

1. ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities.

The interim report has been prepared in accordance with the Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (“SSAP 25”), except that comparative figures are not presented for the cash flow statement, being the first cash flow statement to be included in the interim financial report relating to accounting period ended on or after July 1, 2000. Such departures from SSAP 25 are permitted under The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Segment disclosures have been presented in accordance with SSAP 25 and the requirements of the Listing Rules. SSAP 26 “Segment Reporting” has not been early adopted.

Save as disclosed above, the condensed financial statements have been prepared in accordance with SSAP 25. The accounting policies adopted for the preparation of the condensed financial statements are consistent with those followed in the Group’s annual financial statements for the year ended June 30, 2000.

2. SEGMENT INFORMATION

	Revenue		Contributions to profit before taxation	
	Six months ended		Six months ended	
	12.31.2000	12.31.1999	12.31.2000	12.31.1999
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$	HK\$	HK\$	HK\$
Business segments				
Continuing operations:				
Trading of listed shares	13,885,614	5,341,599	(8,753,593)	(226,153)
Manufacture and trading of electrical equipment	40,565,411	37,486,030	7,489,867	4,460,204
Provision of electrical engineering and contracting services	17,524,956	20,085,026	2,491,720	6,167,569
Discontinued operations:				
Manufacture and trading of building materials	5,355	84,858	(806,185)	(989,084)
	<u>71,981,336</u>	<u>62,997,513</u>	<u>421,809</u>	<u>9,412,536</u>
Gain on disposal of property, plant and equipment			9,388,918	—
Loss on disposal of a subsidiary			(2,281,444)	—
Unallocated corporate expenses			(7,224,600)	(6,857,349)
Profit before taxation			<u>304,683</u>	<u>2,555,187</u>
Geographical segments				
Hong Kong	71,975,981	62,912,655	1,227,994	10,401,620
PRC	5,355	84,858	(806,185)	(989,084)
	<u>71,981,336</u>	<u>62,997,513</u>	<u>421,809</u>	<u>9,412,536</u>
Gain on disposal of property, plant and equipment			9,388,918	—
Loss on disposal of a subsidiary			(2,281,444)	—
Unallocated corporate expenses			(7,224,600)	(6,857,349)
Profit before taxation			<u>304,683</u>	<u>2,555,187</u>

3. OTHER REVENUE

Included in other revenue are interest income of HK\$1,298,157 (1999: HK\$1,582,795), dividend income of HK\$1,417,257 (1999: HK\$12,102), and write back of provision in investments in securities of HK\$276,616 (1999: HK\$7,538,989).

4. PROFIT FROM OPERATIONS

Profit from operations for the period has been arrived at after charging depreciation of HK\$213,208 (1999: HK\$1,069,546) in respect of the Group's property, plant and equipment and amortisation of HK\$1,187,316 (1999: HK\$1,187,316) was charged in respect of the Group's intangible assets.

5. LEGAL AND PROFESSIONAL EXPENSES

Legal and professional expenses in 1999 represented legal fees in respect of the winding up petition and, fees and expenses of the Joint and Several Provisional Liquidators. No such expense was incurred for the period. The Joint and Several Provisional Liquidators were discharged by the High Court of Hong Kong on July 21, 2000. As a result, no further legal and professional expenses in this nature incurred in the six months period ended December 31, 2000.

6. TAXATION

The charge represents Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the period.

7. (LOSS) EARNING PER SHARE

The calculation of the basic (loss) earning per share is based on the loss for the period of HK\$3,315,132 (1999: profit of HK\$880,931) and the weighted average of 884,200,000 (1999: 884,200,000) shares in issue during the period.

No diluted loss per share is presented for periods ended December 31, 2000 and December 31, 1999, respectively because the directors have sought legal opinion which confirmed that the Share Replacement Offer in respect of replacement shares as disclosed

in 1999 annual report of the Company has lapsed since January 3, 1992. As replacement shares for all valid acceptances in respect of the Share Replacement Offer were issued pursuant to the terms thereof, there was no unissued shares in respect of Share Replacement Offer.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group disposed of land and building totalling with a carrying value of HK\$9,250,379, of which HK\$2,908,570 was disposed of through the disposal of a subsidiary.

9. SUBSIDIARY NOT CONSOLIDATED

	<u>12.31.2000</u>	<u>6.30.2000</u>
	(unaudited)	(unaudited)
	HK\$	HK\$
Unlisted investment, at carrying value	<u><u>17,172,219</u></u>	<u><u>1,172,219</u></u>

Hebei Dezhi Industry Co., Ltd. is stated in the condensed consolidated balance sheet at the Group's attributable share of net assets as at July 1, 1998 amounting to HK\$17,172,219.

Since July 1, 1998, the Company has not been able to participate in the management of the subsidiary and the directors have been unable to obtain any financial information in respect of any period subsequent to that date. Against this background, in the opinion of the directors, the Group has been unable to exercise effective control over Hebei Dezhi Industry Co., Ltd. since July 1, 1998 and accordingly its results, assets and liabilities have not been consolidated in these financial statements. Moreover, in the absence of any financial information regarding the current financial position of Hebei Dezhi Industry Co., Ltd., the directors have been unable to determine whether there has been any diminution in value of that company since July 1, 1998.

The net losses of the subsidiary attributable to the Group are:

	Six months ended 12.31.2000 (unaudited) HK\$	Previous period since acquisition (unaudited) HK\$
Dealt with in the consolidated financial statements	<u>—</u>	<u>8,065,599</u>
Not dealt with in the consolidated financial statements	<u>—</u>	<u>—</u>

The net assets of Hebei Dezhi Industry Co. Ltd. as at July 1, 1998 comprised properties under development with a carrying value of HK\$24,159,914 at that time. On February 29, 1996, Hebei Dezhi Industry Co., Ltd., entered into an agreement with Shijiazhung Remittance Trading Company (the "Purchaser"), whereby Hebei Dezhi Industry Co., Ltd. agreed to sell the aforementioned development project at a total cash consideration of RMB33,600,000. At December 31, 2000, the transaction had not been completed and the title of the properties under development had not yet been passed to the purchaser. Properties under development were held on short term leases and were situated in the PRC.

10. INVESTMENT IN SECURITIES

Investment in securities included as non-current assets represents unlisted other investment in Maxview Enterprises Limited, a company incorporated in the United States of America engaged in property investment. As at December 31, 2000, the Group's unlisted investment represents a holding of 50% of the ordinary shares of Maxview Enterprises Limited.

Since January 1, 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 is stated in the condensed consolidated balance sheet at

its equity carrying value as at December 31, 1998 of HK\$5,998,534. However, the directors have been unable to obtain any financial statements for any period subsequent to January 1, 1999 in order to assess whether there has been a diminution in value of Maxview Enterprises Limited since that date.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing an average credit period of 30 to 60 days to its trade customers.

Included in debtors, prepayment and deposits are amount due from a related company and trade debtors of HK\$4,166,192 and HK\$29,505,135 respectively (6.30.2000: HK\$2,787,217 and HK\$37,706,500 respectively), an aging analysis of which at the reporting date is as follow:

	<u>12.31.2000</u>	<u>6.30.2000</u>
	(unaudited)	(unaudited)
	HK\$	HK\$
0 - 60 days	21,771,906	26,208,645
61 - 90 days	4,940,546	5,744,834
More than 90 days	6,958,875	8,540,238
	<u>33,671,327</u>	<u>40,493,717</u>

12. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors of HK\$13,683,391 (6.30.2000: HK\$13,772,835), an aging analysis of which at the reporting date is as follow:

	<u>12.31.2000</u>	<u>6.30.2000</u>
	(unaudited)	(unaudited)
	HK\$	HK\$
0 - 90 days	13,571,823	13,745,040
More than 90 days but less than 365 days	111,568	27,795
	<u>13,683,391</u>	<u>13,772,835</u>

13. SHARE CAPITAL

12.31.2000 &
6.30.2000
(unaudited)
HK\$

Ordinary shares:

Authorised

10,000,000,000 shares of HK\$0.02 each
(6.30.2000: 200,000,000 shares
of HK\$1 each)

200,000,000

Issued and fully paid

884,200,000 shares of HK\$0.02 each
(6.30.2000: 17,684,000 shares
of HK\$1 each)

17,684,000

Pursuant to an ordinary resolution passed at the Extraordinary General Meeting of shareholders held on November 30, 2000, every issued and unissued share of HK\$1 each of the Company then existing was split into fifty ordinary shares of HK\$0.02 each with effect from December 1, 2000.

14. RESERVES

	Non- distributable capital reserve	Exchange reserve	Retained profits	Total
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$	HK\$	HK\$	HK\$
THE GROUP				
Balance at July 1, 1999	1,264,081	(1,814,423)	86,035,711	85,485,369
Profit for the year	—	—	3,950,919	3,950,919
	<u>1,264,081</u>	<u>(1,814,423)</u>	<u>89,986,630</u>	<u>89,436,288</u>
Balance at June 30, 2000	1,264,081	(1,814,423)	89,986,630	89,436,288
Loss for the period	—	—	(3,315,132)	(3,315,132)
Disposal of a subsidiary	—	326,523	—	326,523
	<u>1,264,081</u>	<u>(1,487,900)</u>	<u>86,671,498</u>	<u>86,447,679</u>

The non-distributable capital reserve arose from reduction of share capital on October 18, 1983.

15. COMMITMENTS

12.31.2000 &
6.30.2000
(unaudited)
HK\$

Capital expenditure contracted for but not provided in the financial statements in respect of investment in a subsidiary

14,858,354

16. CONTINGENT LIABILITIES

- (a) The Company has entered into agreement with certain former directors to indemnify them for losses which may be suffered by them as a result of their actions on behalf of the Company in certain litigations involving the Company.
- (b) Pursuant to a deed of indemnity in favour of Coopers & Lybrand and the receivers of all the shares in Lucky Man Properties Limited owned or beneficially owned by Crownhall Investments Limited, Asia Master Enterprises Limited and Asiatic Fortune Company Limited, the Company covenanted jointly and severally with a disposed subsidiary to pay the receivers their usual reasonable fee for acting as such and to indemnify the receivers and Coopers & Lybrand against any liability falling upon Coopers & Lybrand and the receivers arising out of or in connection with the receivership of the shares in Lucky Man Properties Limited in the event that the amounts realised by the receivers in the receivership are insufficient to cover such fees and indemnity.

Mr. Chim Pui Chung, an ex-director of the Company, has undertaken with the Company that he shall indemnify the Company against any damages, losses and liabilities arising out of or in connection with any of the above legal cases and indemnities given by the Company.

17. POST BALANCE SHEET EVENT

Subsequent to the interim reporting date, the Group has entered into an agreement with independent third parties and Mr. Wong Man Him, an independent non-executive director to the Group, for the acquisition of 60% equity interest in M-Star Limited and 60% of the shareholder loans outstanding as at the completion date. The aggregate consideration of HK\$16 million will be satisfied as to HK\$3 million cash and HK\$13 million allotted shares of the Group. Details of the acquisition are set out in the Group's circular dated March 19, 2001.

18. DISPOSAL OF SUBSIDIARIES

On December 9, 2000, the Group disposed of a subsidiary group which carried out all of its manufacture and trading of building materials.

	HK\$
Net liabilities disposed of:	
Property, plant and equipment	2,908,570
Inventories	1,751,687
Debtors, deposit and prepayment	291,293
Bank balances	35,785
Amount due to holding company	(18,440,991)
Creditors and accrued charges	(1,696,655)
Taxation payable	(55,385)
Bank loan	(280,374)
Exchange reserve	326,523
	<hr/>
	(15,159,547)
Amount due to holding company waived by the Company	<hr/> 18,440,991
	<hr/>
	3,281,444
Loss on disposal of subsidiaries	(2,281,444)
	<hr/>
	1,000,000
	<hr/> <hr/>
Satisfied by:	
Other receivable	1,000,000
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19. ACQUISITION OF A SUBSIDIARY

On August 11, 2000, the Group acquired 100% of the issued share capital of Discovery Net (BVI) Co. Ltd. for cash consideration of HK\$35 million. The transaction has been accounted for using the acquisition method of accounting and treated as part of the operating activities of the Group.

	HK\$
Net assets acquired:	
Investment in securities	<u>35,000,000</u>
Satisfied by:	
Cash paid	<u>35,000,000</u>

Other than the provision for investment in securities for HK\$7,000,000 for the period ended December 31, 2000, Discovery Net (BVI) Co. Ltd. did not make any significant contribution to the results of the Group during the interim period.

20. RELATED PARTY TRANSACTIONS

During the period, the Group entered into sales transactions of HK\$8,461,142 (1999: 13,814,399) and paid management fees of HK\$400,000 (1999: 400,000) to related companies, in which the directors of subsidiaries of the Company have controlling interests.

21. PLEDGE OF ASSETS

At the balance sheet date, the Group's bank deposits of HK\$8,553,718 were pledged to secure general banking facilities granted to the Group.