

NOTES TO THE ACCOUNTS

1. BASIS OF PREPARATION

The unaudited condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed financial statements have been prepared under the historical cost as modified by revaluation of investment and hotel properties.

In the current period, the Group has adopted a number of new and revised SSAPs issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has no significant effect on the financial statements for the current or prior period.

The accounting policies adopted in the preparation of these unaudited condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2003, except that for accounting policy regarding:

Research and development

All research costs are charged to the income statement as incurred. Expenditure incurred on projects to develop products is capitalized and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

3. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

Business segments

The Group comprises the following main business segments:

Continuing operations

Strategic investments: The investments in investment securities, which engage in (i) design and integration of automation and control system, and (ii) manufacture and distribution of electronic products related materials, to generate dividend income and gain from appreciation in the investment value in the long term.

Property investments: The leasing of office premises and shopping arcades to generate rental income.

Hotel operations: Leasing of lodging spaces, provision of food and beverage at restaurant outlets, leasing of retail outlets and operating other minor departments such as spa, telephone, guest transportation and laundry within the hotel premises.

Trading business: Trading of electronic products related materials.

Consumer electronics: Design, development and distribution of hi-tech consumer electronic products.

Discontinuing operations

Toy business: The manufacture and sale of toys products.

3. SEGMENT REPORTING (CONTINUED)

Business segments (Continued)

	For the six months ended 30 September 2003 (Unaudited)							
	Continuing operations					Discontinued operations		Consolidated
	Strategic investments	Property investments	Hotel operations	Trading business	Consumer electronics	Toys business	Inter-segment elimination	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Revenue from external customers	-	-	20,310,253	29,019,784	-	-	(157,461)	49,172,576
Segment results	(11,145)	2,946,859	2,219,666	200,992	(6,530,534)	-	-	(1,174,162)
Unallocated operating expenses								(3,929,577)
Loss from operations								(5,103,739)
Finance costs								(3,631,869)
Taxation								-
Loss attributable to shareholders								(8,735,608)

	For the six months ended 30 September 2002 (Unaudited)							
	Continuing operations					Discontinued operations		Consolidated
	Strategic investments	Property investments	Hotel operations	Trading business	Consumer electronics	Toys business	Inter-segment elimination	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Revenue from external customers	-	-	-	2,631,874	-	-	-	2,631,874
Segment results	(16,460)	2,679,675	-	(32,498)	-	(124,000)	-	2,506,717
Unallocated operating expenses								(5,381,146)
Loss from operations								(2,874,429)
Finance costs								(220,826)
Taxation								-
Loss attributable to shareholders								(3,095,255)

3. SEGMENT REPORTING (CONTINUED)

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	For the six months ended	
	30 September	
	2003 (unaudited) HK\$	2002 (unaudited) HK\$
Revenue from external customers		
PRC (including Hong Kong)	33,711,060	2,631,874
India	1,879,636	–
Korea	13,581,880	–
	49,172,576	2,681,874

4. OTHER REVENUE AND OTHER NET INCOME

	For the six months ended	
	30 September	
	2003 (unaudited) HK\$	2002 (unaudited) HK\$
Other Revenue		
Interest income	2,216,934	2,501,488
Rental income	491,448	–
Others	97,000	376,022
	2,805,382	2,877,510
Other net income		
Gain on disposal of investment properties	1,650,718	–
	4,456,100	2,877,510

5. LOSS FROM OPERATIONS

Loss from operations is arrived at after charging/(crediting) the following items:

	For the six months ended	
	30 September	
	2003	2002
	(unaudited)	(unaudited)
	HK\$	HK\$
Cost of inventories sold and services provided	37,483,083	2,509,606
Total staff costs	9,569,113	2,160,497
Less: Amount included in research and development expenditure	(1,186,655)	–
	8,382,458	2,160,497
Auditors' remuneration		
– under-provision in prior year	2,820	–
Depreciation of property, plant and equipment		
– owned assets	4,820,401	69,500
– an assets held under a finance lease	65,700	–
	4,886,101	69,500
Less: Amount included in research and development expenditure	(131,529)	–
	4,754,572	69,500
Loss on disposal of property, plant and equipment	846,871	–
Amortisation of goodwill	2,377,845	–
Operating leases rentals in respect of rented premises	1,943,917	543,570
Less: Amount included in research and development expenditure	(553,669)	–
	1,390,248	543,570
Amortisation of research and development costs	485,309	–
Research and development expenditures	2,193,580	–
Provision for doubtful debts	20,301	–

6. FINANCE COSTS

	For the six months ended	
	30 September	
	2003	2002
	(unaudited)	(unaudited)
	HK\$	HK\$
Interest on bank borrowings wholly repayable within five years	6,090	–
Interest on promissory note	1,684,659	–
Interest on convertible note	1,929,339	–
Finance charges on obligations under a finance lease	11,781	–
Interest paid to the Inland Revenue Department	–	220,826
	3,631,869	220,826

7. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group's accumulated tax losses shall offset against the assessable profits derived in Hong Kong during the period.

Tax on the profit of subsidiaries operating in The People's Republic of China ("PRC") is calculated at the rate prevailing in the PRC based on the existing legislation, practices and interpretations thereof. These subsidiaries have no estimated assessable profits subject to tax in PRC for the period.

The Group has not accounted for the deferred taxation assets attributable to the future benefit of tax losses in respect of the Hong Kong operations as the availability of future taxable profits from the Hong Kong operations against which the assets can be utilized is uncertain at 30 September 2003.

8. LOSS PER SHARE**(a) Basic loss per share**

The calculation of basic loss per share for the period ended 30 September 2003 is based on the loss attributable to shareholders of approximately HK\$8,735,608 (2002: HK\$3,095,255) and on the weighted average of 1,061,627,920 shares (2002: 1,061,627,920 shares) in issue throughout the period.

(b) Diluted loss per share

Diluted loss per share for the period under review is not presented because the exercise of the potential shares outstanding during the period ended 30 September 2003 has an anti-dilutive effect on the calculation of diluted loss per share for the period. There was no dilutive potential shares in existence during the period ended 30 September 2002.

9. PROPERTY, PLANT AND EQUIPMENT

**For the six months ended
30 September 2003
(Unaudited)
HK\$**

Opening net book value	352,680,750
Additions	
– through acquisition of a subsidiary	2,021,257
– others	3,910,387
Disposal	(76,846,871)
Depreciation	(4,886,101)
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Closing net book value	276,879,422
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10. GOODWILL

**For the six months ended
30 September 2003
(Unaudited)
HK\$**

Opening carrying amount	32,098,484
Additions arising from acquisition of a subsidiary	61,325,976
Amortisation	(2,377,845)
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Closing carrying amount	91,046,615
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11. OTHER FINANCIAL ASSETS

30/9/2003	31/3/2003
(unaudited)	(audited)
HK\$	HK\$

Investment Securities		
Listed equity securities listed in Hong Kong, at cost	86,866,000	86,866,000
Unlisted equity securities, at cost	90,039,000	176,733,089
Loan to an investee company	2,373,268	2,305,911
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	179,278,268	265,905,000
<i>Less: Provision for permanent diminution in value</i>	(63,315,760)	(90,315,760)
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	115,962,508	175,589,240
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Market value of listed equity securities	44,513,280	53,168,640
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12. INVENTORIES

	30/9/2003 (unaudited) <i>HK\$</i>	31/3/2003 (audited) <i>HK\$</i>
Raw material, at cost	277,638	–
Food and beverage and others, at cost	4,498,830	4,264,666
	4,776,468	4,264,666

13. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors and bills receivable (net of specific allowances for bad and doubtful debts) within the following ageing analysis:

	30/9/2003 (unaudited) <i>HK\$</i>	31/3/2003 (audited) <i>HK\$</i>
Within 1 month	16,744,491	5,582,500
1 to 3 months	3,396,399	1,861,642
More than 3 months but less than 12 months	4,633,094	500,261
	24,773,984	7,944,403

Debts are due within 3 months from the date of billing. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with the following ageing analysis:

	30/9/2003 (unaudited) <i>HK\$</i>	31/3/2003 (audited) <i>HK\$</i>
Due within 1 month or on demand	14,973,296	3,914,261
Due after 1 month but within 3 months	7,075,362	3,551,421
Due after 3 months but within 6 months	4,472,496	598,275
	26,521,154	8,063,957

15. OBLIGATIONS UNDER A FINANCE LEASE

At 30 September 2003, the Group had obligations under the finance lease repayable as follows:

	30/9/2003 (unaudited)			31/3/2003 (audited)		
	Present value of the minimum lease payments HK\$	Interest expense relating to future periods HK\$	Total minimum lease payments HK\$	Present value of the minimum lease payments HK\$	Interest expense relating to future periods HK\$	Total minimum lease payments HK\$
Within 1 year	113,457	16,839	130,296	108,944	21,352	130,296
After 1 year but within 2 years	123,050	7,246	130,296	118,156	12,140	130,296
After 2 years but within 5 years	21,497	219	21,716	84,270	2,594	86,864
	144,547	7,465	152,012	202,426	14,734	217,160
	258,004	24,304	282,308	311,370	36,086	347,456

16. PROMISSORY NOTE, SECURED

	30/9/2003 (unaudited) HK\$	31/3/2003 (audited) HK\$
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The note was repayable as follows:

Within 1 year	77,500,000	77,500,000
After 1 year but within 2 years	–	38,750,000
	77,500,000	116,250,000

The non-transferable promissory note (the "Promissory Note") is secured by (i) a share mortgage over all the issued shares in Risdon Limited, a wholly-owned subsidiary of the Company, together with the shareholder's loan due from Risdon Limited and (ii) a mortgage over 100% of Risdon Limited's equity interest in Harbour Plaza Kuming Co., Ltd. (the "Hotel Company"), a wholly-owned subsidiary of the Company. The Promissory Note bears interest at Hong Kong Interbank Offering Rate plus 2% and is repayable in three equal installments each following the expiry of the eight-month, sixteen-month and twenty-four month period after 24 July 2002. The Promissory Note is due to Hutchison International Limited.

17. CONVERTIBLE NOTE, SECURED

	30/9/2003 (unaudited) HK\$	31/3/2003 (audited) HK\$
The note was repayable as follows:		
After 1 year but within 2 years	155,000,000	155,000,000

The convertible note (the "Note") was issued on 8 November 2002 and will be expired on the date being the second anniversary of the date of issue of the Note. The noteholder has the right to convert in whole or any part of the principal amount outstanding under the Note into shares of the Company at an initial conversion price of HK\$0.76 per share (subject to adjustment). The Note is secured by (i) a share mortgage over all the issued shares in Risdon Limited, a wholly-owned subsidiary of the Company, together with the shareholder's loan due from Risdon Limited and (ii) a mortgage over 100% of Risdon Limited's equity interest in the Hotel Company. The Note bears interest at 2 per cent per annum until the repayment of all obligations of the Company in full under the Note. The Note is due to Hutchison International Limited.

18. SHARE CAPITAL

	No. of shares	Nominal value (HK\$)
<i>Authorised (Ordinary shares, HK\$0.1 each)</i>		
As at 1 April 2003 & 30 September 2003	5,000,000,000	500,000,000
<i>Issued and fully paid (Ordinary shares, HK\$0.1 each)</i>		
As at 1 April 2003 & 30 September 2003	1,061,627,920	106,162,792

19. RESERVES

	Share Premium HK\$	Capital Redemption Reserve HK\$	Investment Properties Reserve HK\$	Accumulated Losses HK\$	Total HK\$
At 1 April 2002	436,670,160	68,600	11,677,000	(221,242,348)	227,173,412
Net loss for the period	-	-	-	(3,095,255)	(3,095,255)
At 30 September 2002 and 1 October 2002	436,670,160	68,600	11,677,000	(224,337,603)	224,078,157
Revaluation Deficits	-	-	(4,900,000)	-	(4,900,000)
Transfer to the income statement on disposal of investment properties	-	-	(6,126,282)	-	(6,126,282)
Net Loss for the period	-	-	-	(68,123,360)	(68,123,360)
At 31 March 2003 and At 1 April 2003	436,670,160	68,600	650,718	(292,460,963)	144,928,515
Transfer to the income statement on disposal of investment properties	-	-	(650,718)	-	(650,718)
Net Loss for the period	-	-	-	(8,735,608)	(8,735,608)
At 30 September 2003	436,670,160	68,600	-	(301,196,571)	135,542,189

20. COMMITMENTS**(a) Operating lease commitments**

At 30 September 2003, the total future minimum lease payments in respect of office premises under non-cancellable operating lease are payable as follows:

	30/9/2003 (unaudited) <i>HK\$</i>	31/3/2003 (audited) <i>HK\$</i>
Within one year	1,665,378	603,540
After 1 year but within 5 years	1,465,650	–
	3,131,028	603,540

(b) Capital commitment

At 30 September 2003, the Group's capital commitment outstanding and not provided for in the financial statements is as follows:

	30/9/2003 (unaudited) <i>HK\$</i>	31/3/2003 (audited) <i>HK\$</i>
Authorised and contracted for	421,361	–

(c) Other commitments

At 30 September 2003, the Group had a commitment under a loan contract to contribute RMB2,000,000 (approximately HK\$1,880,000) as balance of the shareholder's loan to Better Management Industrial Company Limited, in which the Company has a 10% interest.

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.

22. APPROVAL

These unaudited condensed consolidated interim financial statements were approved by the board of directors on 17 December 2003.