

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31 December 2004

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 Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2004.

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 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:

(a) Business segments

	Six months ended 31 December 2004 (unaudited)			
	Manufacture and sale of electrical equipment HK\$'000	Trading of listed securities HK\$'000	Provision of electrical engineering and contracting services HK\$'000	Consolidated HK\$'000
Segment revenue:				
Sales/services to external customers	31,750	-	8,258	40,008
Segment results	3,575	-	778	4,353
Interest income				35
Other income				497
Distribution costs				(524)
General and administrative expenses				(11,277)
Loss from operating activities				(6,916)
Finance costs				(68)
Loss before taxation				(6,984)
Taxation				(221)
Loss before minority interests				(7,205)
Minority interests				(201)
Net loss for the period				(7,406)

3. SEGMENTAL INFORMATION (continued)

(a) Business segments (continued)

	Six months ended 31 December 2004 (unaudited)			
	Manufacture and sale of electrical equipment HK\$'000	Trading of listed securities HK\$'000	Provision of electrical engineering and contracting services HK\$'000	Consolidated HK\$'000
Segment assets	46,521	8,468	9,472	64,461
Unallocated assets				87,363
Total assets				151,824
Segment liabilities	11,137	3,709	4,806	19,652
Unallocated liabilities				8,172
Total liabilities				27,824
Other segment information:				
Unallocated capital expenditure				-
Depreciation and amortisation	442	-	-	442
Unallocated amounts				220
				662
Other non-cash expenses	-	4,113	-	4,113

3. SEGMENTAL INFORMATION (continued)

(a) Business segments (continued)

	Six months ended 31 December 2003 (unaudited)				
	Manufacture and sale of electrical equipment HK\$'000	Trading of listed securities HK\$'000	Provision of electrical engineering and contracting services HK\$'000	Entertainment business HK\$'000	Consolidated HK\$'000
Segment revenue:					
Sales/services to external customers	23,079	-	5,516	-	28,595
Segment results	2,767	-	286	-	3,053
Interest income					43
Other income					755
Distribution costs					(527)
General and administrative expenses					(21,412)
Loss from operating activities					(18,088)
Finance costs					(480)
Loss before taxation					(18,568)
Taxation					(23)
Loss before minority interests					(18,591)
Minority interests					(25)
Net loss for the period					(18,616)
Segment assets	44,011	6,546	6,697	95	57,349
Unallocated assets					38,547
Total assets					95,896

3. SEGMENTAL INFORMATION (continued)

(a) Business segments (continued)

	Six months ended 31 December 2003 (unaudited)				Consolidated HK\$'000
	Manufacture and sale of electrical equipment HK\$'000	Trading of listed securities HK\$'000	Provision of electrical engineering and contracting services HK\$'000	Entertainment business HK\$'000	
Segment liabilities	10,055	4,239	4,196	138	18,628
Unallocated liabilities					27,178
Total liabilities					45,806
Other segment information:					
Unallocated capital expenditure					734
Depreciation and amortisation	462	-	-	-	462
Unallocated amounts					220
					682
Other non-cash expenses	-	9,275	-	-	9,275
Unallocated amounts					6,922
					16,197

3. SEGMENTAL INFORMATION *(continued)*

(b) Geographical segments

	Six months ended		
	31 December 2004 (unaudited)		
	Hong Kong	The PRC	Consolidated
	HK\$'000	HK\$'000	HK\$'000
Segment revenue:			
Sales/services to external customers	40,008	–	40,008
Segment results	4,353	–	4,353
Other segment information:			
Segment assets	124,624	27,200	151,824
Capital expenditure	–	–	–

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

4. DEPRECIATION AND AMORTISATION

During the period, depreciation of HK\$358,000 (2003: HK\$542,000) was charged in respect of the Group's tangible fixed assets. Amortisation of HK\$304,000 (2003: HK\$140,000) was charged in respect of the Group's intangible fixed assets.

5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) 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 (2003: Nil).

7. LOSS PER ORDINARY SHARE

The calculation of the basic loss per ordinary share is based on the net loss for the period of HK\$7,406,000 (2003: HK\$18,616,000) and the 9,081,360,000 (2003: 2,270,340,000) ordinary shares in issue during the period.

There were no dilutive potential ordinary shares in issue during the period ended 31 December 2004 and accordingly, the diluted loss per ordinary share was not shown. No diluted loss per ordinary share has been presented for the period ended 31 December 2003 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.

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\$5,661,000 (at 30 June 2004: HK\$5,734,000) and the net book value of tangible fixed assets held under finance leases amounted to HK\$623,000 (at 30 June 2004: HK\$835,000).

9. SUBSIDIARIES NOT CONSOLIDATED

	31 December 2004 (Unaudited) HK\$'000	30 June 2004 (Audited) HK\$'000
Unlisted shares at cost, net of provision	—	—

In February 2001, Goalstar Holdings Limited ("Goalstar"), a wholly-owned subsidiary of the Company, purportedly entered into an agreement whereby Goalstar would purchase 60% of the issued shares and the shareholders' loan of M-Star Limited ("M-Star"). Having obtained legal advice, Goalstar duly rescinded the purported agreement. The 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.

10. 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\$20,987,000 (at 30 June 2004: HK\$13,534,000) with the following aging analysis:

	31 December 2004 (Unaudited) HK\$'000	30 June 2004 (Audited) HK\$'000
Current	4,428	2,819
Over 30 days	5,247	3,642
Over 60 days	5,226	2,739
Over 90 days	6,086	4,334
	<u>20,987</u>	<u>13,534</u>

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$11,122,000 (at 30 June 2004: HK\$5,514,000) with the following aging analysis:

	31 December 2004 (Unaudited) HK\$'000	30 June 2004 (Audited) HK\$'000
Current	4,560	2,151
Over 30 days	2,669	1,646
Over 60 days	3,893	1,715
Over 90 days	-	2
	<u>11,122</u>	<u>5,514</u>

12. SHARE CAPITAL

	31 December 2004 (Unaudited) HK\$'000	30 June 2004 (Audited) HK\$'000
<i>Authorised:</i> 50,000,000 ordinary shares of HK\$0.02 each	<u>1,000,000</u>	<u>1,000,000</u>
<i>Issued and fully paid:</i> 9,081,360 ordinary shares of HK\$0.02 each	<u>181,627</u>	<u>181,627</u>

13. RESERVES

	Share premium (Unaudited) HK\$'000	Non- distributable reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
The Group:				
At 1 July 2004 (Audited)	17,198	2,264	(77,868)	(58,406)
Net loss for the period	—	—	(7,406)	(7,406)
At 31 December 2004 (Unaudited)	17,198	2,264	(85,274)	(65,812)

14. PLEDGE OF ASSETS

As at 31 December 2004, the leasehold land and buildings of a Group's subsidiary with carrying value of HK\$5,661,000 (30 June 2004: HK\$5,734,000) were pledged to a bank for banking facilities. A subsidiary's bank deposits of HK\$3,000,000 (30 June 2004: HK\$3,000,000) had been pledged to secure general banking facilities granted to the subsidiary.

15. CONTINGENT LIABILITIES

	31 December 2004 (Unaudited) HK\$'000	30 June 2004 (Audited) HK\$'000
(i) Irrevocable letters of credit	—	409
(ii) On 1 September 2004, a writ of summons and statement of claim was made by The Centre (49) Limited in respect of the office premises previously surrendered by the Group. The claim is for a sum of approximately HK\$3.3 million together with interest and cost. On 26 October 2004, the Company filed a defence and counterclaim and the claimant also filed a reply and defence to the Company's counterclaim on 23 November 2004. The next step is for both sides to exchange their lists of documents and witness statements before the case is set down for trial. A provision of approximately HK\$1.6 million was made in the financial statements for the year ended 30 June 2004. The management does not expect the claim to have any significant adverse effect on the financial position of the Company.		

16. OPERATING LEASE COMMITMENTS

At 31 December 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2004 (Unaudited) HK\$'000	30 June 2004 (Audited) HK\$'000
Within one year	54	114

17. POST BALANCE SHEET EVENTS

- (i) On 23 November 2004, the Company entered into a conditional sale and purchase agreement (the "EC Link Acquisition Agreement") in respect of the purchase of 70% interest and loan in EC Link Pacific Limited ("EC Link") at a consideration of HK\$35,000,000. The sole asset of EC Link is a 5% interest in Golden Gain Management Limited, which in turn, holds an 80% interest in the Golden Times Club, which is principally engaged in gaming related business. Completion of the EC Link Acquisition Agreement is scheduled to take place in April 2005. For further details, please refer to the Company's circular dated 24 December 2004.
- (ii) On 7 January 2005, the Company entered into a conditional sale and purchase agreement (the "Walden Acquisition Agreement") in respect of the purchase of 70% interest and loan in Walden Maritime S.A. ("Walden") at a consideration of HK\$68,000,000. Walden is a company incorporated solely for the purpose of owning the cruise ship, CT Neptune ex Olvia. It is intended that the Ship will be moored in Hong Kong after renovation and it will be engaged in the gaming and entertainment business in international waters. Completion of the Walden Acquisition Agreement is scheduled to take place in August 2005. For further details, please refer to the Company's circular dated 14 March 2005.

18. MATERIAL RELATED PARTY TRANSACTIONS

During the period, the Group entered into sales transactions of HK\$8,256,000 (2003: HK\$5,447,000) and paid management fees of HK\$180,000 (2003: HK\$180,000) to related companies, in which directors of subsidiaries have controlling interests.

19. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board of Directors on 23 March 2005.

By Order of the Board
Lau Kwok Hung
Executive Director

Hong Kong, 23 March 2005