

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 31 December 2002*

### 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 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 2002, the Group had short-term secured borrowings of HK\$2,000,000 and convertible note of HK\$15,000,000 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 utilized to settle the short-term borrowings.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation adopted in the preparation of the condensed interim financial statements are consistent with those used in the Group's annual financial statements for the year ended 30 June 2002, except that the Group has adopted the following new and revised SSAPs which are effective for accounting periods commencing on or after 1 January 2002:

|                   |   |                                      |
|-------------------|---|--------------------------------------|
| SSAP 1 (revised)  | : | Presentation of financial statements |
| SSAP 11 (revised) | : | Foreign currency translation         |
| SSAP 15 (revised) | : | Cash flow statements                 |
| SSAP 25 (revised) | : | Interim financial reporting          |
| SSAP 34           | : | Employee benefits                    |

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The adoption of the above new and revised SSAPs has no material effect on the Group's financial statements, except in accordance with SSAP 1 (revised), a condensed consolidated statement of changes in equity is presented instead of a condensed consolidated statement of recognized gains and losses, and in accordance with SSAP 15 (revised), the presentation of the condensed consolidated cash flow statement has been amended.

### 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 and the provision of electrical engineering and contracting services. 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)

## 3. SEGMENTAL INFORMATION (Continued)

### (a) Business segments

|                                      | Six months ended 31 December 2002 (unaudited) |                                  |  |                          |
|--------------------------------------|---|----------------------------------|--|--------------------------|
|                                      | Electrical<br>equipment<br>HK\$'000           | Listed<br>securities<br>HK\$'000 | Electrical<br>engineering and<br>contracting<br>services<br>HK\$'000 | Consolidated<br>HK\$'000 |
| <b>Segment revenue:</b>              |   |                                  |  |                          |
| 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 joint venture          |   |                                  |  | 10,000                   |
| Unallocated assets                   |   |                                  |  | 40,447                   |
| <b>Total assets</b>                  |   |                                  |  | 136,681                  |
| Segment liabilities                  | 10,795  | 3,449                            | 5,096  | 19,340                   |
| Unallocated liabilities              |   |                                  |  | 29,231                   |
| <b>Total liabilities</b>             |   |                                  |  | 48,571                   |
| <b>Other segment information:</b>    |   |                                  |  |                          |
| 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)

3. SEGMENTAL INFORMATION (Continued)

(a) Business segments (Continued)

|                                      | Six months ended 31 December 2001 (unaudited) |                                  |  |                          |
|--------------------------------------|---|----------------------------------|--|--------------------------|
|                                      | Electrical<br>equipment<br>HK\$'000           | Listed<br>securities<br>HK\$'000 | Electrical<br>engineering and<br>contracting<br>services<br>HK\$'000 | Consolidated<br>HK\$'000 |
| <b>Segment revenue:</b>              |   |                                  |  |                          |
| Sales/services to external customers | 48,907  | -                                | 5,814  | 54,721                   |
| Segment results                      | 3,909   | -                                | 2,398  | 6,307                    |
| Interest income                      |   |                                  |  | 89                       |
| Other income                         |   |                                  |  | 243                      |
| Distribution costs                   |   |                                  |  | (1,210)                  |
| General and administrative expenses  |   |                                  |  | (17,222)                 |
| Loss from operating activities       |   |                                  |  | (11,793)                 |
| Finance costs                        |   |                                  |  | (38)                     |
| Loss before taxation                 |   |                                  |  | (11,831)                 |
| Taxation                             |   |                                  |  | (210)                    |
| Loss before minority interest        |   |                                  |  | (12,041)                 |
| Minority interests                   |   |                                  |  | (230)                    |
| Net loss for the period              |   |                                  |  | (12,271)                 |
| Segment assets                       | 55,498  | 618                              | 5,621  | 61,737                   |
| Investment in associates             |   |                                  |  | 11,500                   |
| Unallocated assets                   |   |                                  |  | 77,894                   |
| <b>Total assets</b>                  |   |                                  |  | 151,131                  |
| Segment liabilities                  | 15,809  | 3,447                            | 4,743  | 23,999                   |
| Unallocated liabilities              |   |                                  |  | 36,513                   |
| <b>Total liabilities</b>             |   |                                  |  | 60,512                   |
| <b>Other segment information:</b>    |   |                                  |  |                          |
| Unallocated capital expenditure      |   |                                  |  | 417                      |
| Depreciation and amortisation        | 156   | -                                | -  | 156                      |
| Unallocated amounts                  |   |                                  |  | 1,203                    |
|                                      |   |                                  |  | 1,359                    |

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

### 3. SEGMENTAL INFORMATION (Continued)

#### (b) Geographical segments

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

|   | Six months ended             |                     |                          |
|---|------------------------------|---------------------|--------------------------|
|   | 31 December 2001 (unaudited) |                     |                          |
|   | Hong Kong<br>HK\$'000        | The PRC<br>HK\$'000 | Consolidated<br>HK\$'000 |
| <b>Segment revenue:</b>                 |                              |                     |                          |
| Sales/services to<br>external customers | 54,721                       | –                   | 54,721                   |
| Segment results                         | 6,307                        | –                   | 6,307                    |
| <b>Other segment information:</b>       |                              |                     |                          |
| Segment assets                          | 112,431                      | 27,200              | 139,631                  |
| Investment in associates                |                              |                     | 11,500                   |
| <b>Total assets</b>                     |                              |                     | <b>151,131</b>           |
| <b>Capital expenditure</b>              | <b>417</b>                   | <b>–</b>            | <b>417</b>               |

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

### 4. DEPRECIATION AND AMORTISATION

During the period, depreciation of HK\$818,000 (2001: HK\$629,000) was charged in respect of the Group's tangible fixed assets. Amortisation of HK\$594,000 (2001: HK\$730,000) was charged in respect of the Group's intangible fixed assets.

### 5. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the period.

### 6. INTERIM DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the period under review (2001: Nil).

### 7. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period of HK\$19,853,000 (2001: HK\$12,271,000) and on the weighted average of 1,932,079,000 (2001: 1,028,894,000) ordinary shares in issue during the period.

No diluted loss per share has been presented for the period ended 31 December 2002 as the effect of the assumed conversion of the Company's outstanding convertible note would result in a decrease in net loss per share. No diluted loss per share has been presented for the period ended 31 December 2001 as the effect of the assumed conversion of the Company's outstanding share options would result in a decrease in net loss per share.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(Continued)

### 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\$5,887,000 (at 30 June 2002: HK\$5,959,000) and the net book value of tangible fixed assets held under finance leases amounted to HK\$985,000 (at 30 June 2002: Nil).

### 9. GOODWILL

|                                     | Unaudited<br>HK\$'000 |
|-------------------------------------|-----------------------|
| <b>At cost:</b>                     |                       |
| At 1 July 2002 and 31 December 2002 | 14,259                |
| <b>Accumulated amortisation:</b>    |                       |
| At 1 July 2002                      | 13,665                |
| Charge for the period               | 594                   |
| <b>At 31 December 2002</b>          | <u>14,259</u>         |
| <b>Net book value:</b>              |                       |
| At 31 December 2002                 | <u>–</u>              |
| At 30 June 2002                     | <u>594</u>            |

NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
(Continued)

10. SUBSIDIARIES NOT CONSOLIDATED

|   | 31 December<br>2002<br>(Unaudited) | 30 June<br>2002<br>(Audited) |
|---|------------------------------------|------------------------------|
|   | HK\$'000                           | 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 Company's investments in M-Star had not be incorporated into these financial statements and full provision of HK\$16,043,000 had been made during the year ended 30 June 2002. During the period, official receiver had been appointed for the liquidation of M-Star. In the opinion of the Board of Directors, the recoverability of the investment in M-Star is remote.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(Continued)

### 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\$25,870,000 (at 30 June 2002: HK\$28,685,000) with the following aging analysis:

|                | 31 December<br>2002<br>(Unaudited) | 30 June<br>2002<br>(Audited) |
|----------------|------------------------------------|------------------------------|
|                | HK\$'000                           | HK\$'000                     |
| Within 60 days | 14,433                             | 13,430                       |
| Over 60 days   | 2,553                              | 8,339                        |
| Over 90 days   | 8,884                              | 6,916                        |
|                | <b>25,870</b>                      | <b>28,685</b>                |

### 12. INVESTMENT IN SECURITIES

During the period, the Company entered into an agreement with an independent third party with regard to the disposal of the Company's shareholding in Maxview Enterprises Limited and the full and final settlement of the Company's indebtedness to Maxview Enterprises Limited. The disposal transaction resulted in a loss of HK\$3,991,000 in which full provision had been made in the financial statements of the Group for the year ended 30 June 2002.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

### 13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$5,481,000 (at 30 June 2002: HK\$6,801,000) with the following aging analysis:

|                | 31 December<br>2002<br>(Unaudited) | 30 June<br>2002<br>(Audited) |
|----------------|------------------------------------|------------------------------|
|                | HK\$'000                           | HK\$'000                     |
| Within 90 days | 5,481                              | 6,759                        |
| Over 90 days   | –                                  | 42                           |
|                | <b>5,481</b>                       | <b>6,801</b>                 |

### 14. CONVERTIBLE NOTE

On 16 May 2002, the Company entered into a conditional subscription agreement (the "Agreement") with an independent third party. On completion, the Company issued an unsecured redeemable convertible note in the principal amount of HK\$15,000,000 (the "Note"). Under the Agreement, the holder of the Note (the "Noteholder") has the right to convert the whole or part of the principal amount of the Note into new shares of HK\$0.02 each in the issued share capital of the Company at the conversion price of HK\$0.15 per share, subject to adjustments, at any time after the expiry of four months from the date of issue of the Note. During the period, the repayment date of the Note has been extended to June 2003 by the independent third party and the terms of the Agreement and the Note remain unchanged. At 31 December 2002, the outstanding principal amount of the Note amounts to HK\$15,000,000. If the Noteholder converts whole of the outstanding principal amount, the Company will be required to issue a further 100,000,000 new ordinary shares.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
(Continued)

15. SHARE CAPITAL

*Authorised:*

10,000,000,000 ordinary shares  
of HK\$0.02 each

*Issued and fully paid:*

2,070,340,000 (at 30 June 2002:  
1,830,340,000) ordinary  
shares of HK\$0.02 each

| 31 December<br>2002<br>(Unaudited) | 30 June<br>2002<br>(Audited) |
|------------------------------------|------------------------------|
| HK\$'000                           | HK\$'000                     |
| 200,000                            | 200,000                      |
| 41,407                             | 36,607                       |

On 27 September 2002, the Company entered into a conditional placing agreement with Kingston Securities Limited and Quest Stockbrokers (HK) Limited (the "Placing Agents") whereby the Company agreed to place, through the Placing Agents on a fully underwritten basis, 240,000,000 shares in the Company to more than six independent investors at a price of HK\$0.05 per share. On completion, 240,000,000 new ordinary shares were issued and the premium on the issue of the shares of HK\$7,200,000 was credited to the share premium account.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
(Continued)

16. RESERVES

|                         | Share<br>premium<br>(Unaudited)<br>HK\$'000 | Non-distributable<br>reserve<br>(Unaudited)<br>HK\$'000 | Accumulated<br>losses<br>(Unaudited)<br>HK\$'000 | Total<br>(Unaudited)<br>HK\$'000 |
|-------------------------|---|---|--|----------------------------------|
| The Group:              |   |   |  |                                  |
| At 1 July 2002          | 55,899                                      | 2,264   | (6,714)  | 51,449                           |
| Net loss for the period | -   | -   | (19,853)   | (19,853)                         |
| Share premium           | 7,200                                       | -   | -  | 7,200                            |
| At 31 December 2002     | 63,099                                      | 2,264   | (26,567)   | 38,796                           |

17. PLEDGE OF ASSETS

At 31 December 2002, the net book value of tangible fixed assets pledged to secure general banking facilities granted to the Group amounted to HK\$5,887,000 (at 30 June 2002: HK\$5,959,000) and the net book value of listed securities pledged to secure short-term borrowings amounted to HK\$2,233,000 (at 30 June 2002: Nil).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
(Continued)

18. CONTINGENT LIABILITIES

|  | 31 December<br>2002<br>(Unaudited) | 30 June<br>2002<br>(Audited) |
|--|------------------------------------|------------------------------|
|  | HK\$'000                           | HK\$'000                     |
| Guarantees given to banks for general banking facilities granted to subsidiaries | 3,500                              | 3,500                        |
| Other trade guarantees   | 160                                | 160                          |
|  | <b>3,660</b>                       | <b>3,660</b>                 |

19. OPERATING LEASE COMMITMENTS

At 31 December 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

|   | 31 December<br>2002<br>(Unaudited) | 30 June<br>2002<br>(Audited) |
|---|------------------------------------|------------------------------|
|   | HK\$'000                           | HK\$'000                     |
| Within one year                         | 2,728                              | 2,758                        |
| In the second to fifth years, inclusive | 261                                | 1,866                        |
|   | <b>2,989</b>                       | <b>4,624</b>                 |

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

### 20. POST BALANCE SHEET EVENT

On 28 January 2003, 369 Holdings Limited, the substantial shareholder of the Company, entered into an unconditional placing agreement in which 369 Holdings Limited has agreed to place an aggregate of 200,000,000 ordinary shares of the Company, representing 9.66% of the existing issued share capital of the Company to no less than six independent institutional and/or professional investors at a price of HK\$0.03 per share. On the same date, the Company and 369 Holdings Limited entered into a conditional subscription agreement pursuant to which 369 Holdings Limited has agreed to subscribe for 200,000,000 new ordinary shares to be issued under the subscription agreement, representing approximately 9.66% of the existing issued share capital of the Company and about 8.81% of the issued share capital of the Company as enlarged by the issue of the subscription shares. On completion, a total fund of HK\$6,000,000 was raised.

### 21. RELATED PARTY TRANSACTIONS

During the period, the Group entered into sales transactions of HK\$7,745,000 (2001: HK\$5,798,000) and paid management fees of HK\$180,000 (2001: HK\$383,000) to related companies, in which directors of subsidiaries have controlling interests.

### 22. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board of Directors on 21 March 2003.

By Order of the Board  
**Chen Chak Man**  
*Chairman*

Hong Kong, 21 March 2003