

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and principal accounting policies

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. These condensed interim financial statements should be read in conjunction with the 2004 annual report.

The accounting policies used in the preparation of these condensed interim financial statements are consistent with those adopted in the Group's annual report for the year ended 31 March 2004.

2. Segmental information

The Group is principally engaged in property investment and hotel operation.

The Group's revenue and operating loss for the period analysed by principal activities and geographical location are as follows:

(a) Business Segments

Six months ended 30 September 2004

	Property investment HK\$	Hotel operation HK\$	Unallocated HK\$	Consolidated HK\$
Revenue from external customers	463,700	8,163,982	-	8,627,682
Other revenue from external customers	-	-	-	-
Total	<u>463,700</u>	<u>8,163,982</u>	<u>-</u>	<u>8,627,682</u>
Segment results	404,638	(1,704,170)	-	(1,299,532)
Unallocated corporate expenses				<u>(1,301,786)</u>
Loss from operations				(2,601,318)
Finance costs				(740,165)
Share of results of associates	82,651	-	-	<u>82,651</u>
Loss from ordinary activities before taxation				(3,258,832)
Taxation	(14,464)	-	-	<u>(14,464)</u>
Loss from ordinary activities after taxation				(3,273,296)
Minority interests				-
Net loss attributable to the shareholders				<u><u>(3,273,296)</u></u>

No inter-segment sales and transfers were transacted during the period.

2. Segmental information (Continued)**(a) Business Segments** (Continued)

Six months ended 30 September 2003

	Property investment HK\$	Hotel operation HK\$	Unallocated HK\$	Consolidated HK\$
Revenue from external customers	482,000	6,305,831	-	6,787,831
Other revenue from external customers	-	-	16,770	16,770
Exchange gain	285,079	262,213	88,152	635,444
Total	767,079	6,568,044	104,922	7,440,045
Segment results	439,547	(33,865,668)	-	(33,426,121)
Unallocated corporate expenses				(1,970,235)
Loss from operations				(35,396,356)
Finance costs				(27,467,925)
Share of results of associates	73,201	-	-	73,201
Loss from ordinary activities before taxation				(62,791,080)
Taxation	(17,080)	4,337,950	-	4,320,870
Loss from ordinary activities after taxation				(58,470,210)
Minority interests				-
Net loss attributable to the shareholders				(58,470,210)

No inter-segment sales and transfers were transacted during the period.

2. Segmental information (Continued)

(b) Geographical segments

The following table presents revenue and profit/(loss) for the Group's geographical segments for the six months ended 30 September:

	Hong Kong		PRC	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Segment revenue:				
Revenue from external customers	<u>463,700</u>	<u>482,000</u>	<u>8,163,982</u>	<u>6,305,831</u>
Segment results	<u>404,638</u>	<u>439,547</u>	<u>(1,704,170)</u>	<u>(33,865,668)</u>

3. TAXATION

Taxation in the condensed consolidated income statement comprises:

	2004 HK\$	2003 HK\$
Deferred tax	-	4,337,950
Share of taxation attributable to associates	<u>(14,464)</u>	<u>(17,080)</u>
	<u>(14,464)</u>	<u>4,320,870</u>

- (a) No provision for Hong Kong profits tax has been made in the financial statements as the Company and its subsidiaries did not have any assessable profits for the period (2003: HK\$Nil).
- (b) No provision for PRC income tax has been made as there were no assessable profits for the subsidiary operating in the PRC during the period (2003: HK\$Nil).

4. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated net loss attributable to the shareholders for the period ended 30 September 2004 of HK\$3,273,296 (2003: HK\$58,470,210) and the weighted average number of 519,993,846 (2003: 1,074,328,367) shares in issue during the period.

Diluted loss per share has not been presented as the share options outstanding during the period had no dilution effect on loss per share.

5. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$1,239,450 (31 March 2004: HK\$393,315). The ageing analysis of trade receivables was as follows:

	30 September 2004 HK\$	31 March 2004 HK\$
0 – 180 days	147,158	156,968
> 180 days	1,092,292	236,347
	<u>1,239,450</u>	<u>393,315</u>

The Group allows an average credit period ranging from 30-90 days to its trade customers.

6. ACCOUNTS PAYABLE

Included in accounts payable are trade payables of HK\$6,052,985 (31 March 2004: HK\$16,033,621). The ageing analysis of trade payables was as follows:

	30 September 2004 HK\$	31 March 2004 HK\$
0 – 180 days	1,798,950	4,223,170
> 180 days	4,254,035	11,810,451
	<u>6,052,985</u>	<u>16,033,621</u>

7. SHARE CAPITAL

		Authorised	
	<i>Note</i>	<i>Number of shares</i>	<i>HK\$</i>
At 1 April 2004		30,331,044,697	379,138,059
Increase in authorized ordinary share capital	(b)	68,955,303	861,941
Share consolidation	(c)	<u>(27,360,000,000)</u>	<u>–</u>
As at 30 September 2004		<u>3,040,000,000</u>	<u>380,000,000</u>
		Issued and fully paid	
		<i>Number of shares</i>	<i>HK\$</i>
At 1 April 2004		5,199,101,516	64,988,769
Issue of shares	(a)	898,484	11,231
Shares consolidation	(c)	<u>(4,680,000,000)</u>	<u>–</u>
As at 30 September 2004		<u>520,000,000</u>	<u>65,000,000</u>

The movements in the share capital of the Company during the period are as follows:

- (a) One 27 April 2004, the Company issued a total of 898,484 ordinary shares of HK\$0.0125 each at a premium of HK\$0.0175 each. The reason of the issue was to facilitate the proposed share consolidation as mentioned below as well as to round up the various figures relating to the capital structure of the Company.
- (b) By an ordinary resolution passed on 10 May 2004, the authorized share capital of the Company was increased from HK\$379,138,059 to HK\$380,000,000 by the creation of an additional 68,955,303 shares of HK\$0.0125 each.
- (c) By an ordinary resolution passed on 10 May 2004, the Company has consolidated every 10 shares of HK\$0.0125 each into one consolidated share of HK\$0.125 each pursuant to the share consolidation. All the consolidated shares resulting from such consolidation shall rank pari passu in all respect with each other and have the same rights and privileges.

8. PLEDGE OF ASSETS

As at 30 September 2004, bank loan of HK\$26,380,501 (31 March 2004: HK\$26,359,640) is secured by the Group's 40% interests in Xiamen South East Asia Hotel Company, Limited ("Xiamen Plaza"). No other properties and bank deposits of the Group were pledged to secure banking facilities for the Group.

9. POST BALANCE SHEET EVENTS

On 25 November 2004, the Company has announced that:

- (a) Ming Chuen Construction Company Limited ("Ming Chuen"), a wholly owned subsidiary of the Company, has entered into an acquisition agreement with Fairweal Industrial Company Limited ("Fairweal"), a wholly owned subsidiary of FIDC. Under the acquisition agreement, Ming Chuen is to acquire 25% equity interest in the registered capital of Harmony Piano from Fairweal at the consideration of HK\$4.85 million;
- (b) The Company has entered into a loan agreement with Brilliant Well Investment Limited ("Brilliant Well"), another wholly owned subsidiary of FIDC. Under the loan agreement, the Company will provide a loan facility of HK\$16.5 million to Brilliant Well, which shall be used to provide working capital to Harmony Piano; and
- (c) The Company has also entered into a management service agreement with FIDC and Brilliant Well. Under the management service agreement, the Company is appointed by FIDC as an agent to assist FIDC to participate in the management of Harmony Piano and Huamin Tourism.

A circular containing, among other things, (i) further information in relation to the above transactions; (ii) recommendation from the independent board committee to the Independent Shareholders; (iii) a letter of advice from the independent financial advisor to the independent board committee and the Independent Shareholders; and (iv) a notice containing information to convene the extraordinary meeting will be dispatched to shareholders as soon as practicable.