue:						
Sales/services to external customers	77,009	54,494	-	-	77,009	54,494
Segment results	8,205	6,398	-	-	8,205	6,398
Other segment information:						
Segment assets	258,334	125,159	27,720	27,275	286,054	152,434
Capital expenditure	97,032	762	-	-	97,032	762

Notes to Financial Statements (Continued)

30 June 2005 (in HK Dollars)

5. LOSS FROM OPERATIONS

(a) Turnover:

	2005 HK\$'000	2004 HK\$'000
Manufacturing and trading of electrical equipment	60,665	43,698
Provision of electrical engineering and contracting services	16,344	10,796
	77,009	54,494

(b) Loss from operations is stated after charging:

	2005 HK\$'000	2004 HK\$'000
Amortisation of development costs	609	609
Auditors' remuneration	783	735
Depreciation of owned tangible fixed assets	527	571
Depreciation of tangible fixed assets held under finance leases	425	425
Operating lease charges in respect of land and buildings	1,560	11
Provision for diminution in value of investment in securities – other investments	5,050	9,196
Provision for diminution in value of investment in a joint venture	–	6,922
Provision for legal claim for rental	–	1,592
Total staff costs, excluding directors' remuneration and including mandatory provident fund contributions	11,420	11,790
Mandatory provident fund contributions	334	454
Provision for bad and doubtful debts	129	2,301
Loss on disposal of tangible fixed assets	–	3
Other intangible assets written off	–	59
Cost of inventories expensed	49,765	27,990
and after crediting:		
Net gain on disposal of subsidiaries	–	210
Operating lease rentals in respect of investment properties	133	–
Increase in fair value of investment properties	500	–



5. LOSS FROM OPERATIONS (Continued)

(c) **Other revenue:**

	2005 HK\$'000	2004 HK\$'000
Interest income	264	57
Commission received	26	40
Dividend income – listed securities	2	–
Rental Income	133	–
Increase in fair value of investment properties	500	–
Others	1,007	208
	1,932	305

6. FINANCE COSTS

	2005 HK\$'000	2004 HK\$'000
Interest on bank overdrafts and other borrowings wholly repayable within five years	64	103
Interest on finance leases	65	74
Interest on convertible note	–	750
	129	927



7. DIRECTORS' REMUNERATION

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

	2005 HK\$'000	2004 HK\$'000
Fees:		
Executive directors	–	113
Non-executive directors	–	–
Independent non-executive directors	70	142
	70	255
Salaries and other emoluments:		
Executive directors	1,175	999
Non-executive directors	–	–
Independent non-executive directors	–	–
	1,175	999
	1,245	1,254

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

The remuneration of the directors is within the following band:

	Number of Directors	
	2005	2004
Nil – HK\$1,000,000	9	7

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2004: Nil).

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2004: one) director, details of whose remuneration are set out in Note 7 above. Details of the remuneration of the remaining four (2004: four) highest paid, non-director employees are as follows:

	2005	2004
	HK\$'000	HK\$'000
Salaries and other benefits	1,744	1,722
Mandatory provident fund contributions	48	11
	1,792	1,733

Their emoluments are within the following bands:

	Number of employees	
	2005	2004
Nil – HK\$1,000,000	4	4

9. TAXATION

Hong Kong Profits Tax has been provided in the financial statements at a rate of 17.5% (2004: 17.5%) 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	
	2005	2004
	HK\$'000	HK\$'000
Current Taxation:		
Provision for the year		
– Hong Kong	394	76
Over-provision in previous year	(28)	–
	366	76

Notes to Financial Statements (Continued)

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9. TAXATION (Continued)

Reconciliation between tax expense and accounting loss at applicable tax rates:

	THE GROUP			
	2005 HK\$'000	%	2004 HK\$'000	%
Loss before taxation	(10,608)		(25,720)	
Tax at the domestic income rate of 17.5% (2004: 17.5%)	(1,856)	(17.5)	(4,501)	(17.5)
Tax effect of expenses that are not deductible in determining taxable profit	3,404	32.1	3,549	13.8
Tax effect of income that are not taxable in determining taxable profit	(2,616)	(24.7)	(38)	(0.1)
Over-provision in previous year	28	0.3	–	–
Tax effect of estimated tax loss not recognised	1,406	13.3	1,066	4.1
Tax charge for the year	366	3.5	76	0.3

No provision for deferred tax liabilities has been made as the Company and the Group has no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The Group has not recognised deferred tax assets in respect of tax losses due to the unpredictability of the future profit streams.



10. NET LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS

	2005	2004
	HK\$'000	HK\$'000
Dealt with in the financial statements of the Company	7,957	6,961
Attributable to subsidiaries	3,396	11,992
Attributable to joint venture	-	6,922
	<hr/> 11,353 <hr/>	<hr/> 25,875 <hr/>

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\$11,353,000 (2004: HK\$25,875,000) and the weighted average of 10,051,671,000 (2004: 2,568,905,000) ordinary shares in issue during the year.

No diluted loss per ordinary share has been presented for the years ended 30 June 2005 as there were no dilutive potential ordinary shares in existence during the year ended 30 June 2005. No diluted loss per ordinary share has been presented for the year ended 30 June 2004 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 the year ended 30 June 2004.



Notes to Financial Statements (Continued)

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12. TANGIBLE FIXED ASSETS

(a) The Group

	Medium term leasehold land and buildings in Hong Kong HK\$'000	Plant and machinery HK\$'000	Furniture, and fixtures equipment HK\$'000	Computer equipment HK\$'000	Motor vehicles HK\$'000	Investment Cruise ship HK\$'000 (f)	properties in the PRC HK\$'000 (g)	Total HK\$'000
At cost/fair value:								
At 1 July 2004	6,031	336	3,039	268	2,488	-	-	12,162
Additions upon acquisition of a subsidiary	-	-	-	-	-	97,000	-	97,000
Transfer in	-	-	-	-	-	-	27,200	27,200
Additions	-	-	3	29	-	-	-	32
Increase in fair value	-	-	-	-	-	-	500	500
At 30 June 2005	<u>6,031</u>	<u>336</u>	<u>3,042</u>	<u>297</u>	<u>2,488</u>	<u>97,000</u>	<u>27,700</u>	<u>136,894</u>
Depreciation:								
At 1 July 2004	297	250	2,103	172	1,653	-	-	4,475
Charge for the year	145	30	296	56	425	-	-	952
At 30 June 2005	<u>442</u>	<u>280</u>	<u>2,399</u>	<u>228</u>	<u>2,078</u>	<u>-</u>	<u>-</u>	<u>5,427</u>
Net book value:								
At 30 June 2005	<u>5,589</u>	<u>56</u>	<u>643</u>	<u>69</u>	<u>410</u>	<u>97,000</u>	<u>27,700</u>	<u>131,467</u>
At 30 June 2004	<u>5,734</u>	<u>86</u>	<u>936</u>	<u>96</u>	<u>835</u>	<u>-</u>	<u>-</u>	<u>7,687</u>



12. TANGIBLE FIXED ASSETS (Continued)

(b) The Company

	Office equipment HK\$'000	Computer equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
The Company:				
At cost:				
At 1 July 2004	20	45	1,700	1,765
Additions	–	29	–	29
At 30 June 2005	20	74	1,700	1,794
Depreciation:				
At 1 July 2004	6	30	865	901
Charge for the year	4	12	425	441
At 30 June 2005	10	42	1,290	1,342
Net Book value:				
At 30 June 2005	10	32	410	452
At 30 June 2004	14	15	835	864

(c) The Group's total future minimum lease payments under non-cancellable operating leases are receivables as follows:

	2005 HK\$'000	2004 HK\$'000
Within 1 year	275	–
After 1 year but within 5 years	868	–
	1,143	–

Notes to Financial Statements (Continued)

30 June 2005 (in HK Dollars)

12. TANGIBLE FIXED ASSETS (Continued)

- (d) At 30 June 2005, the net book value of tangible fixed assets pledged to secure general banking facilities granted to the Group amounted to approximately HK\$5,589,000 (2004: HK\$5,734,000).
- (e) At 30 June 2005, the net book value of tangible fixed assets of the Company and the Group held under finance leases amounted to approximately HK\$410,000 (2004: HK\$835,000).
- (f) At 30 June 2005, the cruise ship of the Group was still under renovation.
- (g) The Group's investment properties in the PRC were revalued at 30 June 2005 by an independent valuer, Chung, Chan & Associates, on open market value. In accordance with HKAS 40, the net increase in fair value of HK\$500,000 based on the valuation reports has been credited to the income statement.

	HK\$'000
Investment property held under long lease	16,000
Investment property held under medium term lease	11,700
	<hr/>
	27,700
	<hr/>



13. DEVELOPMENT COSTS

	HK\$'000
The Group	
At cost:	
At 1 July 2004 and 30 June 2005	4,673
Accumulated amortisation:	
At 1 July 2004	3,734
Charge for the year	609
At 30 June 2005	4,343
Net book value:	
At 30 June 2005	330
At 30 June 2004	939

14. GOODWILL

	HK\$'000
The Group	
At cost:	
At 1 July 2004	14,259
Additions	45
At 30 June 2005	14,304
Accumulated amortisation:	
At 1 July 2004 and 30 June 2005	14,259
Net book value:	
At 30 June 2005	45
At 30 June 2004	-



Notes to Financial Statements (Continued)

30 June 2005 (in HK Dollars)

15. SUBSIDIARIES

	THE COMPANY	
	2005 HK\$'000	2004 HK\$'000
Unlisted investments, at cost	104,420	36,420
Less: Provision for diminution in value	(5,000)	(5,000)
	99,420	31,420
Amounts due from subsidiaries	155,522	124,100
Less: Provision for amount due from subsidiaries	(95,790)	(51,781)
	59,732	72,319

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

Particulars of the Company's subsidiaries at 30 June 2005 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



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	
			%	%	
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
Metrix E & M Services Limited*	Hong Kong	HK\$500,000	–	80	Provision of electrical engineering and contracting services



Notes to Financial Statements (Continued)

30 June 2005 (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	
			%	%	
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
Eagles Wing Limited	Hong Kong	HK\$2	100	–	Distribution

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	
			%	%	
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
Walden Maritime S.A.	Republic of Panama	US\$10,000	70	–	Asset holding

* Companies not audited by HLB Hodgson Impey Cheng.

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

The results of 北京駿雷文化傳播有限公司 for the year ended 30 June 2005 were based on their management accounts.

Notes to Financial Statements *(Continued)*

30 June 2005 (in HK Dollars)

15. SUBSIDIARIES *(Continued)*

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

Unlisted shares at cost, net of provision

THE GROUP	
2005 HK\$'000	2004 HK\$'000
—	—

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 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.

17. ASSOCIATE

Unlisted shares at cost, net of provision

THE GROUP	
2005 HK\$'000	2004 HK\$'000
—	—

17. ASSOCIATES (Continued)

At 30 June 2005, 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.

18. JOINT VENTURE

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares at cost	10,000	10,000
Advance to a joint venture	3,844	3,844
	13,844	13,844
Less: Provision for diminution in value	(13,844)	(13,844)
	-	-

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

At 30 June 2005, 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%

19. INVESTMENTS IN SECURITIES – EQUITY SECURITIES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Equity securities:		
Listed in Hong Kong	1,257	6,307
Market value of listed securities (Note)	<u>1,257</u>	<u>7,976</u>

Note:

The market value of listed securities was determined with reference to the closing prices as at 30 June 2005. Full provision has been made in the financial statement for certain listed securities whose trading was suspended before 30 June 2005.

20. PROPERTIES UNDER DEVELOPMENT FOR SALE

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
At cost:		
At 1 July 2004	32,000	32,000
Less: Provision for diminution in value	(4,800)	(4,800)
Less: Transfer to investment properties	(27,200)	–
At 30 June 2005	<u>–</u>	<u>27,200</u>

During the year ended 30 June 2005, properties under development for sale have been reclassified as investment properties. The Directors intend to hold these properties for rentals and long-term capital appreciation. In the opinion of the Directors, these properties would not be disposed in the next twelve months from the balance sheet date.



21. INVENTORIES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Raw materials	12,293	9,098
Work in progress	2,104	1,608
	14,397	10,706

22. CONSTRUCTION CONTRACTS

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Amount due from contract customers included in trade and other receivables (Note 23)	710	574
Amount due to contract customers included in trade and other payables (Note 24)	(2,984)	(1,982)
	(2,274)	(1,408)
Contract costs incurred plus recognised profits less recognised losses to date	14,916	12,132
Less: Progress billings	(17,190)	(13,540)
	(2,274)	(1,408)

At 30 June 2005, no retention (2004: Nil) was held by customers for contract works as included in trade and other receivables under current assets.

Notes to Financial Statements (Continued)

30 June 2005 (in HK Dollars)

23. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Trade debtors	20,375	13,534
Sundry deposit and prepayments	1,439	1,556
Other receivables	1,853	1,892
Amount due from contract customers (Note 22)	710	574
	24,377	17,556

Aging analysis of trade debtors is set out below:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Current	8,540	2,819
Over 30 days	3,197	3,642
Over 60 days	2,911	2,739
Over 90 days	5,727	4,334
	20,375	13,534

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

24. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Trade creditors	6,919	5,514	-	-
Other payables	129	2,513	-	-
Accruals	7,942	3,090	3,854	1,723
Provision for legal claim for rental	1,592	1,592	-	-
Advance received	1,202	211	-	-
Amount due to contract customers (Note 22)	2,984	1,982	-	-
Finance lease payables (Note 25)	215	430	215	430
	20,983	15,332	4,069	2,153

Aging analysis of trade creditors is set out below:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Current	1,433	2,151
Over 30 days	3,141	1,646
Over 60 days	2,184	1,715
Over 90 days	161	2
	6,919	5,514

Notes to Financial Statements (Continued)

30 June 2005 (in HK Dollars)

25. FINANCE LEASE PAYABLES

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

At 30 June 2005, the total future minimum lease payments under the finance leases and their present values, were as follows:

	THE GROUP AND THE COMPANY			
	Minimum lease payments		Present value of minimum lease payments	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Amounts payable:				
Within one year	248	494	215	430
In the second year	-	248	-	215
In the third to fifth years, inclusive	-	-	-	-
Total minimum finance lease payments	248	742	215	645
Future finance charges	(33)	(97)	-	-
Total net finance lease payables	215	645	215	645
Portion classified as current liabilities (Note 24)			(215)	(430)
Long term portion			-	215

26. SHARE CAPITAL

	THE GROUP AND THE COMPANY	
	2005 HK\$'000	2004 HK\$'000
Authorised:		
50,000,000,000 ordinary shares of HK\$0.02 each (2004: 50,000,000,000 ordinary shares of HK\$0.02 each)	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
12,397,630,000 ordinary shares of HK\$0.02 each (2004: 9,081,360,000 ordinary shares of HK\$0.02 each)	<u>247,953</u>	<u>181,627</u>

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

	Number of ordinary shares of HK\$0.02 each '000	Amount HK\$'000
Authorised:		
As at 1 July 2004 and 30 June 2005	<u>50,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
As at 1 July 2004	9,081,360	181,627
Issue of shares	<u>3,316,270</u>	<u>66,326</u>
As at 30 June 2005	<u>12,397,630</u>	<u>247,953</u>

During the year, 552,050,000 ordinary shares of HK\$0.02 each, 1,264,220,000 ordinary shares of HK\$0.02 each and 1,500,000,000 of HK\$0.02 each were issued to Golden Mount Limited, Gallery Land Limited and Mr Lin Cheuk Fung at a price of HK\$0.0355 per share, HK\$0.0355 per share and HK\$0.032 per share respectively. All the new shares issued rank pari passu in all respects with the then existing shares. Details of these transactions were set out in the Company's announcements dated 21 January 2005.

26. 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 2005, the Company had no outstanding options granted to eligible employees to subscribe for shares of the Company.



27. RESERVES

	Share premium HK\$'000	Non- distributable reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
The Group:				
At 1 July 2003	65,099	2,264	(51,993)	15,370
Net loss for the year	-	-	(25,875)	(25,875)
Issue of shares under open offer	(45,407)	-	-	(45,407)
Share issue expenses	(2,494)	-	-	(2,494)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2004 and 1 July 2004	17,198	2,264	(77,868)	(58,406)
Net loss for the year	-	-	(11,353)	(11,353)
Issue of shares (Note 26)	46,153	-	-	46,153
Share issue expenses (Note 26)	(1,897)	-	-	(1,897)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2005	61,454	2,264	(89,221)	(25,503)
The Company:				
At 1 July 2003	65,099	1,264	(19,909)	46,454
Net loss for the year	-	-	(20,774)	(20,774)
Issue of shares under open offer	(45,407)	-	-	(45,407)
Share issue expenses	(2,494)	-	-	(2,494)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2004 and 1 July 2004	17,198	1,264	(40,683)	(22,221)
Net loss for the year	-	-	(20,957)	(20,957)
Issue of shares (Note 26)	46,153	-	-	46,153
Share issue expenses (Note 26)	(1,897)	-	-	(1,897)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2005	61,454	1,264	(61,640)	1,078



Notes to Financial Statements (Continued)

30 June 2005 (in HK Dollars)

28. AMOUNT DUE TO A MINORITY SHAREHOLDER

The amount due is unsecured, interest free and repayable on demand.

29. AMOUNT DUE FROM A RELATED COMPANY

Name of company	Maximum balance during the year HK\$'000	THE GROUP	
		2005 HK\$'000	2004 HK\$'000
Company in which two directors of subsidiaries have beneficial interests			
Gason Electrical Contracting Ltd.	830	830	830

The amount due is unsecured, interest free and recoverable on demand.

30. AMOUNT DUE TO A SUBSIDIARY

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

31. OPERATING LEASE COMMITMENTS

At 30 June 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Within one year	154	114
After one year but within 5 years	288	-
	442	114



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\$14,000 (2004: HK\$14,000).

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.



Notes to Financial Statements (Continued)

30 June 2005 (in HK Dollars)

33. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Bank overdrafts				
– secured	–	676	–	–
– unsecured	334	–	–	–
Bank loan, secured	2,064	2,567	–	–
	2,398	3,243	–	–
The maturity profile of the above bank and other borrowings is as follows:				
Within one year	771	1,181	–	–
In the second year	453	518	–	–
In the third to fifth years, inclusive	1,174	1,544	–	–
Beyond five years	–	–	–	–
	2,398	3,243	–	–
Portion classified as current liabilities	(771)	(1,181)	–	–
Non-current portion	1,627	2,062	–	–

As at 30 June 2005, the bank facilities of the Group were secured by the Group's leasehold land and buildings in Hong Kong with carrying values of HK\$5,589,000 (2004: HK\$5,734,000) and fixed deposits of a subsidiary of HK\$3,000,000 (2004: HK\$3,000,000).

34. MATERIAL 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	2005 HK\$'000	2004 HK\$'000
Gason Electrical Contracting Ltd. (Note a)	Company in which two directors of subsidiaries have beneficial interests	Sales – received – receivable	16,328 830	9,856 830
Gold Arch Engineering Ltd. (Note b)	Company in which two directors of subsidiaries have beneficial interests	Management fee paid	360	360

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 acquired 70% equity interest in Walden Maritime S.A. at a consideration of HK\$68,000,000, satisfied by cash of HK\$20,000,000 and 1,500,000,000 ordinary shares of the Company at a price of HK\$0.032 per share.

Notes to Financial Statements (Continued)

30 June 2005 (in HK Dollars)

36. ACQUISITION OF A SUBSIDIARY

During the year, the Group acquired 70% interests in Walden S.A which is principally engaged in cruise ship. The effect of the acquisition of the subsidiary to the financial statements were as follows:

	2005 HK\$'000	2004 HK\$'000
Net assets acquired		
Cruise Ship	97,000	–
Amounts due by directors	78	–
Amounts due to shareholders	(97,000)	–
Minority interest	(23)	–
	<hr/>	<hr/>
	55	–
Goodwill	45	–
Shareholders' loan acquired	67,900	–
	<hr/>	<hr/>
	68,000	–
	<hr/>	<hr/>
Satisfied by:		
Cash consideration	20,000	–
Share consideration	48,000	–
	<hr/>	<hr/>
	68,000	–
	<hr/>	<hr/>
Analysis of net outflow of cash and cash equivalents in connection with the acquisition of subsidiaries	<hr/>	<hr/>
	20,000	–
	<hr/>	<hr/>

The subsidiary acquired during the year did not have any significant effect on the Group's cash flows for the year ended 30 June 2005.

37. CONTINGENT LIABILITIES

	THE GROUP	
	2005 HK\$'000	2004 HK\$'000
Irrevocable letters of credit	–	409
Other trade guarantees	68	–
	<u>68</u>	<u>409</u>

As at 30 June 2005, certain Hong Kong employees have achieved the required number of years of service to the Group and the possible future long service payment to such employees amounted to HK\$1,572,000 (2004: HK\$302,000).

On 1 September 2004, a writ of summons and statement of claim was made by The Center (49) Limited against the Company in respect of the office previously rented by the Group. The claim is for a sum of approximately HK\$3.3 million together with interest and cost. In the opinion of the directors, the amount claimed is unreasonable. The Group would vigorously contest against such claim. After obtaining legal advice, a provision of approximately HK\$1.6 million has been made in the financial statements for the year ended 30 June 2004. During the year ended 30 June 2005, there has been no significant progress. As at the date of approval of these financial statements, the case is still pending for hearing.

38. SUBSEQUENT EVENTS

- (a) On 12 September 2005, the Company entered into subscription agreements with 2 independent third parties. On 22 October 2005 convertible notes of HK\$20,000,000 were issued by the Company to each of the independent third parties. Details of these transactions were set out in the announcement dated 14 September 2005.
- (b) It is intended that the cruise ship of the Group will be moored in Hong Kong and engaged in the gaming and entertainment business in international waters after renovation. The full renovation is expected to complete by end of 2005. The estimated renovation cost is approximately HK\$55 million at the date of approval of these financial statements.

39. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 25 October 2005.