



# **Massive Resources International Corporation Limited**

(Incorporated in Hong Kong with limited liability)

Annual Report 2004

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## Corporate Information

### BOARD OF DIRECTORS

#### Executive directors:

Mr Chen Chak Man (*Chairman*)  
Mr Lau Kwok Hung  
Mr Lau Kwok Keung  
Ms Chik Siu Yin, Urica

#### Independent non-executive directors:

Mr Chow Pui Fung  
Mr Chan Ping Yim (Appointed on 30 September 2004)  
Mr Hung Shui Nam (Appointed on 30 September 2004)  
Mr Fok Po Tin (Appointed on 31 January 2004 and resigned on 30 September 2004)  
Mr See Lee Seng, Reason (Resigned on 31 January 2004)

### COMPANY SECRETARY

Mr Lau Kwok Hung

### AUDIT COMMITTEE

Mr Chow Pui Fung  
Mr Chan Ping Yim (Appointed on 30 September 2004)  
Mr Hung Shui Nam (Appointed on 30 September 2004)  
Mr Fok Po Tin (Appointed on 31 January 2004 and resigned on 30 September 2004)  
Mr See Lee Seng, Reason (Resigned on 31 January 2004)

### AUDITORS

HLB Hodgson Impey Cheng  
*Chartered Accountants*  
*Certified Public Accountants*

### PRINCIPAL BANKER

Liu Chong Hing Bank Limited

### LEGAL ADVISOR

Peter K. S. Chan & Co  
Solicitors & Notaries

### SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Rooms 1712-16, 17th Floor, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### REGISTERED OFFICE

Room 602, 6th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

### E-MAIL

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### STOCK CODE

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On behalf of the Board of Directors of the Company, I take pleasure in presenting the Annual Results of the Group for the year ended 30 June 2004.

### RESULTS

For the year ended 30 June 2004, the Group's turnover decreased to HK\$54,494,000 representing a decrease of 39% over that of last year's HK\$88,864,000. The subsidiaries responsible for the manufacturing and trading of electrical equipment and the provision of electrical engineering and contracting services continued to be profitable. However, fierce price competition and the increase in the provision of HK\$6,922,000 for the diminution in value of the investment in a joint venture and provision of HK\$9,196,000 for the diminution in value of investments in securities resulted in a net loss of HK\$25,875,000 for the year (2003: net loss of HK\$45,279,000). The net asset value of the Group as at 30 June 2004 increased to HK\$123,221,000 (2003: HK\$60,777,000). The Board of Directors has resolved not to pay a dividend for the year.

### BUSINESS REVIEW AND LOOKING AHEAD

The year under review continued to be extremely difficult for business. The conflicts in the Middle-east and the actions against the Terrorist continued to pose uncertainties on the world economy. Hong Kong's economy is still finding its bottom, thus making the Hong Kong economy an unclear future. However, the continued excellent economic performance of the People's Republic of China (the "PRC") should help cushion Hong Kong from the full effects of both Hong Kong and global downturn. Meanwhile, doing business has become that much riskier, indicating that caution should be the watchword.

The present investment climate, although making the raising of funds difficult, does offer a range of sound business opportunities. The Group will continue to explore ways and means of developing the Group's investments, which with prudent management can be expected to show real growth in the years ahead. And at the same time, the Group will exercise restraint in expenditure in order to conserve its resources.

### APPRECIATION

On behalf of the Board of Directors, I should like to thank our customers, our bankers, our auditors, the staff of the Group for their diligence, and our many shareholders, particularly those who have exercised patience during such a difficult year. I look forward to better years ahead.

### Chen Chak Man

*Chairman of the Board*

Hong Kong, 20 October 2004



## Management Discussion and Analysis

### **BUSINESS OVERVIEW**

The audited net loss of the Group for the year ended 30 June 2004 amounted to HK\$25,875,000.

The Management is reviewing the cash flow position of the Group and will consider negotiation with various banks for new and/or additional banking facilities. Furthermore, the Board of Directors is at all times identifying suitable projects and/or investments that would be reasonably expected to generate profits and/or have potential for capital appreciation. Should they be materialised, the consideration for such projects and/or investments would be satisfied by means of existing resources of the Company and/or by being granted new and/or additional banking facilities and/or by further fund raising.

### **MANUFACTURING AND TRADING OF ELECTRICAL EQUIPMENT AND PROVISION OF ELECTRICAL ENGINEERING AND CONTRACTING SERVICES**

For the year ended 30 June 2004, the Group recorded a turnover of HK\$54,494,000 in respect of the manufacturing and the trading of electrical equipment and the provision of electrical engineering and contracting services. Due to the poor market demand for consumer electrical products and adverse economic conditions, turnover of such business operations dropped by approximately 21% as compared with those of last year and the gross profit decreased by 19%.

### **TRADING OF LISTED INVESTMENTS IN SECURITIES**

As a result of the unpredictable market conditions, the Group did not engage in the trading of investments in listed securities during the year ended 30 June 2004.

### **ENTERTAINMENT BUSINESS**

During the year ended 30 June 2004, the entertainment industry had generally declined. As a result, the Group temporarily suspended its development in the entertainment business.

### **SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS/DISPOSALS**

During the year, the Group did not have any significant investments or material acquisitions/disposals.

### **LIQUIDITY, FINANCIAL RESOURCES AND FUNDING**

The Group had net current assets of HK\$124,855,000 as at 30 June 2004. Total bank and other borrowings amounted to HK\$3,243,000 as at 30 June 2004. The net asset value of the Group as at year end was HK\$123,221,000. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 30 June 2004, was approximately 17%.

## Management Discussion and Analysis *(Continued)*



### **EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES**

As at 30 June 2004, substantially all of the monetary assets of the Group were comprised of cash and bank balances and pledged time deposits, which denominated in Hong Kong dollars. Exchange risk of the Group is minimal.

As at 30 June 2004, the Group did not have any foreign currency investments which have been hedged by currency borrowings and other hedging instruments.

### **EMPLOYEES**

The Group employs approximately 74 staff in Hong Kong. Total staff costs for the year under review amounted to approximately HK\$11,790,000. The Group's remuneration packages are generally structured by reference to market terms and individual merit. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

The Company maintains a share option scheme under which share options may be granted to certain eligible directors and full-time employees. Details of the share option scheme are set out in Note 27 to financial statements.

### **CHARGES ON ASSETS AND CONTINGENT LIABILITIES**

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



## Report of the Directors

The directors have pleasure in submitting their report together with the audited financial statements of Massive Resources International Corporation Limited (hereinafter referred to as the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ended 30 June 2004.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in Note 15 to financial statements.

### SEGMENT INFORMATION

An analysis of the Group’s turnover and contribution to results by principal activities and geographical area of operations for the year ended 30 June 2004 is set out in Note 4 to financial statements.

### MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the five largest customers accounted for approximately 39% (2003: 31%) of the Group’s total turnover and the five largest suppliers accounted for approximately 75% (2003: 92%) of the Group’s total purchases.

The largest customer accounted for approximately 19% (2003: 16%) of the Group’s total turnover and the largest supplier accounted for approximately 24% (2003: 32%) of the Group’s total purchases.

None of the directors, their associates or any shareholder (who to the knowledge of the directors own more than 5% of the Company’s share capital) had beneficial interests in the Group’s five largest customers and suppliers.

### RESULTS AND APPROPRIATION

The results of the Group for the year ended 30 June 2004 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 15 to 63.

The directors do not recommend payment of a final dividend in respect of the year ended 30 June 2004 (2003: Nil).

### RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 28 to financial statements.

As at 30 June 2004, the Company did not have available reserves for distribution to shareholders (2003: Nil) in accordance with the provisions of section 79B of the Hong Kong Companies Ordinance.



## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out below:

### Results

	Year ended 30 June				
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Turnover	152,661	198,024	103,991	88,864	54,494
Operating profit/(loss) from ordinary activities	7,009	(42,769)	(48,989)	(44,466)	(25,720)
Taxation charge for the year	(1,295)	(1,086)	(417)	(759)	(76)
Profit/(loss) before minority interests	5,714	(43,855)	(49,406)	(45,225)	(25,796)
Minority interests	(1,763)	(3,134)	(306)	(54)	(79)
Profit/(loss) for the year	3,951	(46,989)	(49,712)	(45,279)	(25,875)

### Assets and Liabilities

	At 30 June				
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Total assets	188,967	156,149	140,073	116,660	152,434
Total liabilities	(72,763)	(75,047)	(44,167)	(47,979)	(21,230)
Minority interests	(9,084)	(6,646)	(7,850)	(7,904)	(7,983)
Shareholders' funds	107,120	74,456	88,056	60,777	123,221

### TANGIBLE FIXED ASSETS

Details of the movements in tangible fixed assets of the Group during the year are set out in Note 12 to financial statements.

### SHARE CAPITAL

Details of movements in the share capital during the year are set out in Note 27 to financial statements.



## Report of the Directors *(Continued)*

### **BORROWINGS AND INTEREST CAPITALISED**

All borrowings which are repayable within one year or on demand are classified as current liabilities. No interest was capitalised by the Group during the year.

### **USE OF PROCEEDS FROM OPEN OFFER**

The proceeds from the issue of 6,811,020,000 ordinary shares of the Company under the open offer (the "Open Offer") as set out in the Company's circular dated 24 May 2004 (the "Circular"), after deduction of related issuance expenses, amounted to approximately HK\$88.3 million was applied in accordance with the proposed applications as stated in the Circular during the year ended 30 June 2004 as follows:

- approximately HK\$13.1 million for repayment of outstanding debts and loans due to independent third parties;
- approximately HK\$15.8 million for redemption of the convertible notes of the Company; and
- approximately HK\$0.3 million as general working capital.

### **DIRECTORS**

The directors of the Company during the year and subsequently were:

#### **Executive directors:**

Mr Chen Chak Man (*Chairman*)

Mr Lau Kwok Hung

Mr Lau Kwok Keung

Ms Chik Siu Yin, Urica

#### **Independent non-executive directors:**

Mr Chow Pui Fung

Mr Chan Ping Yim (Appointed on 30 September 2004)

Mr Hung Shui Nam (Appointed on 30 September 2004)

Mr Fok Po Tin (Appointed on 31 January 2004 and resigned on 30 September 2004)

Mr See Lee Seng, Reason (Resigned on 31 January 2004)

In accordance with Articles 79 and 80 of the Company's Articles of Association, Mr Chan Ping Yim and Mr Hung Shui Nam shall retire by rotation and being eligible, offer themselves for re-election.

The terms of office of non-executive directors are subject to retirement by rotation in accordance with the above Articles.



### DIRECTORS' INTERESTS IN SECURITIES

#### (1) Shares

As at 30 June 2004, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

*Long positions in ordinary shares of the Company*

Director	Nature of interest	Number of ordinary shares held	Percentage of shares held
Mr Chen Chak Man	Corporate	476,300,000	5.24%

These shares were held by 369 Holdings Limited which is wholly and beneficially held by Mr Chen Chak Man.

Save as disclosed above and other than certain nominee shares in the subsidiaries held by directors in trust for the Company, none of the Company's directors or their associates had any interests, or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

#### (2) Options

The Company operates a share option scheme (the "Scheme") under which the directors may, at their discretion, grant options to employees, including any of the directors of the Company, to subscribe for shares in the Company, subject to the stipulated terms and conditions.

As at 30 June 2004, none of the directors of the Company had any interests in options to subscribe for shares granted under the Scheme.

Save as disclosed above, none of the Company's directors and chief executives, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.



## Report of the Directors *(Continued)*

### **ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES**

The share option scheme adopted by the Company on 30 November 2000 enables the directors and employees of the Group to subscribe for shares in the Company, details of which are set out in Note 27 to financial statements. The share option scheme was adopted prior to the new rules on share option schemes under the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange coming into operation. The Company may only grant further options under the share option scheme if the options are granted in accordance with the requirement of the new rules of Chapter 17 of the Listing Rules.

Saved as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debenture of the Company or any other body corporate.

### **SUBSIDIARIES AND ASSOCIATES**

Details of the Company's subsidiaries and associates as at 30 June 2004 are set out in Notes 15 and 17 to financial statements respectively.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

### **MANAGEMENT CONTRACTS**

No contracts, other than contract of service with any person engaged in the full time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### **DIRECTORS' SERVICE CONTRACTS**

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

### **DIRECTORS' INTERESTS IN CONTRACTS**

No contracts of significance to which the Company or any of its subsidiaries was a party and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.



### SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The Company has been notified of the following interests in the Company's issued shares as at 30 June 2004 amounting to 5% or more of the ordinary shares in issue:

Name of shareholders	No. of ordinary shares held	Percentage of shares held
369 Holdings Limited	476,300,000	5.24%
Mr Chim Pui Chung (Note)	1,569,390,000	17.28%

Note: These shares were held as to 997,650,000 shares by Gallery Land Ltd (a company wholly owned by Mr Chim Pui Chung), as to 568,800,000 shares by Golden Mount Ltd (a company wholly owned by Mr Chim Pui Chung) and as to 2,940,000 shares held by Mr Chim Pui Chung.

Details of the above interests of 369 Holdings Limited are also disclosed above under directors' interests in securities. Save as disclosed above, no person had registered an interest of 5% or more of the share capital of the Company that was required to be recorded under Section 336 of the SFO as at 30 June 2004.

### CONNECTED/RELATED PARTY TRANSACTIONS

Details of other related party transactions of the Group are set out in Note 34 to financial statements.

### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr Chen Chak Man**, aged 52, was appointed the Chairman of the Board and an Executive Director of on 31 July 2001. He holds a Diploma of Technology from the British Columbia Institute of Technology, Canada. He was accredited as a member of Canadian Credit Institute, Canada, and as Associate of the Institute of Canadian Bankers.

**Mr Lau Kwok Hung**, aged 58, was appointed an Executive Director on 11 October 2001. Mr. Lau holds a senior executive master degree in business administration from Charles Darwin University. He is a fellow of the Hong Kong Institute of Certified Public Accountants. He has over 25 years of experience in accounting and finance, auditing, taxation, company secretarial practice and corporate finance. He is also the Company Secretary of the Company.

**Mr Lau Kwok Keung**, aged 56, was appointed an Executive Director of the Company on 13 May 2003. Mr Lau graduated from the Faculty of Social Sciences, University of Hong Kong majoring in Economics, Accounting and Business Management. He has over 25 years of experience in manufacturing, trading, property development and securities investments. He is the younger brother of Mr Lau Kwok Hung.



## Report of the Directors *(Continued)*

### **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT** *(Continued)*

**Ms Chik Siu Yin, Urica**, aged 34, was appointed an Executive Director of the Company on 13 May 2003. Ms Chik is responsible for overseeing the accounting and finance function of the Company. She has over 10 years of experience in accounting and company secretarial field. Before joining the Company in September 2001, she has worked for a public listed company for six years.

**Mr Chow Pui Fung**, aged 64, was appointed an Independent Non-executive Director of the Company on 13 May 2003. Mr Chow is a merchant and has been in the business of securities investments, shipping and import & export for years.

**Mr Chan Ping Yim**, aged 58, was appointed an Independent Non-executive Director of the Company on 30 September 2004. Mr Chan is a Certified Public Accountant (Practising). He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr Chan is a partner of W. Y. Lam, Dominic Chan & Co., Certified Public Accountants. During his career path, Mr Chan acted as a financial controller of a multi-national investment group of companies. He gave financial advices in litigation, valuation of business and internal audit for big organizations and was appointed liquidator for some private companies. With his clientele in South East Asia, Mr Chan is very familiar with the business and accounting practices in Thailand. He is now the independent non-executive director of Northern International Holdings Limited, a company listed on the Stock Exchange of Hong Kong Limited.

**Mr Hung Shui Nam**, aged 33, was appointed an Independent Non-executive Director of the Company on 30 September 2004. Mr Hung has been in the accounting field for approximately 10 years. He gained most of his experience in the manufacturing sector, of which he spent several years in some factories owned by two companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is now the executive director of Shanxi Central Pharmaceutical International Limited, a company listed on the Stock Exchange.

### **RETIREMENT SCHEME**

Details of the retirement scheme of the Group and the employer's pension costs charged to the consolidated income statement for the year are set out in Note 32 to financial statements. In the opinion of the directors, the Group had no significant obligations at 30 June 2004 for long service payments to its employees pursuant to the requirements under the Employment Ordinance.

### **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange.

## Report of the Directors *(Continued)*



### **AUDIT COMMITTEE**

The Audit Committee, comprising three members, all being Independent Non-executive Directors of the Company, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Group's financial statements for the year ended 30 June 2004.

### **AUDITORS**

Messrs HLB Hodgson Impey Cheng retire and, being eligible, offer themselves for re-appointment. A resolution will be submitted to the annual general meeting to re-appoint Messrs HLB Hodgson Impey Cheng as auditors of the Company.

On Behalf of the Board

**Lau Kwok Hung**

*Executive Director*

Hong Kong, 20 October 2004

# Auditors' Report



**Hodgson Impey Cheng**

Chartered Accountants  
Certified Public Accountants

6/F Wheelock House  
20 Pedder Street  
Central  
Hong Kong

## AUDITORS' REPORT TO THE MEMBERS OF MASSIVE RESOURCES INTERNATIONAL CORPORATION LIMITED

*(incorporated in Hong Kong with limited liability)*

We have audited the financial statements on pages 15 to 63 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Hong Kong Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2004 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

### HLB Hodgson Impey Cheng

Chartered Accountants  
Certified Public Accountants

Hong Kong, 20 October 2004

# Consolidated Income Statement

for the year ended 30 June 2004



	Notes	2004 HK\$'000	2003 HK\$'000
<b>Turnover</b>	5(a)	<b>54,494</b>	88,864
<b>Cost of sales</b>		<b>(47,974)</b>	(78,214)
<b>Gross profit</b>		<b>6,520</b>	10,650
<b>Other revenue</b>	5(c)	<b>305</b>	179
<b>Distribution costs</b>		<b>(694)</b>	(1,259)
<b>Administrative expenses</b>		<b>(14,803)</b>	(34,038)
<b>Provision for diminution in value of investments in securities – other investments</b>		<b>(9,196)</b>	(88)
<b>Provision for diminution in value of investment in joint venture</b>	18	<b>(6,922)</b>	(6,922)
<b>Net loss on disposal of tangible fixed assets</b>		<b>(3)</b>	(1,985)
<b>Amortisation of goodwill</b>		<b>–</b>	(594)
<b>Gain on disposal of interest in subsidiaries</b>	36	<b>–</b>	210
<b>Loss on disposal of interest in an associate</b>		<b>–</b>	(9,200)
<b>Loss from operations</b>	5	<b>(24,793)</b>	(43,047)
<b>Finance costs</b>	6	<b>(927)</b>	(1,419)
<b>Loss from ordinary activities before taxation</b>		<b>(25,720)</b>	(44,466)
<b>Taxation</b>	9	<b>(76)</b>	(759)
<b>Loss before minority interests</b>		<b>(25,796)</b>	(45,225)
<b>Minority interests</b>		<b>(79)</b>	(54)
<b>Net loss for the year</b>	10	<b>(25,875)</b>	(45,279)
<b>Loss per ordinary share</b>			
Basic	11	<b>(1.0) cent</b>	(1.1) cents
Diluted	11	<b>N/A</b>	N/A

The accompanying notes form an integral part of these financial statements.

# Consolidated Balance Sheet

at 30 June 2004

	Notes	2004 HK\$'000	2003 HK\$'000
<b>Non-current assets</b>			
Tangible fixed assets	12	7,687	8,684
Development costs	13	939	788
Goodwill	14	-	-
Other intangible assets		-	59
Subsidiary not consolidated	16	-	-
Interests in associates	17	-	-
Interest in a joint venture	18	-	6,922
		<b>8,626</b>	<b>16,453</b>
<b>Current assets</b>			
Properties under development for sale	20	27,200	27,200
Inventories	21	10,706	9,658
Trade and other receivables	23	17,556	27,540
Amount due from a related company	29	830	-
Investments in securities	19	6,307	15,503
Pledged bank deposits		3,000	3,000
Cash at securities company		54,000	-
Cash and bank balances		24,209	17,306
		<b>143,808</b>	<b>100,207</b>
<b>Less: current liabilities</b>			
Bank and other borrowings	33	1,181	8,532
Trade and other payables	24	15,332	18,790
Taxation		2,440	2,561
Convertible notes	26	-	15,000
		<b>18,953</b>	<b>44,883</b>
<b>Net current assets</b>		<b>124,855</b>	<b>55,324</b>
<b>Total assets less current liabilities</b>		<b>133,481</b>	<b>71,777</b>

## Consolidated Balance Sheet *(Continued)* at 30 June 2004



	Notes	2004 HK\$'000	2003 HK\$'000
<b>Non-current liabilities</b>			
Obligations under finance leases	25	215	667
Bank and other borrowings	33	2,062	2,429
		2,277	3,096
<b>Minority interests</b>			
		7,983	7,904
		10,260	11,000
<b>Net assets</b>			
		123,221	60,777
Representing:			
<b>Share capital</b>	27	181,627	45,407
<b>Reserves</b>	28	(58,406)	15,370
		123,221	60,777

Approved by the Board of Directors on 20 October 2004

**Lau Kwok Hung**  
*Director*

**Lau Kwok Keung**  
*Director*

The accompanying notes form an integral part of these financial statements.

# Balance Sheet

at 30 June 2004

	Notes	2004 HK\$'000	2003 HK\$'000
<b>Non-current assets</b>			
Tangible fixed assets	12	864	1,302
Subsidiaries	15	31,420	31,410
		<b>32,284</b>	<b>32,712</b>
<b>Current assets</b>			
Amounts due from subsidiaries	15	72,319	85,559
Cash at securities company		54,000	–
Cash and bank balances		5,456	87
		<b>131,775</b>	<b>85,646</b>
<b>Less: current liabilities</b>			
Bank and other borrowings	33	–	5,465
Trade and other payables	24	2,153	3,065
Amount due to a subsidiary	30	2,285	2,300
Convertible notes	26	–	15,000
		<b>4,438</b>	<b>25,830</b>
<b>Net current assets</b>		<b>127,337</b>	<b>59,816</b>
<b>Total assets less current liabilities</b>		<b>159,621</b>	<b>92,528</b>
<b>Non-current liabilities</b>			
Obligations under finance leases	25	215	667
<b>Net Assets</b>		<b>159,406</b>	<b>91,861</b>
Representing:			
<b>Share capital</b>	27	<b>181,627</b>	45,407
<b>Reserves</b>	28	<b>(22,221)</b>	46,454
<b>Shareholders' funds</b>		<b>159,406</b>	<b>91,861</b>

Approved by the Board of Directors on 20 October 2004

**Lau Kwok Hung**  
Director

**Lau Kwok Keung**  
Director

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2004



	Notes	2004 HK\$'000	2003 HK\$'000
<b>Total equity at 1 July 2003/2002</b>		<b>60,777</b>	88,056
<b>Net loss for the year</b>	28	<b>(25,875)</b>	(45,279)
<b>Movements in issued share capital:</b>			
Issue of shares	27	<b>136,220</b>	18,000
<b>Movements in share premium:</b>			
Issue of shares	27	<b>(45,407)</b>	-
Share issue expenses	27	<b>(2,494)</b>	-
<b>Total equity at 30 June 2004/2003</b>		<b>123,221</b>	<b>60,777</b>

The accompanying notes form an integral part of these financial statements.

# Consolidated Cash Flow Statement

for the year ended 30 June 2004

Notes	2004 HK\$'000	2003 HK\$'000
<b>Cash Flows from operating activities</b>		
Loss before tax	(25,720)	(44,466)
Adjustments for:		
Interest income	(57)	(141)
Amortisation of goodwill	–	594
Amortisation of development costs	609	279
Depreciation	996	1,620
Finance costs	927	1,419
Profit on disposal of subsidiaries	–	(210)
Loss on disposal of tangible fixed assets	3	1,985
Other intangible assets written off	59	–
Provision for diminution in value of investments in securities – other investments	9,196	88
Provision for diminution in value of investment in a joint venture	6,922	6,922
Provision for bad and doubtful debts	2,301	–
Provision for legal claim for rental	1,592	–
Loss on disposal of an associate	–	9,200
Operating loss before working capital changes	(3,172)	(22,710)
(Increase)/decrease in inventories	(1,048)	4,265
Increase in other investments	–	(4,164)
Decrease in trade and other receivables	7,683	6,557
Increase in amount due from a joint venture	–	(3,844)
Increase in amount due from a related company	(830)	–
Decrease in amount due to an investee company	–	(4,016)
(Decrease)/increase in trade and other payables	(5,050)	5,352
Cash used in operations	(2,417)	(18,560)
Interest received	57	141
Hong Kong profits tax paid	(197)	(1,266)
<b>Net cash outflow from operating activities</b>	<b>(2,557)</b>	<b>(19,685)</b>

## Consolidated Cash Flow Statement *(Continued)*

*for the year ended 30 June 2004*



Notes	2004 HK\$'000	2003 HK\$'000
<b>Cash flows from investing activities</b>		
Payments to acquire tangible fixed assets	(2)	(1,373)
Disposal of subsidiaries	-	(1,801)
Proceeds from disposal of an associate	-	2,300
Development costs to upgrade products	(760)	(1,067)
Increase in pledged bank deposits	-	(3,000)
Acquisition of other intangible assets	-	(59)
	<u>(762)</u>	<u>(5,000)</u>
<b>Cash flows from financing activities</b>		
Issue shares at premium	-	9,200
Issue of shares net of expenses	27 88,319	8,800
Issue of convertible notes	26 -	15,000
Redemption of convertible note	26 (15,000)	(15,000)
Inception of finance leases	-	1,420
Repayment of obligations under finance leases	(452)	(323)
New loans	9,985	14,764
Repayment of loans	(15,782)	(9,753)
Finance costs paid	(927)	(1,419)
	<u>66,143</u>	<u>22,689</u>
<b>Net cash inflow from financing activities</b>	<b>66,143</b>	22,689
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>62,824</b>	(1,996)
<b>Cash and cash equivalents at the beginning of the year</b>	<b>14,709</b>	16,705
<b>Cash and cash equivalents at the end of the year</b>	<b><u>77,533</u></b>	<b><u>14,709</u></b>
<b>Analysis of balances of cash and cash equivalents:</b>		
Cash and bank balances	24,209	17,306
Cash at securities company	54,000	-
Bank overdrafts	33 (676)	(2,597)
	<u>77,533</u>	<u>14,709</u>

The accompanying notes form an integral part of these financial statements.



# Notes to Financial Statements

for the year ended 30 June 2004

## 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 development, celebrity management and distribution of certain cultural, media, film, entertainment and/or related products in Hong Kong and all other territories outside the People's Republic of China (the "PRC").

## 2. ADOPTION OF REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

In the current year, the Company adopted the following revised SSAP issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which is effective for accounting periods commencing on or after 1 January 2003:

SSAP 12 (revised) : Income taxes

This SSAP prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting this SSAP, which have had a significant effect on the financial statements, are summarised as follows:

The principal effect of the implementation of SSAP 12 (revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary 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, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (revised), the new accounting policy has been applied retrospectively.

The adoption of SSAP 12 (revised) has no material impact on the Company's financial statements in prior years and comparative figures have not been restated.



### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with all applicable 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 Group 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 development for sale 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 2004.

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.

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.



## Notes to Financial Statements *(Continued)*

for the year ended 30 June 2004

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

#### (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 and is capitalised and amortised on a straight-line basis over its useful economic life of 10 years.

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

Upon the actual disposal of investments in subsidiaries and associates, the attributable amount of unamortised goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary, associate and 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.

#### (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.



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

**(e) Associates** *(Continued)*

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.

**(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.



## Notes to Financial Statements *(Continued)*

for the year ended 30 June 2004

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

#### (h) Recognition of revenue *(Continued)*

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 <sup>1</sup> / <sub>3</sub> %
Motor vehicles	:	25%

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.

**(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.

**(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.



## Notes to Financial Statements *(Continued)*

for the year ended 30 June 2004

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

#### (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.

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.



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

**(n) Construction contracts** (Continued)

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 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).

*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.



## Notes to Financial Statements *(Continued)*

for the year ended 30 June 2004

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

#### (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.

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 tax profit nor the accounting profit.



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

**(s) Taxation** *(Continued)*

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.

**(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.

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

**(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.
- (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.



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

**(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)

for the year ended 30 June 2004

## 4. SEGMENT INFORMATION (Continued)

### (a) Business segments

#### THE GROUP

	Electrical equipment		Listed securities		Electrical engineering and contracting services		Entertainment		Consolidated	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
<b>Segment revenue:</b>										
Sales/services to external customers	43,698	59,045	-	17,544	10,796	10,295	-	1,980	54,494	88,864
Segment results	4,782	7,925	-	3,705	1,616	2,036	-	(2,386)	6,398	11,280
Interest income									57	141
Other income									248	38
Distribution costs									(694)	(1,259)
General and administrative expenses									(30,802)	(53,247)
Loss from operating activities									(24,793)	(43,047)
Finance costs									(927)	(1,419)
Loss before taxation									(25,720)	(44,466)
Taxation									(76)	(759)
Loss before minority interest									(25,796)	(45,225)
Minority interests									(79)	(54)
Net loss for the year									(25,875)	(45,279)
Segment assets	49,693	55,952	13,747	18,155	5,476	5,510	88	157	69,004	79,774
Investment in joint venture									-	6,922
Unallocated assets									83,430	29,964
<b>Total assets</b>									<b>152,434</b>	<b>116,660</b>
Segment liabilities	8,780	11,323	3,587	3,547	2,736	4,435	177	319	15,280	19,624
Unallocated liabilities									5,950	28,355
<b>Total liabilities</b>									<b>21,230</b>	<b>47,979</b>
<b>Other segment information:</b>										
Capital expenditure	762	1,189	-	-	-	-	-	62	762	1,251
Unallocated amounts									-	122
									762	1,373
Depreciation and amortisation	1,071	781	-	-	-	-	-	-	1,071	781
Unallocated amounts									534	1,712
									1,605	2,493
Other non-cash expenses	-	-	9,196	88	-	-	-	-	9,196	88
Unallocated amounts									10,815	6,922
									20,011	7,010

## Notes to Financial Statements *(Continued)*

*for the year ended 30 June 2004*



### 4. SEGMENT INFORMATION *(Continued)*

#### (b) Geographical segments

##### THE GROUP

	Hong Kong		The PRC		Consolidated	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
<b>Segment revenue:</b>						
Sales/services to external customers	<b>54,494</b>	88,864	-	-	<b>54,494</b>	88,864
<b>Segment results</b>	<b>6,398</b>	11,280	-	-	<b>6,398</b>	11,280
<b>Other segment information:</b>						
Segment assets	<b>125,159</b>	78,239	<b>27,275</b>	31,499	<b>152,434</b>	109,738
Investment in joint venture					-	6,922
<b>Total assets</b>					<b>152,434</b>	116,660
<b>Capital expenditure</b>	<b>762</b>	1,353	-	20	<b>762</b>	1,373



## Notes to Financial Statements *(Continued)*

*for the year ended 30 June 2004*



### 5. LOSS FROM OPERATIONS *(Continued)*

#### (c) Other revenue:

	2004 HK\$'000	2003 HK\$'000
Interest income	57	141
Commission received	40	35
Dividend income – listed securities	–	1
Others	208	2
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	<b>305</b>	<b>179</b>

### 6. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on bank overdrafts and other borrowings wholly repayable within five years	103	206
Interest on bank loans wholly repayable after five years	–	112
Interest on finance leases	74	51
Interest on convertible note	750	1,050
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	<b>927</b>	<b>1,419</b>

## Notes to Financial Statements (Continued)

for the year ended 30 June 2004

### 7. DIRECTORS' REMUNERATION

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

	2004 HK\$'000	2003 HK\$'000
<b>Fees:</b>		
Executive directors	113	50
Non-executive directors	–	–
Independent non-executive directors	142	183
	<u>255</u>	<u>233</u>
<b>Salaries and other emoluments:</b>		
Executive directors	999	2,830
Non-executive directors	–	–
Independent non-executive directors	–	–
	<u>999</u>	<u>2,830</u>
	<u>1,254</u>	<u>3,063</u>

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

The remuneration of the directors, including former directors, is within the following bands:

	Number of Directors	
	2004	2003
Nil – HK\$1,000,000	7	8
HK\$1,000,001 – HK\$1,500,000	–	2
	<u>7</u>	<u>10</u>

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2003: Nil).



**8. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees during the year included one (2003: two) director, details of whose remuneration are set out in Note 7 above. Details of the remuneration of the remaining four (2003: three) highest paid, non-director employees are as follows:

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Salaries and other benefits	<b>1,722</b>	2,636
Mandatory provident fund contributions	<b>11</b>	38
	<b>1,733</b>	2,674

Their emoluments are within the following bands:

	<b>Number of employees</b>	
	<b>2004</b>	2003
Nil – HK\$1,000,000	<b>4</b>	2
HK\$1,000,001 – HK\$1,500,000	<b>–</b>	1

**9. TAXATION**

Hong Kong Profits Tax has been provided in the financial statements at a rate of 17.5% (2003: 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.

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
<b>Current Taxation:</b>		
Provision for the year		
– Hong Kong	<b>76</b>	759

## Notes to Financial Statements (Continued)

for the year ended 30 June 2004

### 9. TAXATION (Continued)

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

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Loss before taxation	<b>(25,720)</b>	(44,466)
Tax at the domestic income rate of 17.5% (2003:17.5%)	<b>(4,501)</b>	(7,782)
Tax effect of expenses that are not deductible in determining taxable profit	<b>3,549</b>	6,058
Tax effect of income that are not taxable in determining taxable profit	<b>(38)</b>	(102)
Tax effect of estimated tax loss not recognised	<b>1,066</b>	2,585
Tax charge for the year	<b>76</b>	759

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

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Dealt with in the financial statements of the Company	<b>6,961</b>	20,240
Attributable to subsidiaries	<b>11,992</b>	18,117
Attributable to joint venture	<b>6,922</b>	6,922
	<b>25,875</b>	45,279

## Notes to Financial Statements *(Continued)*

*for the year ended 30 June 2004*



### 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\$25,875,000 (2003: HK\$45,279,000) and the weighted average of 2,568,905,000 (2003: adjusted weighted average of 4,159,090,000) ordinary shares in issue during the year.

No diluted loss per ordinary share has been presented for the years ended 30 June 2004 and 30 June 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 for both years.

### 12. TANGIBLE FIXED ASSETS

	Medium term leasehold land and buildings in Hong Kong HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Computer equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>The Group:</b>						
<b>At cost:</b>						
At 1 July 2003	6,031	336	3,040	268	2,488	12,163
Additions	-	-	2	-	-	2
Disposals	-	-	(3)	-	-	(3)
At 30 June 2004	<u>6,031</u>	<u>336</u>	<u>3,039</u>	<u>268</u>	<u>2,488</u>	<u>12,162</u>
<b>Depreciation:</b>						
At 1 July 2003	151	210	1,772	118	1,228	3,479
Charge for the year	146	40	331	54	425	996
At 30 June 2004	<u>297</u>	<u>250</u>	<u>2,103</u>	<u>172</u>	<u>1,653</u>	<u>4,475</u>
<b>Net book value:</b>						
<b>At 30 June 2004</b>	<b><u>5,734</u></b>	<b><u>86</u></b>	<b><u>936</u></b>	<b><u>96</u></b>	<b><u>835</u></b>	<b><u>7,687</u></b>
At 30 June 2003	<u>5,880</u>	<u>126</u>	<u>1,268</u>	<u>150</u>	<u>1,260</u>	<u>8,684</u>

At 30 June 2004, the net book value of tangible fixed assets pledged to secure general banking facilities granted to the Group amounted to HK\$5,734,000 (2003: HK\$5,880,000).

At 30 June 2004, the net book value of tangible fixed assets held under finance leases amounted to HK\$835,000 (2003: HK\$1,260,000).

## Notes to Financial Statements *(Continued)*

for the year ended 30 June 2004

### 12. TANGIBLE FIXED ASSETS *(Continued)*

	Office equipment HK\$'000	Computer equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>The Company:</b>				
<b>At cost:</b>				
At 1 July 2003 and at 30 June 2004	20	45	1,700	1,765
<b>Depreciation:</b>				
At 1 July 2003	2	21	440	463
Charge for the year	4	9	425	438
At 30 June 2004	6	30	865	901
<b>Net Book value:</b>				
<b>At 30 June 2004</b>	<b>14</b>	<b>15</b>	<b>835</b>	<b>864</b>
At 30 June 2003	18	24	1,260	1,302

At 30 June 2004, the net book value of tangible fixed assets held under finance leases amounted to HK\$835,000 (2003: HK\$1,260,000).



**13. DEVELOPMENT COSTS**

HK\$'000

**The Group**

**At cost:**

At 1 July 2003	3,913
Additions	760
	<hr/>
At 30 June 2004	4,673
	<hr/>

**Accumulated amortisation:**

At 1 July 2003	3,125
Charge for the year	609
	<hr/>
At 30 June 2004	3,734
	<hr/>

**Net book value:**

<b>At 30 June 2004</b>	<b>939</b>
	<hr/>
At 30 June 2003	788
	<hr/>

**14. GOODWILL**

HK\$'000

**The Group**

**At cost:**

At 1 July 2003 and 30 June 2004	14,259
	<hr/>

**Accumulated amortisation:**

At 1 July 2003 and 30 June 2004	14,259
	<hr/>

**Net book value:**

<b>At 30 June 2004</b>	<b>-</b>
	<hr/>
At 30 June 2003	-
	<hr/>

## Notes to Financial Statements *(Continued)*

for the year ended 30 June 2004

### 15. SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Unlisted investments, at cost	<b>36,420</b>	36,410
<i>Less: Provision for diminution in value</i>	<b>(5,000)</b>	(5,000)
	<b>31,420</b>	31,410
Amounts due from subsidiaries	<b>124,100</b>	123,526
<i>Less: Provision for amounts due from subsidiaries</i>	<b>(51,781)</b>	(37,967)
	<b>72,319</b>	85,559

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

## Notes to Financial Statements *(Continued)*

*for the year ended 30 June 2004*



### 15. SUBSIDIARIES *(Continued)*

Particulars of the Company's subsidiaries at 30 June 2004 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
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)

for the year ended 30 June 2004

### 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
Massive Resources Corporation (China) Limited	Hong Kong	HK\$2	100	–	Investment holding

## Notes to Financial Statements *(Continued)*

*for the year ended 30 June 2004*



### 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	
			%	%	
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

\* 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 2004 were based on their management accounts.

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.

## Notes to Financial Statements (Continued)

for the year ended 30 June 2004

### 16. SUBSIDIARY NOT CONSOLIDATED

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares at cost, net of provision	—	—

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares at cost	29,400	29,400
Less: Goodwill arising on acquisition written off to capital reserve	(29,400)	(29,400)
	—	—

## Notes to Financial Statements *(Continued)*

*for the year ended 30 June 2004*



### 17. ASSOCIATES *(Continued)*

At 30 June 2004, the Group had interest in the following associate:

Name of Company	Principal place of operation	Nature of business	ownership interest	Percentage of 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 for the year.

### 18. JOINT VENTURE

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares at cost	10,000	10,000
Advance to a joint venture	3,844	3,844
	<b>13,844</b>	13,844
Less: Provision for diminution in value	<b>(13,844)</b>	(6,922)
	<b>-</b>	6,922

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

At 30 June 2004, the Group had interest in the following jointly controlled entity:

Name of Company	Principal place of operation	Nature of business	ownership interest	Percentage of 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%

## Notes to Financial Statements (Continued)

for the year ended 30 June 2004

### 19. INVESTMENTS IN SECURITIES – EQUITY SECURITIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Equity securities:		
Listed in Hong Kong	<u>6,307</u>	<u>15,503</u>
Market value of listed securities (Note)	<u>7,976</u>	<u>17,171</u>

Note:

The market value of listed securities was determined with reference to the closing prices as at 30 June 2004. However, certain listed securities, whose trading was suspended before 30 June 2004 and thus the market value could not be determined by reference to the closing price at 30 June 2004, was stated at their carrying value. At 30 June 2004, the carrying amount of these listed securities amounted to HK\$842,000 and the market value of these listed securities by reference to their latest available quoted market prices amounted to HK\$2,511,000. As it is impossible to obtain a closing price at 30 June 2004 for these securities, the directors considered that the most reliable measure of fair value would be to state these listed securities at their carrying amounts. Up to the date of approval of these financial statements, the trading of these listed securities has not yet been resumed.

### 20. PROPERTIES UNDER DEVELOPMENT FOR SALE

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
<b>At cost:</b>		
At 1 July 2003	32,000	32,000
Less: Provision for diminution in value	<u>(4,800)</u>	<u>(4,800)</u>
At 30 June 2004	<u>27,200</u>	<u>27,200</u>



**21. INVENTORIES**

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Raw materials	<b>9,098</b>	8,879
Work in progress	<b>1,608</b>	779
	<b>10,706</b>	9,658

**22. CONSTRUCTION CONTRACTS**

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Amount due from contract customers included in trade and other receivables (Note 23)	<b>574</b>	330
Amount due to contract customers included in trade and other payables (Note 24)	<b>(1,982)</b>	(4,020)
	<b>(1,408)</b>	(3,690)
Contract costs incurred plus recognised profits less recognised losses to date	<b>12,132</b>	6,684
Less: Progress billings	<b>(13,540)</b>	(10,374)
	<b>(1,408)</b>	(3,690)

At 30 June 2004, no retention (2003: HK\$1,000) was held by customers for contract works as included in trade and other receivables under current assets.

## Notes to Financial Statements (Continued)

for the year ended 30 June 2004

### 23. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Trade debtors	13,534	23,263
Sundry deposit and prepayments	1,556	3,766
Other receivables	1,892	181
Amount due from contract customers (Note 22)	574	330
	<u>17,556</u>	<u>27,540</u>

Aging analysis of trade debtors is set out below:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Current	2,819	6,104
Over 30 days	3,642	6,809
Over 60 days	2,739	3,101
Over 90 days	4,334	7,249
	<u>13,534</u>	<u>23,263</u>

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

**Notes to Financial Statements** (Continued)  
for the year ended 30 June 2004



**24. TRADE AND OTHER PAYABLES**

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Trade creditors	5,514	7,106	-	-
Other payables	2,513	1,981	-	-
Accruals	3,090	4,802	1,723	2,635
Provision for legal claim for rental	1,592	-	-	-
Advance received	211	451	-	-
Amount due to contract customers (Note 22)	1,982	4,020	-	-
Finance lease payables (Note 25)	430	430	430	430
	<b>15,332</b>	<b>18,790</b>	<b>2,153</b>	<b>3,065</b>

Aging analysis of trade creditors is set out below:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Current	2,151	2,195
Over 30 days	1,646	4,455
Over 60 days	1,715	451
Over 90 days	2	5
	<b>5,514</b>	<b>7,106</b>

## Notes to Financial Statements (Continued)

for the year ended 30 June 2004

### 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 2004, 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	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Amounts payable:				
Within one year	494	494	430	430
In the second year	248	494	215	430
In the third to fifth years, inclusive	-	273	-	237
<b>Total minimum finance lease payments</b>	<b>742</b>	1,261	<b>645</b>	1,097
Future finance charges	(97)	(164)	-	-
<b>Total net finance lease payables</b>	<b>645</b>	1,097	<b>645</b>	1,097
Portion classified as current liabilities (Note 24)			(430)	(430)
Long term portion			215	667



**26. CONVERTIBLE NOTES**

	<b>THE GROUP AND THE COMPANY</b>	
	<b>2004 HK\$'000</b>	2003 HK\$'000
At 1 July 2003/2002	<b>15,000</b>	15,000
New issues	–	15,000
Redemption	<b>(15,000)</b>	(15,000)
<b>At 30 June 2004/2003</b>	<b>–</b>	<b>15,000</b>

On 24 June 2004, the Company redeemed convertible notes in the principal amount of HK\$15,000,000.

**27. SHARE CAPITAL**

	<b>THE GROUP AND THE COMPANY</b>	
	<b>2004 HK\$'000</b>	2003 HK\$'000
Authorised: 50,000,000,000 ordinary shares of HK\$0.02 each (2003: 10,000,000,000 ordinary shares of HK\$0.02 each)	<b>1,000,000</b>	<b>200,000</b>
Issued and fully paid: 9,081,360,000 ordinary shares of HK\$0.02 each (2003: 2,270,340,000 ordinary shares of HK\$0.02 each)	<b>181,627</b>	<b>45,407</b>

## Notes to Financial Statements *(Continued)*

for the year ended 30 June 2004

### 27. SHARE CAPITAL *(Continued)*

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 2003	10,000,000	200,000
Increase of authorised share capital	40,000,000	800,000
<b>As at 30 June 2004</b>	<b>50,000,000</b>	<b>1,000,000</b>
Issued and fully paid:		
As at 1 July 2003	2,270,340	45,407
Issue of shares	6,811,020	136,220
<b>As at 30 June 2004</b>	<b>9,081,360</b>	<b>181,627</b>

A summary of the above movements in the share capital of the Company is as follows:

On 24 May 2004, the authorised share capital of the Company was increased from HK\$200,000,000 to HK\$1,000,000,000 by the creation of 40,000,000,000 ordinary shares of HK\$0.02 each.

On 16 June 2004, 6,811,020,000 new ordinary shares were issued under the Open Offer on the basis of two offer shares for every one share with one bonus share for every two offer shares taken, details of which have been set out in the Company's announcement dated 14 June 2004. All the shares rank pari passu in all respects with the existing shares of the Company.



**27. 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 2004, the Company had no outstanding options granted to eligible employees to subscribe for shares of the Company.

## Notes to Financial Statements (Continued)

for the year ended 30 June 2004

### 28. RESERVES

	Share premium HK\$'000	Non- distributable reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>The Group:</b>				
At 1 July 2002	55,899	2,264	(6,714)	51,449
Net loss for the year	–	–	(45,279)	(45,279)
Issue of shares at a premium	9,200	–	–	9,200
At 30 June 2003	65,099	2,264	(51,993)	15,370
Net loss for the year	–	–	(25,875)	(25,875)
Issue of shares under open offer (Note 27)	(45,407)	–	–	(45,407)
Share issue expenses (Note 27)	(2,494)	–	–	(2,494)
<b>At 30 June 2004</b>	<b>17,198</b>	<b>2,264</b>	<b>(77,868)</b>	<b>(58,406)</b>
			<b>Retained profits/ (accumulated losses)</b>	
	<b>Share premium HK\$'000</b>	<b>Non- distributable reserve HK\$'000</b>	<b>HK\$'000</b>	<b>Total HK\$'000</b>
<b>The Company:</b>				
At 1 July 2002	55,899	1,264	331	57,494
Net loss for the year	–	–	(20,240)	(20,240)
Issue of shares at a premium	9,200	–	–	9,200
At 30 June 2003	65,099	1,264	(19,909)	46,454
Net loss for the year	–	–	(20,774)	(20,774)
Issue of shares under open offer (Note 27)	(45,407)	–	–	(45,407)
Share issue expenses (Note 27)	(2,494)	–	–	(2,494)
<b>At 30 June 2004</b>	<b>17,198</b>	<b>1,264</b>	<b>(40,683)</b>	<b>(22,221)</b>



**29. AMOUNT DUE FROM A RELATED COMPANY**

Name of company	Maximum balance during the year HK\$'000	THE GROUP	
		2004 HK\$'000	2003 HK\$'000
Company in which two directors of subsidiaries have beneficial interests			
Gason Electrical Contracting Ltd.	<b>830</b>	<b>830</b>	–

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

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within one year	<b>114</b>	1,872

**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 (2003: HK\$11,000).

## Notes to Financial Statements (Continued)

for the year ended 30 June 2004

### 32. RETIREMENT BENEFITS SCHEME (Continued)

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.

### 33. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Bank overdrafts				
– secured	676	2,597	–	–
Bank loan, secured	2,567	2,899	–	–
Other borrowings, unsecured	–	5,465	–	5,465
	<b>3,243</b>	<b>10,961</b>	<b>–</b>	<b>5,465</b>
The maturity profile of the above bank and other borrowings is as follows:				
Within one year	1,181	8,532	–	5,465
In the second year	518	487	–	–
In the third to fifth years, inclusive	1,544	1,571	–	–
Beyond five years	–	371	–	–
	<b>3,243</b>	<b>10,961</b>	<b>–</b>	<b>5,465</b>
Portion classified as current liabilities	(1,181)	(8,532)	–	(5,465)
Non-current portion	<b>2,062</b>	<b>2,429</b>	<b>–</b>	<b>–</b>

As at 30 June 2004, the bank facilities of the Group were secured by the Group's leasehold land and buildings in Hong Kong with carrying values of HK\$5,734,000 (2003: HK\$5,880,000) and fixed deposits of a subsidiary of HK\$3,000,000 (2003: HK\$3,000,000).

## Notes to Financial Statements *(Continued)*

*for the year ended 30 June 2004*



### 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	2004 HK\$'000	2003 HK\$'000
Gason Electrical Contracting Ltd. (Note a)	Company in which two directors of subsidiaries have beneficial interests	Sales – received – receivable	9,856 830	14,112 –
Gold Arch Engineering Ltd. (Note b)	Company in which two directors of subsidiaries have beneficial interests	Management fee paid	360	360
			<hr/>	<hr/>

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

There were no major non-cash transactions during the year ended 30 June 2004. During the year ended 30 June 2003, the Group entered into finance lease contracts in respect of assets with a total capital value at the inception of the leases of HK\$1,420,000.

## Notes to Financial Statements (Continued)

for the year ended 30 June 2004

### 36. DISPOSAL OF SUBSIDIARIES

	2004 HK\$'000	2003 HK\$'000
<b>Net liabilities disposal of:</b>		
Amount due by holding company	-	4,714
Cash and bank balances	-	1
Trade and other payables	-	(2,011)
Amounts due to fellow subsidiaries	-	(21)
Amount due to holding company	-	(3,447)
	-	(764)
Amount due by holding company waived by the subsidiary	-	(4,714)
Amounts due to fellow subsidiaries waived by the fellow subsidiaries	-	21
Amount due to holding company waived by the Company	-	3,447
	-	(2,010)
Gain on disposal of subsidiaries	-	210
	-	(1,800)
<b>Satisfied by:</b>		
Payment of cash	-	(1,800)
<b>Analysis of net outflow of cash and cash equivalents in connection with the disposal of subsidiaries</b>		
Payment of cash	-	1,800
Cash and bank balances disposed of	-	1
	-	1,801



**37. CONTINGENT LIABILITIES**

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Guarantees given to banks for general banking facilities granted to subsidiaries	–	3,500
Irrevocable letters of credit	<b>409</b>	187
Other trade guarantees	–	160
	<hr/>	<hr/>
	<b>409</b>	3,847
	<hr/>	<hr/>

As at 30 June 2003, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by a subsidiary of the Group were utilised to the extent of HK\$2,899,000.

As at 30 June 2004, 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\$302,000 (2003: Nil).

**38. SUBSEQUENT EVENTS**

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. As at the date of approval of these financial statements, the case is still pending for hearing. 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.

**39. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the Board of Directors on 20 October 2004.

## Particulars of Major Properties

### PROPERTIES HELD UNDER DEVELOPMENT FOR SALE

	Location	Lease expiry	Type	Gross floor area (sq.m.)	Effective % held	Nature
1.	Old Government Building located at Zhong Shan Road West, Heng Li Zhen, Dongguan Guangdong Province, The PRC	2063	Commercial/residential	9,001	100%	For resale
2.	Commercial/residential development located at Zhong Shan Road, Heng Li Zhen, Dongguan Guangdong Province, The PRC	2043	Commercial/residential	6,534	100%	For resale

### LEASEHOLD LAND AND BUILDINGS

	Location	Lease expiry	Type	Effective % held	Nature
3.	Units 102-107, 1st Floor, Hong Leong Industrial Complex, 4 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong	2047	Godown	80%	Own use