

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 (Revised) "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), formerly known as 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 hotel properties.

In the current period, the Group has adopted, a number of new and revised SSAPs issued by the HKICPA. 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 2004.

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:

Strategic investments:	The investments in investment securities, which engage in (i) design and integration of automaton and control system, (ii) manufacture and distribution of electronic products related materials, and (iii) development of landed property in Shanghai, the PRC 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 in Guangzhou, the PRC 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 department such as spa, telephone, guest transportation and laundry within the hotel premises.
Hi-tech electronic products:	Design, development and distribution of hi-tech consumer electronic products.
Electronic materials:	Trading of electronic products related materials.

For the six months ended 30 September 2004 (Unaudited)

	Strategic investments	Property investments	Hotel operations	Hi-tech electronic products	Electronic materials	Inter- segment elimination	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	-	-	26,230	72,238	42,034	(975)	139,527
Segment results	35	-	6,312	19,314	(275)	-	25,386
Unallocated operating expenses							(5,373)
Profit from operations							20,013
Finance costs							(7,167)
Share of results of associates							(470)
Taxation							(390)
Profit attributable to shareholders							11,986

For the six months ended 30 September 2003 (Unaudited)

	Strategic investments	Property investments	Hotel operations	Hi-tech electronic products	Electronic materials	Inter- segment elimination	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	-	-	20,801	-	29,020	(157)	49,664
Segment results	(11)	2,947	2,219	(6,530)	201	-	(1,174)
Unallocated operating expenses							(3,930)
Loss from operations							(5,104)
Finance costs							(3,632)
Share of results of associates							-
Taxation							-
Loss attributable to shareholders							(8,736)

Geographical segments

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

	For the six months ended 30 September	
	2004 (Unaudited) <i>HK\$'000</i>	2003 (Unaudited) <i>HK\$'000</i>
Revenue from external customers		
PRC (including Hong Kong)	60,780	34,202
India	517	1,880
Korea	62,280	13,582
Italy	390	–
Malaysia	15,560	–
	<u>139,527</u>	<u>49,664</u>

4. OTHER REVENUE AND OTHER NET INCOME

	For the six months ended 30 September	
	2004 (Unaudited) <i>HK\$'000</i>	2003 (Unaudited) <i>HK\$'000</i>
Other Revenue		
Interest income from bank	178	2,217
Interest income from an associate	42	–
Others	42	241
	<u>262</u>	<u>2,458</u>
Other net income		
Gain on disposal of investment properties	–	1,651
	<u>262</u>	<u>4,109</u>

5. PROFIT/(LOSS) FROM OPERATIONS

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

	For the six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
(a) Staff costs (including directors' remuneration)		
– contributions to defined contribution plan	273	138
– other staff salaries, wages and other benefits	11,897	9,431
	<u>12,170</u>	<u>9,569</u>
(b) Other items		
Cost of inventories sold and services provided	90,633	37,483
Auditors' remuneration		
– under-provision in prior year	144	3
Depreciation of property, plant and equipment		
– owned assets	2,545	4,820
– an assets held under a finance lease	65	66
	<u>2,610</u>	<u>4,886</u>
Loss on disposal of property, plant and equipment	104	847
Amortisation of intangible assets	6,580	2,679
Amortisation of positive goodwill	3,494	2,378
Operating leases rentals in respect of rented premises	1,133	1,944
Provision for doubtful debts	8	20
Net change loss/(gain)	<u>25</u>	<u>(144)</u>

6. FINANCE COSTS

	For the six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Interest on bank borrowings wholly repayable within five years	3,468	6
Interest on other borrowings wholly repayable within five years	464	–
Interest on promissory note	1,678	1,685
Interest on convertible note	1,550	1,929
Finance charges on obligations under a finance lease	7	12
	<u>7,167</u>	<u>3,632</u>
Total finance costs	<u>7,167</u>	<u>3,632</u>

7. SHARE OF RESULTS OF ASSOCIATES

	For the six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Share of profits less losses of associates	945	–
Amortisation of positive goodwill	(1,415)	–
	<u>(470)</u>	<u>–</u>

8. TAXATION

(a) Taxation in the consolidated income statement represents:

	For the six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Share of associates' taxation	336	–
Current tax – Hong Kong Profits Tax	45	–
	<u>390</u>	<u>–</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2003:17.5%) on the estimated assessable profit earned by a subsidiary operated in Hong Kong for the period. Taxation for the PRC operations is charged at appropriate current rates of taxation ruling in the PRC.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	For the six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Profit/(loss) before tax	<u>12,376</u>	<u>(8,736)</u>
Notional tax at the applicable rates	6,379	(1,959)
Tax effect of non-deductible expenses	(131)	(3,120)
Tax effect of non-taxable revenue	(5,902)	5,053
Tax effect of unused tax losses not recognised	44	60
Tax effect of HKGAAP adjustments	–	(34)
Actual tax expense	<u>390</u>	<u>–</u>

9. PROFIT/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings per share for the six months ended 30 September 2004 is based on the profit attributable to shareholders of approximately HK\$11,986,000 (2003: a loss of HK\$8,736,000) and on the weighted average of 1,061,627,920 shares (2003: 1,061,627,920 shares) in issue throughout the period.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the period ended 30 September 2004 is based on the profit attributable to shareholders of HK\$13,265,084 and the weighted average number of shares of 1,265,575,288 after adjusting for the effects of all dilutive potential shares.

Diluted loss per share for the period ended 30 September 2003 was not presented as the exercise of the potential shares outstanding during the six months ended 30 September 2003 has an anti-dilutive effect on the calculation of diluted loss per share for the period.

10. PROPERTY, PLANT AND EQUIPMENT

**For the six months ended
30 September 2004**
Unaudited
HK\$'000

Opening net book value	270,778
Additions	876
Disposal	(963)
Depreciation	(2,610)
Closing net book value	<u>268,081</u>

In the opinion of the Directors, there is no material difference between the carrying amount and the market value of hotel properties as at 30 September 2004

11. INTANGIBLE ASSETS

**For the six months ended
30 September 2004**
Unaudited
HK\$'000

Opening net book value	11,280
Amortisation	(6,580)
Closing net book value	<u>4,700</u>

Intangible assets comprise technical know-how in respect of mobile phones. The amortisation charge for the period is included in "Other operating expenses" in the consolidated income statement.

12. GOODWILL

**For the six months ended
30 September 2004**
Unaudited
HK\$'000

Opening net carrying value	89,150
Amortisation	(3,494)
Closing net carrying value	<u>85,656</u>

13. OTHER FINANCIAL ASSETS

	30/9/2004 (unaudited)	31/3/2004 (audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Investment Securities</i>		
Unlisted equity securities, at cost	39	39
Loan to an investee company	4,245	3,500
	<u>4,284</u>	<u>3,539</u>

14. INVENTORIES

	30/9/2004 (unaudited)	31/3/2004 (audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Food and beverage and others, at cost	4,329	4,289
Raw material, at cost	93,319	47,439
Goods-in-transit, at cost	-	960
	<u>97,648</u>	<u>52,688</u>

15. 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:

	30/9/2004 (unaudited)	31/3/2004 (audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	52,937	43,901
1 to 3 months	5,779	9,414
More than 3 months but less than 12 months	3,386	6,247
	<u>62,102</u>	59,562
Less: General provision for bad and doubtful debts	(780)	(774)
	<u>61,322</u>	<u>58,788</u>

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.

16. TRADE AND OTHER PAYABLES

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

	30/9/2004 (unaudited)	31/3/2004 (audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Due within 1 month or on demand	7,874	6,320
Due after 1 month but within 3 months	6,169	7,930
Due after 3 months but within 6 months	6,487	8,625
	<u>20,530</u>	<u>22,875</u>

All of trade and other payables are expected to be settled within one year.

17. BANK AND OTHER LOANS

The loans comprise the followings:

- (a) one-year term bank loans of RMB150 million (HK\$141 million) (31/3/2004: HK\$94 million) borrowed by a subsidiary of the Company. The loans bear interest at 5.841% per annum (in respect of RMB100 million) and 5.31% (in respect of RMB50 million) and are secured by corporate guarantees given by the Company and another subsidiary of the Company; and
- (b) a six-month term loan of HK\$21.2 million borrowed by another subsidiary of the Company. The loan bears interest at 1.75% per month and is secured by (i) the corporate guarantee given by the Company; (ii) the first floating charges over the undertaking, property and assets of that subsidiary and the Company as the guarantor; and (iii) the share mortgage created by the Company's over its equity interest in that subsidiary.

18. OBLIGATIONS UNDER A FINANCE LEASE

At 30 September 2004, the Group and the Company had obligations under the finance lease repayable as follows:

	30/9/2004 (unaudited)			31/3/2004 (audited)		
	Present value of the minimum lease payments	Interest expense relating to future periods	Total minimum lease payments	Present value of the minimum lease payments	Interest expense relating to future periods	Total minimum lease payments
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	123	7	130	118	12	130
After 1 year but within 2 years	21	-	21	84	3	87
	<u>144</u>	<u>7</u>	<u>151</u>	<u>202</u>	<u>15</u>	<u>217</u>

19. PROMISSORY NOTE, SECURED

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 Kunming Co., Ltd. (the "Hotel Company"), a wholly-owned subsidiary of the Company. The Promissory Note bears interest at Hong Kong Interbank Offering Rate ("HIBOR") 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 (the "Noteholder").

The second and final instalments of the Promissory Note were due on 24 November 2003 and 24 July 2004 respectively and were remained outstanding at 30 September 2004. The Noteholder has not taken any action against the Company for the Company's default in those payments. The Company has received verbal consent from the Noteholder for the extension of the payment of the overdue instalments. The Company is applying for re-financing from certain banks in order to settle the overdue amount, together with the relevant default interest which is calculated at a rate of 5% per annum above HIBOR, owed to the Noteholder.

20. CONVERTIBLE NOTE, SECURED

The convertible note (the "Note") was issued on 8 November 2002 and has expired on 8 November 2004. The Noteholder did not exercise its right to convert in whole or any part of the principal amount outstanding under the Note into shares of the Company. The Note is secured by (i) a share mortgage over all the issued shares in Risdon Limited, a wholly-owned subsidiary of the Company, incorporating an assignment of 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. As disclosed in the Company's announcement dated 29 November 2004, the Company has received verbal consent from the Noteholder for the extension of payment for the redemption of the Note to allow the Company to seek for refinancing. The Company is applying for re-financing from certain banks in order to settle the overdue amount, together with the relevant default interest which is calculated at 5% per annum, owed to the Noteholder.

21. SHARE CAPITAL

	No. of shares	Nominal value (HK\$'000)
<i>Authorised (Ordinary shares, HK\$0.1 each)</i>		
As at 1 April 2004 & 30 September 2004	<u>5,000,000,000</u>	<u>500,000</u>
<i>Issued and fully paid (Ordinary shares, HK\$0.1 each)</i>		
As at 1 April 2004 & 30 September 2004	<u>1,061,627,920</u>	<u>106,163</u>

22. RESERVES

	Share Premium	Capital Redemption Reserve	Investment Properties Revaluation Reserve	Accumulated Losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Shareholders' equity at 1 April 2003	436,670	68	651	(292,461)	144,928
Transfer to the income statement on disposal of investment properties	-	-	(651)	-	(651)
Net loss for the period	-	-	-	(8,735)	(8,735)
At 30 September 2003 and 1 October 2003	436,670	68	-	(301,196)	135,542
Net profit for the period	-	-	-	14,272	14,272
At 31 March 2004 and At 1 April 2004	436,670	68	-	(286,924)	149,814
Net profit for the period	-	-	-	11,986	11,986
At 30 September 2004	<u>436,670</u>	<u>68</u>	<u>-</u>	<u>(274,938)</u>	<u>161,800</u>

23. COMMITMENTS

(a) Operating lease commitments

At 30 September 2004, the total future minimum lease payments in respect of office premises under non-cancellable operating lease are payable as follows:

	30/9/2004 (unaudited)	31/3/2004 (audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,389	1,702
After 1 year but within 5 years	43	588
	<u>1,432</u>	<u>2,290</u>

(b) Capital commitment

At 30 September 2004, the Group's capital commitment outstanding and not provided for in the financial statements is as follows:

	30/9/2004 (unaudited)	31/3/2004 (audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted for	<u>20,000</u>	<u>20,743</u>

24. CONTINGENT LIABILITIES

At 30 September 2004, the Company had contingent liabilities of HK\$164.72 million (31/3/2004: HK\$94 million) due to the corporate guarantees given to financial institutions in connection with certain term-loans (HK\$162.2 million) and bank facilities (HK\$2.52 million) granted to its subsidiaries.

25. MATERIAL RELATED PARTY TRANSACTIONS

- (a) During the period, a subsidiary of the Company strategically purchased electronic products related material from an associated company of the Company. Although the subsidiary suffered from operating loss during the period in this respect, in the opinion of the executive Directors, the transactions were beneficial to the Group as a whole as they improved the Group's cash flow condition by reason of favourable credit term provided by the associated company. Purchases from this associated company amounted to approximately HK\$42.1 million during the period ended 30 September 2004 (2003: Nil). At the balance sheet date, amount due to this associated company amounted to approximately HK\$18.73 million (2003: Nil) and was included under "Trade payables" in the consolidated balance sheet.
- (b) During the period, a subsidiary of the Company had advanced bridging loans totalling HK\$15.76 million to an associated company of the Company. The loans were unsecured and borne interest rate at the range of 2% to 2.7%. Interest income from this associated company was included in the "Other revenue and other net income". The loans were fully settled before the end of the period under review.

26. COMPARATIVE FIGURES

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

27. APPROVAL

These unaudited condensed consolidated interim financial statements were approved by the board of directors on 29 December 2004.