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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
Mr Chan Shiu Kwong, Stephen (Appointed on 20 April 2005)
Mr Lin Cheuk Fung (Appointed on 21 June 2005)

Independent non-executive directors:

Mr Chow Pui Fung
Mr Hung Shui Nam (Appointed on 30 September 2004)
Mr Yue Fu Wing (Appointed on 15 January 2005)
Mr Chan Ping Yim (Appointed on 30 September 2004 and resigned on 15 January 2005)
Mr Fok Po Tin (Resigned on 30 September 2004)

COMPANY SECRETARY

Mr Lau Kwok Hung

AUDIT COMMITTEE

Mr Chow Pui Fung
Mr Hung Shui Nam (Appointed on 30 September 2004)
Mr Yue Fu Wing (Appointed on 15 January 2005)
Mr Chan Ping Yim (Appointed on 30 September 2004 and resigned on 15 January 2005)
Mr Fok Po Tin (Resigned on 30 September 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

Units 1205-6, 12/F., Office Tower Two,
The Harbourfront, 18-22 Tak Fung Street,
Hung Hom, Kowloon,
Hong Kong

E-MAIL

inquiry@0070mrc.com

STOCK CODE

00070

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 2005.

RESULTS

For the year ended 30 June 2005, the Group's turnover increased to HK\$77,009,000 representing an increase of 41% over that of last year's HK\$54,494,000. The subsidiaries responsible for the manufacturing and trading of electrical equipment and the provision of electrical engineering and contracting services continued to be profitable. The net asset value of the Group as at 30 June 2005 increased to HK\$222,450,000 (2004: HK\$123,221,000). The Board of Directors has resolved not to pay a dividend for the year.

BUSINESS REVIEW AND LOOKING AHEAD

For the year under review, the Hong Kong economy has become buoyant. Rising employment, continuing GDP growth and strong consumer confidence all contributed to the resurgence of confidence in the business sector, resulting in robust growth.

The Board of Directors is at all times seeking to identify suitable projects and investments that would be reasonably expected to generate profits. In June 2005, the Company has acquired 70% interest in Walden Maritime S.A. ("Walden"), a company incorporated in the Republic of Panama (the "Acquisition"). Walden owns the cruise ship, CT Neptune ex Oliva, and will commence its operation after completion of the renovation. In light of the booming tourism industry in Macau and Hong Kong, the Board of Directors believes that the demand for casino games and entertainment business in the region is strong. The gaming and entertainment industry has immense growth potential and the Acquisition will strengthen the Group's earning base.

The Directors will continue to build on the strength and expertise of the Group's businesses and look for attractive investment opportunities which can be expected to show real growth in the years ahead with an aim to maximize the shareholders' return in the long run.

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 for their full support. I look forward to have a better future in the years to come.

Chen Chak Man

Chairman of the Board

Hong Kong, 25 October 2005



Management Discussion and Analysis

BUSINESS OVERVIEW

The audited net loss of the Group for the year ended 30 June 2005 amounted to HK\$11,353,000.

The Board 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 the issue of new ordinary shares of the Company and/or by being granted new and/or additional banking facilities.

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

For the year ended 30 June 2005, the Group recorded a turnover of HK\$77,009,000 in respect of the manufacturing and the trading of electrical equipment and the provision of electrical engineering and contracting services. Although Hong Kong's economy is recovering, the competition is still fierce. The Group is adopting progressive strategy to expand its market share. Turnover of such business operations increased by approximately 41% as compared with those of last year and the gross profit increased by 50%.

TRADING OF LISTED INVESTMENTS IN SECURITIES

During the year ended 30 June 2005, the Group did not engage in the trading of investments in listed securities.

ENTERTAINMENT BUSINESS

During the year ended 30 June 2005, the Group did not focus in the entertainment business.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had net current assets of HK\$100,621,000 as at 30 June 2005. Total bank and other borrowings amounted to HK\$2,398,000 as at 30 June 2005. The net asset value of the Group as at year end was HK\$222,450,000. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 30 June 2005, was approximately 24%.

During the year, the Group has issued 3,316,270,000 new ordinary shares. Subsequent to the balance sheet date, the Company has issued convertible notes of HK\$40,000,000 to 2 independent third parties. For further details, please refer to Company's announcement dates 14 September 2005.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS

During the year, the conditions precedent to completion of the Group's proposed acquisition of 70% interest and loan in EC Link Pacific Limited has not been completely fulfilled and the proposed acquisition was terminated. Please refer to the Company's announcement dated 3 May 2005.

In June 2005, the Group has acquired 70% interest and loan in Walden. The Group intends to engage in cruise ship business. For details, please refer to the Company's circular dated 14 March 2005.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

As at 30 June 2005, substantially all 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 2005, the Group did not have any foreign currency investments which have been hedged by currency borrowings and other hedging instruments.

EMPLOYEE

The Group employs approximately 72 staff in Hong Kong. Total staff costs for the year under review amounted to approximately HK\$11,420,000. 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 26 to financial statements.

CHARGES ON ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2005, the leasehold land and buildings of a Group's subsidiary with carrying amount of HK\$5,589,000 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 2005.

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 2005 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% (2004: 39%) of the Group’s total turnover and the five largest suppliers accounted for approximately 68% (2004: 75%) of the Group’s total purchases.

The largest customer accounted for approximately 21% (2004: 19%) of the Group’s total turnover and the largest supplier accounted for approximately 23% (2004: 24%) 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 2005 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 65.

The directors do not recommend payment of a final dividend in respect of the year ended 30 June 2005 (2004: Nil).

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 27 to financial statements.

As at 30 June 2005, the Company did not have available reserves for distribution to shareholders (2004: 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				2005 HK\$'000
	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000	
Turnover	198,024	103,991	88,864	54,494	77,009
Operating loss from ordinary activities	(42,769)	(48,989)	(44,466)	(25,720)	(10,608)
Taxation charge for the year	(1,086)	(417)	(759)	(76)	(366)
Loss before minority interests	(43,855)	(49,406)	(45,225)	(25,796)	(10,974)
Minority interests	(3,134)	(306)	(54)	(79)	(379)
Loss for the year	(46,989)	(49,712)	(45,279)	(25,875)	(11,353)

Assets and Liabilities

	At 30 June				2005 HK\$'000
	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000	
Total assets	156,149	140,073	116,660	152,434	286,054
Total liabilities	(75,047)	(44,167)	(47,979)	(21,230)	(55,218)
Minority interests	(6,646)	(7,850)	(7,904)	(7,983)	(8,386)
Shareholders' funds	74,456	88,056	60,777	123,221	222,450

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 26 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 as set out in the Company's circular dated 24 May 2004 (the "Circular"), after deduction of related issuance expenses, amounted to approximately HK\$87.8 million was applied in accordance with the proposed applications as stated in the Circular during the year ended 30 June 2005.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr Chen Chak Man (*Chairman*)

Mr Lau Kwok Hung

Mr Lau Kwok Keung

Ms Chik Siu Yin, Urica

Mr Chan Shiu Kwong, Stephen (Appointed on 20 April 2005)

Mr Lin Cheuk Fung (Appointed on 21 June 2005)

Independent non-executive directors:

Mr Chow Pui Fung

Mr Hung Shui Nam (Appointed on 30 September 2004)

Mr Yue Fu Wing (Appointed on 15 January 2005)

Mr Chan Ping Yim (Appointed on 30 September 2004 and resigned on 15 January 2005)

Mr Fok Po Tin (Resigned on 30 September 2004)

In accordance with Articles 79 and 80 of the Company's Articles of Association, Mr Chan Shiu Kwong, Stephen, Mr Lin Cheuk Fung and Mr Yue Fu Wing 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 2005, 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	447,300,000 (Note i)	3.61%
Mr Lin Cheuk Fung	Personal	1,500,000,000	12.10%

Note:

- (i) 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 2005, 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 26 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 2005 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 2005 amounting to 5% or more of the ordinary shares in issue:

Name of shareholders	No. of ordinary shares held	Percentage of shares held
Mr Chim Pui Chung (Note)	1,835,960,000	14.81%
Mr Lin Cheuk Fung	1,500,000,000	12.10%

Note: These shares were held as to 1,264,220,000 shares by Gallery Land Ltd (a company wholly owned by Mr Chim Pui Chung), as to 568,800,00 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 Mr Lin Cheuk Fung are also disclosed above under directors' interest 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 2005.

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 53, was appointed the Chairman of the Board and an Executive Director 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 59, 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 57, 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.

Ms Chik Siu Yin, Urica, aged 35, was appointed as 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.

Report of the Directors *(Continued)*

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

Mr Chan Shiu Kwong, Stephen, age 49, was appointed an Executive Director of the Company on 20 April 2005. Mr Chan holds a Bachelor of Commerce in Curtin University of Technology, Australia and is currently a member of Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Company Secretaries and CPA (Australia). Mr Chan has over 20 years of experience in property development, manufacturing and travel related industries. He has previously served a number of multinational companies as chief financial personnel and many local public listed companies as a project financial manager and these attribute to his profound experience in merger and acquisition in PRC infrastructure.

Mr Lin Cheuk Fung, aged 32, was appointed an Executive Director of the Company on 21 June 2005. Mr Lin has over 10 years' experience in a number of business activities ranging from garment industry, automobile business, property investment, cruise ship operation to casino operation. Currently, he is also the director of Hong Kong Commerce & Industry Association Ltd and the vice president of The Association of Industries and Commerce of N.E. New Territories.

Mr Chow Pui Fung, aged 65, 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 Hung Shui Nam, aged 34, was appointed as 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.

Mr Yue Fu Wing, aged 37, was appointed as an Independent Non-executive Director of the Company on 15 January 2005. Mr Yue is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He has a Master Degree in PRC Accounting from Jinan University in China and a Bachelor Degree in Accountancy from the City University of Hong Kong. Mr Yue has over ten years' experience in accounting and finance. He has worked for a multi-national company, a Hong Kong listed company and an international accounting firm.

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 2005 for long service payments to its employees pursuant to the requirements under the Employment Ordinance.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company was in compliance with the Code of Best Practice (the "Code"), as set out in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules"), throughout the accounting year covered by the annual report, except that the independent non-executive directors of the Company are not appointed for a specific term as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's Articles of Association.

The Code as set out in Appendix 14 to the Listing Rules was replaced by the Code on Corporate Governance Practices ("Code on CG Practices") which has become effective for accounting periods commencing on or after 1 January 2005. Appropriate actions are being taken by the Company for complying with the Code on CG Practices.

MODEL CODE FOR SECURITIES BY DIRECTORS

The Company has complied with the code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code. Having made specific enquiry of all Directors, they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transaction by the Directors adopted by the Company.

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 2005.

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, 25 October 2005

Auditors' Report



Chartered Accountants
Certified Public Accountants

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF MASSIVE RESOURCES INTERNATIONAL CORPORATION LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 15 to 65 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 2005 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, 25 October 2005

Consolidated Income Statement

for the year ended 30 June 2005 (in HK Dollars)

	Notes	2005 HK\$'000	2004 HK\$'000
Turnover	5(a)	77,009	54,494
Cost of sales		(67,198)	(47,974)
Gross profit		9,811	6,520
Other revenue	5(c)	1,932	305
Distribution costs		(1,462)	(694)
Administrative expenses		(15,710)	(14,803)
Provision for diminution in value of investments in securities – other investments		(5,050)	(9,196)
Provision for diminution in value of investment in joint venture		–	(6,922)
Net loss on disposal of tangible fixed assets		–	(3)
Loss from operations	5(b)	(10,479)	(24,793)
Finance costs	6	(129)	(927)
Loss from ordinary activities before taxation		(10,608)	(25,720)
Taxation	9	(366)	(76)
Loss before minority interests		(10,974)	(25,796)
Minority interests		(379)	(79)
Net loss for the year	10	(11,353)	(25,875)
Loss per ordinary share			
Basic	11	(0.1) cent	(1.0) cent
Diluted	11	N/A	N/A

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

Consolidated Balance Sheet

at 30 June 2005 (in HK Dollars)

	Notes	2005 HK\$'000	2004 HK\$'000
Non-current assets			
Tangible fixed assets	12	131,467	7,687
Development costs	13	330	939
Goodwill	14	45	–
Subsidiary not consolidated	16	–	–
Interest in an associate	17	–	–
Interest in a joint venture	18	–	–
		131,842	8,626
Current assets			
Properties under development for sale	20	–	27,200
Inventories	21	14,397	10,706
Trade and other receivables	23	24,377	17,556
Amount due from a related company	29	830	830
Investments in securities	19	1,257	6,307
Pledged bank deposits		3,000	3,000
Cash at securities company		94,138	54,000
Cash and bank balances		16,213	24,209
		154,212	143,808
Less: current liabilities			
Bank and other borrowings	33	771	1,181
Trade and other payables	24	20,983	15,332
Taxation		2,737	2,440
Amount due to a minority shareholder	28	29,100	–
		53,591	18,953
Net current assets		100,621	124,855
Total assets less current liabilities		232,463	133,481

Consolidated Balance Sheet *(Continued)* at 30 June 2005 (in HK Dollars)

	Notes	2005 HK\$'000	2004 HK\$'000
Non-current liabilities			
Obligations under finance leases	25	–	215
Bank and other borrowings	33	1,627	2,062
		<hr style="border: 0.5px solid black;"/>	<hr style="border: 0.5px solid black;"/>
		1,627	2,277
		<hr style="border: 0.5px solid black;"/>	<hr style="border: 0.5px solid black;"/>
Minority interests		8,386	7,983
		<hr style="border: 0.5px solid black;"/>	<hr style="border: 0.5px solid black;"/>
		10,013	10,260
		<hr style="border: 0.5px solid black;"/>	<hr style="border: 0.5px solid black;"/>
Net assets		222,450	123,221
		<hr style="border: 0.5px solid black;"/>	<hr style="border: 0.5px solid black;"/>
Representing:			
Share capital	26	247,953	181,627
Reserves	27	(25,503)	(58,406)
		<hr style="border: 0.5px solid black;"/>	<hr style="border: 0.5px solid black;"/>
Shareholders' funds		222,450	123,221
		<hr style="border: 0.5px solid black;"/>	<hr style="border: 0.5px solid black;"/>

Approved by the Board of Directors on 25 October 2005

Lau Kwok Hung
Director

Chan Shiu Kwong, Stephen
Director

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

Balance Sheet

at 30 June 2005 (in HK Dollars)

	Notes	2005 HK\$'000	2004 HK\$'000
Non-current assets			
Tangible fixed assets	12	452	864
Subsidiaries	15	99,420	31,420
		99,872	32,284
Current assets			
Amounts due from subsidiaries	15	59,732	72,319
Cash at securities company		94,138	54,000
Cash and bank balances		1,628	5,456
		155,498	131,775
Less: current liabilities			
Trade and other payables	24	4,069	2,153
Amount due to a subsidiary	30	2,270	2,285
		6,339	4,438
Net current assets		149,159	127,337
Total assets less current liabilities		249,031	159,621
Non-current liabilities			
Obligations under finance leases	25	–	215
Net Assets		249,031	159,406
Representing:			
Share capital	26	247,953	181,627
Reserves	27	1,078	(22,221)
Shareholders' funds		249,031	159,406

Approved by the Board of Directors on 25 October 2005

Lau Kwok Hung
Director

Chan Shiu Kwong, Stephen
Director

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

Consolidated Statement of Changes in Equity

for the year ended 30 June 2005 (in HK Dollars)

	Notes	2005 HK\$'000	2004 HK\$'000
Total equity at 1 July 2004/2003		123,221	60,777
Net loss for the year	27	(11,353)	(25,875)
Movements in issued share capital:			
Issue of shares	26	66,326	136,220
Movements in share premium:			
Issue of shares	27	46,153	(45,407)
Share issue expenses	27	(1,897)	(2,494)
Total equity at 30 June 2005/2004		222,450	123,221

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

Consolidated Cash Flow Statement

for the year ended 30 June 2005 (in HK Dollars)

Notes	2005 HK\$'000	2004 HK\$'000
Cash Flows from operating activities		
Loss before tax	(10,608)	(25,720)
Adjustments for:		
Interest income	(264)	(57)
Increase in value of investment properties	(500)	–
Amortisation of development costs	609	609
Depreciation	952	996
Finance costs	128	927
Loss on disposal of tangible fixed assets	–	3
Other intangible assets written off	–	59
Provision for diminution in value of investments in securities – other investments	5,050	9,196
Provision for diminution in value of investment in a joint venture	–	6,922
Provision for bad and doubtful debts	129	2,301
Provision for legal claim for rental	–	1,592
Operating loss before working capital changes	(4,504)	(3,172)
Increase in inventories	(3,691)	(1,048)
(Increase)/decrease in trade and other receivables	(6,872)	7,683
Increase in amount due from a related company	–	(830)
Increase/(decrease) in trade and other payables	5,866	(5,050)
Cash used in operations	(9,201)	(2,417)
Interest received	264	57
Hong Kong profits tax paid	(69)	(197)
Net cash outflow from operating activities	(9,006)	(2,557)

Consolidated Cash Flow Statement *(Continued)*

for the year ended 30 June 2005 (in HK Dollars)

	Notes	2005 HK\$'000	2004 HK\$'000
Cash flows from investing activities			
Payments to acquire tangible fixed assets		(32)	(2)
Cash effect on acquisition of a subsidiary		(20,000)	–
Development costs to upgrade products		–	(760)
		<hr/>	<hr/>
Net cash outflow from investing activities		(20,032)	(762)
Cash flows from financing activities			
Issue of shares, net of expenses	26	62,583	88,319
Redemption of convertible note		–	(15,000)
Repayment of obligations under finance leases		(430)	(452)
New loans		–	9,985
Repayment of loans		(503)	(15,782)
Finance costs paid		(128)	(927)
		<hr/>	<hr/>
Net cash inflow from financing activities		61,522	66,143
		<hr/>	<hr/>
Net increase in cash and cash equivalents		32,484	62,824
		<hr/>	<hr/>
Cash and cash equivalents at the beginning of the year		77,533	14,709
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year		110,017	77,533
		<hr/>	<hr/>
Analysis of balances of cash and cash equivalents:			
Cash and bank balances		16,213	24,209
Cash at securities company		94,138	54,000
Bank overdrafts	33	(334)	(676)
		<hr/>	<hr/>
		110,017	77,533
		<hr/>	<hr/>

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

Notes to Financial Statements

30 June 2005 (in HK Dollars)

1. CORPORATE INFORMATION

The Company was incorporated in Hong Kong as a public limited company and its shares are listed on The Stock Exchange of Hong Kong Limited.

The principal activities of the Company and its subsidiaries are the manufacturing and trading of electrical equipment, the provision of electrical engineering and contracting services, the trading of listed securities, property investment and cruise ship operation and management.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

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

HKFRS 3 Business Combinations

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

Goodwill

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

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

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

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

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



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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice ("SSAPs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies followed by the Company in the preparation of the financial statements is set out below:

(a) Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost as modified for the revaluation of investments in securities and properties under investment properties as explained in the accounting policies set out below.

(b) Basis of consolidation

The consolidated financial statements incorporated the financial statements of the Company and its subsidiaries made up to 30 June 2005.

Where a subsidiary operates under severe restrictions which significantly impair control by the Group over its assets and operations for the foreseeable future, the Group's interest in the subsidiary is stated in the consolidated financial statements at the amount at which it would have been included under the equity method of accounting at the date on which the restrictions came into force, less provision for any subsequent impairment in value.



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

(b) Basis of consolidation *(Continued)*

The results of the subsidiaries and associates acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition and up to the effective dates of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

(c) Goodwill

Goodwill arising on consolidation of subsidiaries represents the excess purchase consideration paid for such companies ascribed to the net underlying assets at the date of acquisition. Goodwill arising on the acquisitions with agreement date price to 1 January 2005 is capitalised and amortised on a straight-line basis over its useful economic life of 10 years.

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

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

(d) Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than 50% of the issued share capital or registered share capital, or controls more than 50% of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

In the financial statements of the Company, investments in subsidiaries are stated at cost. Provision is made to the extent that the directors consider significant diminution in value, which is other than temporary, has taken place. Results of the subsidiary are accounted for by the Company on the basis of dividends received or receivable during the year.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates

An associate is an enterprise in which the Group has significant influence, but not control or joint control, and thereby has the ability to participate in their financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates on acquisition in so far as it has not been written off.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost less any provision considered necessary by the directors to reflect a diminution in value which is other than temporary.

(f) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated income statement includes the Group's share of the results of jointly controlled entity for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entity and goodwill (net of accumulated amortisation) on acquisition.

(g) Turnover

Turnover represents the net amounts received and receivable for electrical equipment sold by and electrical engineering and contracting services provided by the Group to outside customers, entertainment income and trading of investments in securities.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Recognition of revenue

1. Sale of products is recognised when goods are delivered and title has been passed.
2. Sale of securities is recognised when securities are traded on the trade day basis.
3. When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the percentage of revenue certified to date to estimated total contract value. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable that the costs incurred will be recovered.
4. Dividend income from investments is recognised when the Company's rights to receive payment has been established.
5. Interest income from bank deposit is recognised on a time apportioned basis on the principal outstanding and at the rates applicable.
6. Other interest income is recognised in the consolidated income statement as above, on a time apportioned basis, except in the case of receivables which are deemed to be doubtful at which stage interest accrual ceases.
7. Income from television dramas licence is recognised when the title has been passed.
8. Income from distribution of musical and related products is recognised when the production is completed, released and the amount can be ascertained.
9. Services income is recognised when the services are rendered.

(i) Tangible fixed assets and depreciation

1. *Valuation*

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs bringing the asset to its present working condition and location for its intended use. Subsequent expenditure relating to a tangible fixed asset that has already recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the year which it is incurred.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Tangible fixed assets and depreciation (Continued)

2. *Depreciation*

Depreciation is provided on the straight line method so as to write down the cost of tangible fixed assets to their estimated realisable value over their anticipated useful lives at the following annual rates:

Leasehold land	:	Over the remaining unexpired term of the lease
Buildings	:	Over the term of the leases
Leasehold improvement	:	20%
Furniture, fixtures and equipment	:	15% to 20%
Plant and machinery	:	15%
Tools	:	33 $\frac{1}{3}$ %
Motor vehicles	:	25%
Cruise ship	:	5%

3. *Gain or loss on disposal*

The gain or loss on disposal of a tangible fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

4. *Investment properties*

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

(j) Leased assets

Assets held under finance leases have been capitalised. The interest element of the rental payments is charged to the consolidated income statement over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Depreciation is provided in accordance with the Group's depreciation policies.

All other leases are accounted for as operating leases and the rental payments are charged to the consolidated income statement on a straight line basis over the relevant lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Research and development costs

Expenditure on research and development is charged to the consolidated income statement in the year in which it is incurred except where a major project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity. Such development costs are deferred and written off over the life of the project from the date of commencement of commercial operation.

(l) Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

(m) Inventories

Inventories are stated at the lower of cost and the net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the consolidated income statement by reference to the stage of the completion of the contract activity at the balance sheet date on the same basis as the contract revenue is recognised.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Construction contracts (Continued)

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the year in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advance received. Amounts billed for work performed, but not yet paid by the customer, are included in the balance sheet within trade and other receivables.

(o) Properties under development for sale

Properties under development for sale are classified as current assets and are stated at the lower of cost and net realisable value which is determined by the directors based on prevailing market conditions.

(p) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that assets (other than inventories, assets arising from construction contracts, deferred tax assets, financial assets other than interests in subsidiaries, associates and joint ventures, and investment properties) may be impaired.

If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

1. Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risks specific to the asset. Where there are assets that do not generate cash flows largely independent of those from other assets, recoverable amounts are determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Impairment of assets (Continued)

2. *Reversals of impairment losses*

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated income statement in the year in which the reversals are recognised.

(q) Current assets and liabilities

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Group's operating cycle.

(r) Foreign currencies

Transactions in foreign currencies are translated at the rates of exchange ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet dates are translated at the applicable rates of exchange ruling at that date. All exchange gains and losses on translation of foreign currencies are dealt with in the consolidated income statement.

On consolidation, the balance sheet items of subsidiaries and associates which are denominated in currencies other than Hong Kong dollars and which operate in the PRC and overseas are translated at the rates ruling at the balance sheet date whilst the income and expenses items are translated at the average rates for that period. Exchange differences arising on consolidation, if any, are dealt with in reserves.

(s) Taxation

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

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



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Taxation (Continued)

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

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

(t) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(u) Related party transactions

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(v) Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated income statement.

(x) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(y) Retirement benefits scheme

- (i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and to the state-managed retirement benefits schemes for the employees of the Group's entities in the People's Republic of China (the "PRC") are recognised as an expense in the consolidated income statement as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Retirement benefits scheme (Continued)

(iii) The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the consolidated income statement or consolidated balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

(z) Borrowing costs

Borrowing costs are charged to the consolidated income statement in the period in which they are incurred.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the electrical equipment segment consisted of the manufacture and sale of electrical equipment;
- (b) the listed securities segment consisted of the purchase and sale of listed securities;
- (c) the electrical engineering and contracting services segment consisted of the provision of electrical engineering and contracting services; and
- (d) the entertainment segment consisted of the production and distribution of musical and entertainment products and the celebrities management.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Notes to Financial Statements (Continued)

30 June 2005 (in HK Dollars)

4. SEGMENT INFORMATION (Continued)

(a) Business segments

THE GROUP

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

4. SEGMENT INFORMATION (Continued)

(b) Geographical segments

THE GROUP

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

Notes to Financial Statements (Continued)

30 June 2005 (in HK Dollars)

5. LOSS FROM OPERATIONS

(a) Turnover:

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

(b) Loss from operations is stated after charging:

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

5. LOSS FROM OPERATIONS (Continued)

(c) Other revenue:

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

6. FINANCE COSTS

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

7. DIRECTORS' REMUNERATION

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

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

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

The remuneration of the directors is within the following band:

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

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



8. FIVE HIGHEST PAID EMPLOYEES

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

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

Their emoluments are within the following bands:

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

9. TAXATION

Hong Kong Profits Tax has been provided in the financial statements at a rate of 17.5% (2004: 17.5%) on the estimated assessable profits of the subsidiaries for the year. No provision for tax is required for the Company and its associates as no assessable profits were earned by the Company and the associates during the year.

	THE GROUP	
	2005	2004
	HK\$'000	HK\$'000
Current Taxation:		
Provision for the year		
– Hong Kong	394	76
Over-provision in previous year	(28)	–
	366	76



Notes to Financial Statements (Continued)

30 June 2005 (in HK Dollars)

9. TAXATION (Continued)

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

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

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



10. NET LOSS FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS

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

11. LOSS PER ORDINARY SHARE

The calculation of the basic loss per ordinary share is based on the net loss for the year of HK\$11,353,000 (2004: HK\$25,875,000) and the weighted average of 10,051,671,000 (2004: 2,568,905,000) ordinary shares in issue during the year.

No diluted loss per ordinary share has been presented for the years ended 30 June 2005 as there were no dilutive potential ordinary shares in existence during the year ended 30 June 2005. No diluted loss per ordinary share has been presented for the year ended 30 June 2004 as the effect of the assumed conversion of the Company's outstanding convertible notes would result in a decrease in net loss per ordinary share for the year ended 30 June 2004.



Notes to Financial Statements (Continued)

30 June 2005 (in HK Dollars)

12. TANGIBLE FIXED ASSETS

(a) The Group

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



12. TANGIBLE FIXED ASSETS (Continued)

(b) The Company

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

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

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

Notes to Financial Statements (Continued)

30 June 2005 (in HK Dollars)

12. TANGIBLE FIXED ASSETS (Continued)

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

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



13. DEVELOPMENT COSTS

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

14. GOODWILL

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

Notes to Financial Statements (Continued)

30 June 2005 (in HK Dollars)

15. SUBSIDIARIES

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

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

Particulars of the Company's subsidiaries at 30 June 2005 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company		Principal activity
			Directly	Indirectly	
			%	%	
Great Well Global Limited	The British Virgin Islands	US\$1	100	–	Leasing
Gold Winner Asia Limited	The British Virgin Islands	US\$1	100	–	Securities trading
Jumbo Profit Investments Limited	The British Virgin Islands	US\$1	100	–	Securities trading



15. SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration/ operation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company		Principal activity
			Directly	Indirectly	
			%	%	
Lexwin Company Limited	Hong Kong	HK\$2	100	–	Assets holding
Goalstar Holdings Limited	The British Virgin Islands	US\$1	100	–	Investment holding
Linfield International Limited*	The British Virgin Islands	US\$2,850,000	80	–	Investment holding
Metrix Engineering Company Limited*	Hong Kong	HK\$600,000	–	80	Manufacture and trading of electrical equipment
Metrix Engineering (China) Limited*	Hong Kong	HK\$500,000	–	80	Inactive
Metrix Engineering International Limited*	Hong Kong	HK\$22,000,000	–	80	Investment holding
Metrix E & M Services Limited*	Hong Kong	HK\$500,000	–	80	Provision of electrical engineering and contracting services



Notes to Financial Statements (Continued)

30 June 2005 (in HK Dollars)

15. SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration/ operation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company		Principal activity
			Directly	Indirectly	
			%	%	
Discovery Net Limited	The British Virgin Islands	US\$50,000	–	100	Securities trading
Sources Investments Limited	Hong Kong	HK\$2	100	–	Securities trading
World Target International Limited	The British Virgin Islands	US\$1	100	–	Securities trading
Tenin Investments Limited	Hong Kong	HK\$2	–	100	Property development
Anwill Investments Limited	Hong Kong	HK\$2	–	100	Property development
M-Star Limited* (In compulsory liquidation)	Hong Kong	HK\$18,000	–	60	Developing and marketing computer
Century Element Celebrities Management (HK) Limited	Hong Kong	HK\$2	–	100	Celebrities management
Century Element Entertainment (HK) Limited	Hong Kong	HK\$2	–	100	Entertainment
Eagles Wing Limited	Hong Kong	HK\$2	100	–	Distribution



15. SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration/ operation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Company		Principal activity
			Directly	Indirectly	
			%	%	
Massive Resources Corporation (China) Limited	Hong Kong	HK\$2	100	–	Investment holding
Smart Brilliance Development Limited	Hong Kong	HK\$10,000	100	–	Licence holders
Talent Ascent Limited	Hong Kong	HK\$2	100	–	Securities trading
Beijing Massive Resources Culture & Communication Co., Limited	Hong Kong	HK\$2	–	100	Investment holding
北京駿雷文化 傳播有限公司	People's Republic of China	HK\$50,000,000#	–	100	Investment holding
Walden Maritime S.A.	Republic of Panama	US\$10,000	70	–	Asset holding

* Companies not audited by HLB Hodgson Impey Cheng.

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

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



Notes to Financial Statements *(Continued)*

30 June 2005 (in HK Dollars)

15. SUBSIDIARIES *(Continued)*

None of the subsidiaries had any loan capital outstanding at the end of the year, or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

16. SUBSIDIARY NOT CONSOLIDATED

Unlisted shares at cost, net of provision

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

In February 2001, Goalstar Holdings Limited ("Goalstar"), a wholly-owned subsidiary of the Company, purportedly entered into an agreement whereby Goalstar would purchase 60% of the issued shares and the shareholders' loan of M-Star Limited ("M-Star"). Having obtained legal advice, Goalstar duly rescinded the purported agreement. The Group's investment in M-Star had not been incorporated into these financial statements and as prudence, a full provision of HK\$16,043,000 for the investment in M-Star had been made in the year ended 30 June 2002. Official receiver had been appointed for the liquidation of M-Star during the year ended 30 June 2003. In the opinion of the directors, the recoverability of the investment in M-Star is remote.

17. ASSOCIATE

Unlisted shares at cost, net of provision

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

17. ASSOCIATES (Continued)

At 30 June 2005, the Group had interest in the following associate:

Name of Company	Principal place of operation	Nature of business	Percentage of ownership interest	voting power	profit/loss sharing
Fu Tai Vacationing Development Company Limited	Hong Kong	Property development	38	40	38

The associate has not yet commenced business.

18. JOINT VENTURE

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

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

At 30 June 2005, the Group had interest in the following jointly controlled entity:

Name of Company	Principal place of operation	Nature of business	Percentage of ownership interest	voting power	profit/loss sharing
北京世紀元素娛樂有限公司	People's Republic of China	Provision and distribution of musical and related products	50%	50%	50%

19. INVESTMENTS IN SECURITIES – EQUITY SECURITIES

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

Note:

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

20. PROPERTIES UNDER DEVELOPMENT FOR SALE

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

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

21. INVENTORIES

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

22. CONSTRUCTION CONTRACTS

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

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

Notes to Financial Statements (Continued)

30 June 2005 (in HK Dollars)

23. TRADE AND OTHER RECEIVABLES

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

Aging analysis of trade debtors is set out below:

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

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

24. TRADE AND OTHER PAYABLES

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

Aging analysis of trade creditors is set out below:

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

Notes to Financial Statements (Continued)

30 June 2005 (in HK Dollars)

25. FINANCE LEASE PAYABLES

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

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

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



26. SHARE CAPITAL

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

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

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

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

26. SHARE CAPITAL (Continued)

Share options

Under the terms of the Share Option Scheme adopted by the Company on 30 November 2000 (the "Scheme"), the board of directors may, at its discretion, invite employees, including the directors of the Company and its subsidiaries, to take up options to subscribe for shares in the share capital of the Company. The subscription price for the Company's shares under the Scheme is determined by the board of directors and will not be less than 80% of the average of the closing prices of the Company's shares listed on the Stock Exchange on the five trading days immediately preceding the date of offer of the option or the nominal value of the Company's shares, whichever is the higher. The maximum number of shares in respect of which options may be granted may not exceed 10% of the issued share capital of the Company (excluding shares issued under the Scheme) from time to time and that the maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25% of the aggregate number of shares under the Scheme.

The Scheme was adopted prior to the new rules on share option schemes under the Listing Rules coming into operation. The Company may only grant further options under the Scheme if the options are granted in accordance with the requirements of the new rules of Chapter 17 of the Listing Rules which include, inter alia, the followings:

- (i) the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not in aggregate exceed 10% of the relevant class of shares of the Company (or its subsidiaries) in issue as at the date of approval of the Scheme. Subject to compliance with the Listing Rules, the limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not exceed 30% of the relevant class of shares of the Company in issue from time to time;
- (ii) the maximum number of shares issuable under share options to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Grant of options to connected persons are subject to more stringent requirements; and
- (iii) the exercise price of the share options is determined by directors, but may not be less than the higher of (a) the Stock Exchange closing price of the Company's share on the date of offer of the grant of the share options; and (b) the average of the Stock Exchange closing price of the Company's shares of the five trading days immediately preceding the date of the offer of the grant of the share options.

During the year, no share options have been granted nor exercised. At 30 June 2005, the Company had no outstanding options granted to eligible employees to subscribe for shares of the Company.

27. RESERVES

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

Notes to Financial Statements (Continued)

30 June 2005 (in HK Dollars)

28. AMOUNT DUE TO A MINORITY SHAREHOLDER

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

29. AMOUNT DUE FROM A RELATED COMPANY

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

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

30. AMOUNT DUE TO A SUBSIDIARY

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

31. OPERATING LEASE COMMITMENTS

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

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



32. RETIREMENT BENEFITS SCHEME

The Group operates defined contribution Mandatory Provident Fund retirement benefits schemes (the "MPF Schemes") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Schemes. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Schemes. The assets of the MPF Schemes are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the MPF schemes, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Schemes.

At the balance sheet date, the total amount of forfeited contributions, which arose upon employees leaving the defined contribution retirement benefits scheme and which are available to reduce the contributions payable in the future years was HK\$14,000 (2004: HK\$14,000).

The employees of the Company's subsidiary in the People's Republic of China (the "PRC") are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiary is required to contribute, based on a certain percentage of the basic salary of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represent for the entire pension obligations payable to retired employees.



Notes to Financial Statements (Continued)

30 June 2005 (in HK Dollars)

33. BANK AND OTHER BORROWINGS

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

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

34. MATERIAL RELATED PARTY TRANSACTIONS – THE GROUP

During the year, the Group had entered into transactions with related parties which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business, as shown below:

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

Notes:

- The transactions were carried out at market price or, where no market price was available, at cost plus a percentage profit mark-up.
- The transactions were based on amounts agreed between the parties concerned.

35. MAJOR NON-CASH TRANSACTIONS

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

Notes to Financial Statements (Continued)

30 June 2005 (in HK Dollars)

36. ACQUISITION OF A SUBSIDIARY

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

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

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

37. CONTINGENT LIABILITIES

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

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

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

38. SUBSEQUENT EVENTS

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

39. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

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

Particulars of Major Properties

INVESTMENT PROPERTIES

	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/rental
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/rental

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