1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in Bermuda on 10 April 1996 under the Companies Act 1981 of Bermuda. The Company's shares have been listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 23 July 1996. The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 14 to the accounts.

2. 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 ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the accounts for the year ended 31 December 2004. The Group is in the process of making an assessment of the impact of these new HKFRSs and has so far concluded that the adoption of HKAS16 – Property, Plant and Equipment would not have a significant impact on its results of operation and financial position. The Group will be continuing with the assessment of the impact of the other new HKFRSs and other significant changes may be identified as a result.

3. PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the HKICPA. The accounts are prepared under the historical cost convention as modified by the revaluation of certain properties and other investments. The principal accounting policies adopted are as follows:

Group accounts

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power to govern the financial and operating policies, to appoint or remove majority of the members of the board of directors, or to cast majority of the votes at the meeting of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

3. **PRINCIPAL ACCOUNTING POLICIES** (Continued)

Group accounts (Continued)

(i) *Consolidation* (Continued)

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill/negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) *Associates*

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the post acquisition results of associates for the year. The consolidated balance sheet includes the Group's share of the net assets of the associates plus the premium paid on acquisition in so far as it had not already been amortised, less any identified impairment loss.

In circumstances that the Group does not have significant influence over an associate, the investment shall be accounted for at cost less any possible impairment loss.

Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to customers and the title has passed.

Sale proceeds of other investments are recognised on a trade date basis.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Fixed assets

Leasehold land, including land use rights in the People's Republic of China (the "PRC"), and buildings are stated at valuation. It is the Group's policy to review regularly the carrying value of leasehold land and buildings on an individual basis and adjustment is made where there has been a material change. If it is considered appropriate, independent professional valuations are obtained. Increases in valuation are credited to the revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter debited to the profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amount previously debited. Upon the disposal of a property, the relevant portion of the realised revaluation reserve in respect of previous valuations is transferred from the revaluation reserve to retained earnings.

Amortisation of leasehold land, including land use rights in the PRC, is calculated to write off its valuation over the unexpired period of the lease on a straight-line basis. The principal annual rates used for this purpose are 2% to 2.5%.

Depreciation of leasehold buildings is calculated to write off their valuation on a straight-line basis over the unexpired period of the lease or their expected useful lives to the Group, whichever is shorter. The principal annual rates used for this purpose are 2.5% to 4%.

Other tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment. Depreciation of fixed assets is calculated to write off their cost on a straight-line basis over their estimated useful lives to the Group. The principal annual rates used for this purpose are as follows:–

Leasehold improvements	20%
Plant and machinery	20%
Furniture, fixtures and equipment	20% – 30%
Motor vehicles	30%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

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

Construction in progress

Construction in progress is stated at cost which mainly comprises direct costs of construction and is transferred to fixed assets when it is capable of producing saleable output on a commercial basis. The amount of any reduction to recoverable amount is charged to the profit and loss account.

3. **PRINCIPAL ACCOUNTING POLICIES** (Continued)

Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the rewards and risks of ownership of assets are accounted for as finance leases. At the inception of a finance lease, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals. Payments to the lessor are treated as consisting of capital and interest elements. Finance charges are debited to the profit and loss account in proportion to the capital balance outstanding.

Assets held under finance leases are depreciated over their estimated useful lives.

(ii) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant assets is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase.

Other investments

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

Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Trade receivables

Provision is made against trade receivables to the extent that they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks.

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 period. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes profit and loss items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the accounts 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 are recognised only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the accounting profit nor the tax 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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Translation of foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences arising from these cases are dealt with in the consolidated profit and loss account.

3. **PRINCIPAL ACCOUNTING POLICIES** (Continued)

Translation of foreign currencies (Continued)

On consolidation, the accounts of overseas subsidiaries are translated to Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated to Hong Kong dollars at the average exchange rates for the year. The balance sheets of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates ruling on the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserves.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates on the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the average exchange rates for the year.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the combination process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Employee benefits

(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 Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the profit and loss account as incurred.

(iii) The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon exercise of the 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 or which lapse prior to their exercise date are deleted from the register of outstanding options and have no impact on the profit and loss account or balance sheet.

4. REVENUE AND TURNOVER

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are the manufacturing and selling of watches and watch components, and investment in listed securities. Revenues recognised during the year are as follows:

	2004 HK$'000	2003 HK$'000
Turnover		
Sale of watches and watch components	**126,176**	85,270
Proceeds from sale of listed equity securities	**15,479**	4,752
	141,655	90,022
Other revenues		
Interest income	**5**	–
Other income	**131**	250
	136	250
Total revenues	**141,791**	90,272

5. SEGMENTAL INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

(a) By business segment

For management purposes, the Group is currently organised into two divisions, namely manufacturing and selling of watches and watch components, and investment in listed securities.

The following tables represent revenue and profit/(loss) information on each of the above business segments for the years ended 31 December 2003 and 2004, and certain assets and liabilities information regarding business segments at 31 December 2003 and 2004.

	Manufacturing and selling of watches and watch components		Investments in listed securities		Consolidated	
	2004 HK$'000	2003 HK$'000	**2004 HK$'000**	2003 HK$'000	**2004 HK$'000**	2003 HK$'000
Turnover						
External sales	**126,176**	85,270	**15,479**	4,752	**141,655**	90,022
Results						
Segment result	**(4,677)**	3,312	**(1,572)**	1,583	**(6,249)**	4,895
Interest income					**5**	–
Unallocated corporate expenses					**(3,901)**	(3,717)
(Loss)/profit from operations					**(10,145)**	1,178
Finance costs					**(943)**	(1,038)
(Loss)/profit before taxation					**(11,088)**	140
Taxation					**(4)**	(284)
Loss for the year					**(11,092)**	(144)
Assets						
Segment assets	**49,111**	51,956	**4,456**	7,909	**53,567**	59,865
Interest in associates					**50,000**	–
Unallocated corporate assets					**692,787**	3,473
					796,354	63,338
Liabilities						
Segment liabilities	**48,560**	46,198	**716**	279	**49,276**	46,477
Unallocated corporate liabilities					**23,478**	3,138
					72,754	49,615
Other information						
Capital expenditure	**2,386**	701	**–**	–		
Depreciation	**1,402**	1,543	**–**	–		
Non-cash (income)/expenses other than depreciation	**(685)**	(2,148)	**419**	(3)		

5. **SEGMENTAL INFORMATION** (Continued)

(b) **Geographical segment information about these businesses is presented below:**

The following in the analysis of the Group's sales by geographical market:

	Manufacturing and selling of watches and watch components		Investment in listed securities		Total	
	2004 **HK$'000**	2003 HK$'000	**2004** **HK$'000**	2003 HK$'000	**2004** **HK$'000**	2003 HK$'000
The People's Republic of China ("PRC") including Hong Kong	**28,832**	15,899	**15,479**	4,752	**44,311**	20,651
Middle East	**15,294**	16,292	**–**	–	**15,294**	16,292
South America	**66,897**	40,126	**–**	–	**66,897**	40,126
North America	**13,362**	6,228	**–**	–	**13,362**	6,228
Europe	**763**	5,534	**–**	–	**763**	5,534
Other locations	**1,028**	1,191	**–**	–	**1,028**	1,191
	126,176	85,270	**15,479**	4,752	**141,655**	90,022

The following is an analysis of the carrying amount of segment assets by location of assets:

	Manufacturing and selling of watches and watch components		Investment in listed securities		Total	
	2004 **HK$'000**	2003 HK$'000	**2004** **HK$'000**	2003 HK$'000	**2004** **HK$'000**	2003 HK$'000
The People's Republic of China ("PRC") including Hong Kong	**38,743**	42,525	**4,456**	7,909	**43,199**	50,434
Middle East	**3,786**	6,148	**–**	–	**3,786**	6,148
South America	**3,067**	–	**–**	–	**3,067**	–
North America	**3,142**	1,332	**–**	–	**3,142**	1,332
Europe	**–**	1,379	**–**	–	**–**	1,379
Other locations	**373**	572	**–**	–	**373**	572
Interest in associates	**–**	–	**–**	–	**50,000**	–
Unallocated corporate					**692,787**	3,473
					796,354	63,338

5. SEGMENTAL INFORMATION (Continued)

The following is an analysis of the capital expenditures by location of assets:

	Manufacturing and selling of watches and watch components		Investment in listed securities		Total	
	2004 HK$'000	2003 HK$'000	**2004 HK$'000**	2003 HK$'000	**2004 HK$'000**	2003 HK$'000
The People's Republic of China ("PRC") including Hong Kong	**2,386**	701	**–**	–	**2,386**	701

6. OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging/(crediting) the following:

	2004 HK$'000	2003 HK$'000
Cost of inventories sold (note)	**135,949**	81,600
Reversal for obsolete and slow moving inventories	**–**	(7,930)
Auditors' remuneration	**380**	330
Depreciation	**1,402**	1,646
Staff costs (excluding directors' remuneration)		
– salaries, bonus, allowances and benefits in kind	**28,587**	22,887
– provision for long service payment	**–**	1,837
– retirement benefits scheme contributions	**212**	219
Operating lease rentals:		
Hire of office equipment	**2**	19
Land and buildings	**1,518**	1,410
Other operating expenses/(gains)		
Loss on disposal of fixed assets	**–**	81
Provision/(reversal of provision) for bad debt	**109**	(462)
Other gains		
Revaluation surplus in respect of leasehold land and buildings	**(685)**	(2,148)
Unrealised loss/(gain) on other investments	**419**	(3)
Waiver of accrued salaries due to directors	**–**	(105)
Waiver of accrued salaries due to ex-directors	**–**	(206)
Waiver of other payables	**–**	(1,020)

Note: Included in costs of inventories sold were staff costs and operating lease rentals of HK$23,157,000 (2003: HK$16,451,000) and HK$525,000 (2003: HK$454,000) respectively, which had also been included in staff costs and operating lease rental disclosed above.

7. FINANCE COSTS

	2004 HK$'000	2003 HK$'000
Interest expense on bank loans and overdrafts	**722**	930
Interest on convertible debts	**138**	–
Other loan interest	**83**	76
Hire charges	**–**	32
	943	1,038

8. TAXATION

	2004 HK$'000	2003 HK$'000
Current tax – Hong Kong profits tax		
– Provided for the year	**–**	279
Deferred tax (note 24)		
– Current year	**4**	10
– Attributable to a change in tax rate in Hong Kong	**–**	(5)
	4	5
Tax charge for the year	**4**	284

(a) Hong Kong profits tax is calculated at 17.5% (2003: 17.5%) on the estimated assessable profit for the year.

No provision for overseas taxation has been made for the year as the subsidiaries operating in the PRC had no assessable income for PRC taxation purpose.

(b) The charge for the year can be reconciled to the (loss)/profit before taxation per the consolidated profit and loss account as follow:

	2004 HK$'000	2003 HK$'000
(Loss)/profit before taxation	**(11,088)**	140
Tax at the domestic income tax rate of 17.5%	**(1,940)**	25
Tax effect of non-deductible expenses	**1,316**	984
Tax effect of non-taxable income	**(294)**	(443)
Utilisation of tax losses previously not recognised	**(303)**	(844)
Reversal of deferred tax not recognised	**(52)**	–
Effect of change in Hong Kong profits tax rate	**–**	(5)
Deferred tax assets not recognised	**1,277**	567
	4	284

9. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK$4,203,000 (2003: HK$2,407,000).

10. DIVIDENDS

No dividends had been paid or declared by the Company during the year (2003: Nil).

11. LOSS PER SHARE

(a) The calculation of basic loss per share is based on the net loss attributable to shareholders for the year ended 31 December 2004 of HK$11,092,000 (2003: HK$144,000), and the weighted average number of 7,857,967,966 ordinary shares (2003: 1,452,643,636 as restated by share consolidation of three shares into one share) in issue during the year.

(b) Diluted loss per share for the year has not been presented as the effect of any dilution is anti-dilutive.

12 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:–

	2004 HK$'000	2003 HK$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	–	–
	–	–
Other emoluments of executive directors:		
Salaries and allowances	–	646
Retirement scheme contributions	–	7
	–	653
	–	653

During the year ended 31 December 2003, four executive directors waived their salaries for the period from 1 January 2003 to 15 March 2003 to the total amount of approximately HK$311,000. The amounts have been included in the above disclosure. Apart from this, no directors have waived or agreed to waive any emoluments in respect of the years ended 31 December 2003 and 2004.

The emoluments of each of the directors were less than HK$1,000,000 for both years.

12 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Details of the five highest paid individuals whose emolument fell within the band of nil to HK$1,000,000, are as follows:–

	2004 HK$'000	2003 HK$'000
Salaries and allowances	**1,496**	1,650
Retirement scheme contributions	**58**	52
	1,554	1,702

No emoluments were paid or payable to the directors or senior management as an inducement to join the Group or as compensation for loss of office during the years ended 31 December 2003 and 2004.

13. FIXED ASSETS

	Leasehold land and buildings outside Hong Kong held under medium term leases HK$'000	Construction in progress HK$'000 (note c)	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation							
Brought forward	21,535	–	6,473	39,629	9,013	2,066	78,716
Additions, at cost	–	–	–	1,333	771	282	2,386
Carried forward	21,535	–	6,473	40,962	9,784	2,348	81,102
Aggregate depreciation							
Brought forward	–	–	6,413	38,903	8,289	2,066	55,671
Charge for the year	685	–	20	419	271	7	1,402
Adjustment on revaluation	(685)	–	–	–	–	–	(685)
Carried forward	–	–	6,433	39,322	8,560	2,073	56,388
Net book value							
At 31 December 2004	21,535	–	40	1,640	1,224	275	24,714
At 31 December 2003	21,535	–	60	726	724	–	23,045

The analysis of the cost or valuation of the above assets at 31 December 2004 is as follows:

At cost	–	–	6,473	40,962	9,784	2,348	59,567
At 2004 valuation	21,535	–	–	–	–	–	21,535
	21,535	–	6,473	40,962	9,784	2,348	81,102

The analysis of the cost or valuation of the above assets at 31 December 2003 is as follows:

At cost	–	–	6,473	39,629	9,013	2,066	57,181
At 2003 valuation	21,535	–	–	–	–	–	21,535
	21,535	–	6,473	39,629	9,013	2,066	78,716

13. FIXED ASSETS (Continued)

(a) The Group's leasehold land and buildings including land use rights and buildings in the PRC, were revalued by AA Property Services Limited, an independent professional valuer, on an open market value basis as at 31 December 2004.

(b) The carrying amount of leasehold land and buildings as at 31 December 2004 would have been HK$21,335,000 (2003: HK$22,096,000) had they been stated at cost less accumulated depreciation.

(c) Construction in progress ("CIP") represents the cost of construction in respect of the Group's new production facility in the PRC where construction has yet to be completed to its original intended use. Up to 31 December 2004, the Group has incurred an aggregate construction cost of HK$9,043,000. Full provision had been made during the four years ended 31 December 2000 due to the limited cash flows of the Group during past years and the directors were of the view that the Group might not have the necessary cash resources available to complete the construction of this new production facility to its original intended use.

The CIP is currently temporarily used by the Group as warehouse. As at 31 December 2004, the open market value of the CIP, as revalued by AA Property Services Limited, an independent professional valuer, amounted to HK$7,965,000 (2003: HK$7,965,000). In the opinion of the directors, as the relevant Real Estate Title Certificate has not been obtained, no reversal of provision has been made in the accounts.

(d) The leasehold land and building were pledged to the bank for banking facilities granted to the Group (note 22).

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2004 HK$'000	2003 HK$'000
Investments at cost – unlisted shares (note a)	**69,532**	69,532
Amounts due from subsidiaries (note b)	**360,174**	262,366
Less: provision	**(325,820)**	(325,573)
	103,886	6,325

(a) The table below listed the principal subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year and formed a substantial portion of net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

14. INVESTMENTS IN SUBSIDIARIES (Continued)

(a) (Continued)

At 31 December 2004 the Company held shares in the following principal subsidiaries: –

Name of company	Place of incorporation/ registration	Paid up registered/ issued share capital	Percentage of equity held by the Company	Principal activities
Shares held directly:–				
Ever Dynasty Limited [#]	British Virgin Islands	US$1	100%	Investments in listed securities
Futuremind Holdings Limited [#]	British Virgin Islands	US$1	100%	Investment holding
Million-Well Enterprises Corp. [#]	British Virgin Islands	US$130,000	100%	Investment holding
Win Matching Limited [#]	British Virgin Islands	US$1	100%	Investment holding
Shares held indirectly:–				
City Check Limited [*]	British Virgin Islands	US$10,000	100%	Manufacturing of watches and watch components
Dongguan Queshi Watch Co. Ltd.	The People's Republic of China	HK$15,400,000	100%	Manufacturing of watch components and property holding
Easy Rich Watch Dial Factory Limited	Hong Kong	HK$10,000	100%	Trading of watch dials
Funwell Industrial Company Limited	Hong Kong	HK$10,000	100%	Trading of leather watch straps
Hangfer Company Limited	Hong Kong	HK$10,000	100%	Trading of watch cases
Silver Crystal Manufacturing Company Limited	Hong Kong	HK$10,000	100%	Trading of watch glasses

14. INVESTMENTS IN SUBSIDIARIES (Continued)

(a) (Continued)

Name of company	Place of incorporation/ registration	Paid up registered/ issued share capital	Percentage of equity held by the Company	Principal activities
Shares held indirectly:– (Continued)				
Stime Watch Manufacturing Limited #	British Virgin Islands	US$50,000	100%	Trading of watches and watch components and property holding
Stime Watch Manufacturing Company Limited	Hong Kong	HK$10,000	100%	Trading of watches
Vanfer Electroplating Factory Limited	Hong Kong	HK$10,000	100%	Electroplating of watch components
Wing Fat Watch Band Factory Limited	Hong Kong	HK$10,000	100%	Trading of metal watch bands

Companies operate principally in Hong Kong instead of in their respective places of incorporation/establishment.

* Companies operate principally in the People's Republic of China instead of in their respective places of incorporation/establishment.

(b) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

15. INVESTMENT IN ASSOCIATES

	Group	
	2004 **HK$'000**	2003 HK$'000
Investments at cost – unlisted shares	**50,000**	–

15. INVESTMENT IN ASSOCIATES (Continued)

Details of the Group's associates at 31 December 2004 are as follows:

Name of associates	Place of incorporation and operation	Issued and fully paid up capital	Effective interest held	Nature of business
Starway Management Limited	British Virign Islands *	Ordinary shares of US$100	35%	Investment holding
Shenzhen Dicken Industrial Development Limited (深圳市德勤實業開發有限公司)	The People's Republic of China	RMB10,000,000	35%	Operation and sales of energy-saving projects
Shenzhen Dicken Technology Development Limited (深圳市德勤科技開發有限公司)	The People's Republic of China	RMB1,000,000	35%	Patent and technological development of energy-saving projects

* Company operates principally in the People's Republic of China instead of in its place of incorporation.

Pursuant to a sales and purchase agreement entered into between Win Matching Limited ("Win Matching"), a wholly owned subsidiary of the Company and Eurofaith Holdings Inc. on 9 June 2004, the Group acquired 35% interest in Starway Management Limited ("Starway") at a cash consideration of HK$50,000,000. The sole assets of Starway is its equity interests in Shenzhen Dicken Group, which is a manufacturer of energy saving products, including electricity and light saving equipment used in various facilities or machines. Details of reason for the acquisition and information on Starway and its business were disclosed in the circular (the "Circular") of the Company dated 13 August 2004 issued to its shareholders. The transaction was completed on 14 September 2004.

As disclosed in the Circular, the Company would, upon completion of the transaction, nominate at least one person to the board of directors of Starway (the "Board of Starway") and would account for Starway Group on equity accounting basis. However, since completion of the transaction, the Company has made its best endeavour but fail in seeking for suitable person who is familiar with energy saving business to be nominated to the Board of Starway. Until December 2004, the Group's new strategic business diversification moved toward the hotel business with game entertaining in Macau. To align with the new business direction of the Group, the Company decided to dispose of the interest in Starway and thus stopped seeking person to be nominated to the Board of Starway . On 10 January 2005, Win Matching entered into the disposal agreement, pursuant to which Win Matching agreed to dispose of its entire 35% shareholding interest in Starway at a consideration of HK$52,000,000 in cash.

Under the aforementioned circumstances, the directors formed a view that the Group did not have significant influence in Starway as the Group had neither representation on the Board of Starway nor participation in its financial and operating policy making processes. Accordingly, the investment is accounted for at its cost on initial measurement as a financial asset less any possible impairment loss.

16. INVENTORIES

	2004 HK$'000	2003 HK$'000
Raw material	**3,731**	3,489
Work in progress	**6,061**	6,344
Finished goods	**151**	2,504
	9,943	12,337

At 31 December 2004, the inventories that were carried at net realisable value amounted to HK$3,414,000 (2003: HK$12,337,000).

17. TRADE RECEIVABLES

The Group generally grants a credit period of 30 to 180 days to its trade customers. The following is an aging analysis of trade receivables at the balance sheet date:

	2004 HK$'000	2003 HK$'000
0 – 3 months	**13,141**	9,490
4 – 6 months	**451**	2,839
7 – 12 months	**161**	–
Over 1 year	**–**	264
	13,753	12,593

18. OTHER INVESTMENTS

	2004 HK$'000	2003 HK$'000
Equity securities, listed in Hong Kong, at fair value	**4,194**	7,909
Market value	**4,194**	7,909

19. CASH AND BANK BALANCES

Included in cash and bank balances of the Group are Renminbi cash and bank deposits in the People's Republic of China of approximately HK$265,000 (2003: HK$11,000).

20. TRADE PAYABLES

The following is an aging analysis of trade payables at the balance sheet date:

	2004 HK$'000	2003 HK$'000
0 – 3 months	**10,723**	8,068
4 – 6 months	**1,629**	2,221
7 – 12 months	**6,785**	1,476
Over 12 months	**1,925**	3,258
	21,062	15,023

21. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payment		Present value of minimum lease payment	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable:				
Amount due within one year, included under current liabilities	**138**	207	**138**	207

22. BANK LOAN – SECURED

The bank loan is due on 7 June 2005 and is secured by leasehold land and buildings of the Group.

23. CONVERTIBLE DEBTS

	Group and Company	
	2004	2003
	HK'000	HK$'000
Convertible notes:		
Issued during the year and as at 31 December 2004	**20,000**	–

The details of the Group's and the Company's convertible notes outstanding as at 31 December 2004 are set out below:–

Date of issue	29 October 2004
Aggregate principal amount (HK$)	20,000,000
Coupon rate per annum	4%
Conversion price (HK$)	0.02
Conversion period	any time after issue
Collaterals	Nil
Maturity date	28 October 2006

Note:

(a) All the note holders are entitled to convert all or part of the note at their respective conversion prices, subject to limits set out in the respective note agreements, into ordinary shares which rank pari passu in all respects with the ordinary shares in issue on the relevant conversion dates.

(b) The Company has the right, having given notices to the note holders, to redeem all or any part (in a minimum amount of HK$100,000 or integral multiple thereof) of the outstanding principal amount of the notes together with interest accrued to the date of redemption and the note holders have the right, having given notices to the Company, to require the Company to redeem all or any part (in a amount of not less than a whole multiple of HK$100,000) of the outstanding principal amount of the notes together with interest accrued to the date of redemption.

24. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised by the Group and movement thereon during the current and prior reporting periods.

	Accelerated tax depreciation	Other assets	Tax losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2003	(521)	56	523	58
Effect of change in tax rate	(49)	5	49	5
(Charge)/credit to consolidated profit and loss account	(187)	(23)	200	(10)
At 31 December 2003 and 1 January 2004	(757)	38	772	53
(Charge)/credit to consolidated profit and loss account	757	3	(764)	(4)
At 31 December 2004	**–**	**41**	**8**	**49**

At 31 December 2004, the Group has unused tax losses of approximately HK$58,418,000 (2003: approximately HK$46,666,000) available for offset against future profits. A deferred tax asset has been recognised for the year ended 31 December 2004 in respect of HK$45,000 (2003: HK$4,411,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

25. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2003 and 1 January 2004	10,000,000,000	100,000
Increase of authorised share capital (v)	20,000,000,000	200,000
At 31 December 2004	**30,000,000,000**	**300,000**
Issued and fully paid:		
At 1 January 2003	3,639,278,942	36,393
Issue of shares	1,207,854,000	12,078
At 31 December 2003 and 1 January 2004	4,847,132,942	48,471
Capital reorganisation	(3,231,421,962)	(32,314)
Issue of shares	7,910,800,000	79,108
At 31 December 2004	**9,526,510,980**	**95,265**

Details of the changes in the Company's share capital during the year ended 31 December 2004 are as follows:

(i) Pursuant to a special resolution passed on 6 April 2004, a capital reorganisation was undertaken on 7 April 2004 which involved:

(a) Share consolidation on the basis that every 3 issued shares of HK$0.01 each in the share capital of the company were consolidated into 1 consolidated share of HK$0.03 each.

(b) the nominal value of each of the consolidated share in issue was reduced from HK$0.03 each to HK$0.01 each by way of capital reduction. As a result, an amount of HK$32,314,000 was credited to the contributed surplus account of the Company and set off against the accumulated losses.

(ii) Pursuant to a subscription agreement entered into between the Company and Perfect View Development Limited ("Perfect View") on 24 December 2003, 5,000,000,000 shares of HK$0.01 each were issued to Perfect View on 13 April 2004. The issue price of HK$0.01 (equivalent to approximately HK$0.033 per old share) represents a discount of approximately 72.5% to the closing price of HK$0.012 per share as quoted on the Stock Exchange on 23 December 2003, being the last trading day in the shares on the Stock Exchange prior to the publication of the capital reorganisation announcement. The net proceeds of approximately HK$49 million were used for general working capital and paid for the acquisition of the associates of the Group.

25. SHARE CAPITAL (Continued)

(iii) On 24 November 2004, 992,300,000 shares were subscribed by Perfect View pursuant to the top-up subscription agreement dated 11 November 2004 entered into between the Company and Perfect View at a price of HK$0.095 per share (the "First Top-Up Subscription"). The Top-Up Subscription issue price of HK$0.095 represents (i) a discount of about 7.77% to the closing price of HK$0.103 per share as quoted on the Stock Exchange on the last trading date; (ii) a premium of about 14.46% over the average closing price per share of about HK$0.083 as quoted on the Stock Exchange for the last five trading days up to and including the last trading date; (iii) a premium of about 5.56% over the average closing price per share of about HK$0.090 as quoted on the Stock Exchange for the last ten trading dates up to and including the last trading date.

(iv) On 1 December 2004, 330,800,000 shares were subscribed by Perfect View pursuant to another top-up subscription agreement dated 18 November 2004 entered into between the Company and Perfect View at a price of HK$0.175 per share (the "Second Top-Up Subscription"). The Second Top-Up Subscription issue price of HK$0.175 represents (i) a discount of about 3.31% to the closing price of HK$0.181 per Shares as quoted on the Stock Exchange on the last trading date; (ii) a premium of about 11.89% over the average closing price per Share of about HK$0.1564 as quoted on the Stock Exchange for the last five trading days up to and including the last trading date; (iii) a premium of about 46.81% over the average closing price per Share of about HK$0.1192 as quoted on the Stock Exchange for the last ten trading dates up to and including the last trading date. The net proceeds of approximately HK$56 million together with the net proceed from the First Top-Up Subscription of approximately HK$91.8 million, that is in aggregate of approximately HK$147.8 million, will be used to financing the acquisition of Grandview Hotel as disclosed in the Company's announcement dated 14 December 2004.

(v) Pursuant to a special general meeting passed on 17 December 2004, the authorised share capital of the Company were increased from HK$100,000,000 to HK$300,000,000 by the creation 20,000,000,000 shares of HK$0.01 each.

(vi) On 31 December 2004, 1,587,700,000 shares were subscribed by Perfect View pursuant to another top-up subscription agreement dated 17 December 2004 entered into between the Company and Perfect View at a price of HK$0.34 per share (the "Third Top-Up Subscription"). The Third Top-Up Subscription issue price of HK$0.34 represents (i) a discount of about 10.53% to the closing price of HK$0.380 per Shares as quoted on the Stock Exchange on the last trading date; (ii) a premium of about 16.60% over the average closing price per Share of about HK$0.2916 as quoted on the Stock Exchange for the last five trading days up to and including the last trading date; (iii) a premium of about 45.61% over the average closing price per Share of about HK$0.2335 as quoted on the Stock Exchange for the last ten trading dates up to and including the last trading date. The net proceeds of approximately HK$524.4 million will be used as to about HK$252.2 million for financing the acquisition of the Grandview Hotel and as to about HK$272.2 million for financing the acquisition of Hang Huo Hotel Company Limited.

26. EMPLOYEE BENEFIT

The Group operates a Mandatory Provident Fund scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administrated by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

The Old Scheme

Under the share option scheme adopted on 4 July 1996 ("Old Scheme"), the Directors may, at their discretion, invite any employee and any executive director of the Company or its subsidiaries, to take up options at HK$1 per option to subscribe for shares in the Company. The primary purpose of the Scheme was designed to provide incentives to directors and eligible employees.

The total number of the shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options may be exercised at any time from the date of grant of the share option to the date of expiry of the option as may be determined by the Directors which shall not exceed three years commencing on the expiry of six months after the date of the option is accepted and expiring on the last day of such three year period or 3 July 2006 whichever is the earlier. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

The Old Scheme was terminated on 7 June 2004 pursuant to the resolution passed on that date.

As at 31 December 2004, no options were outstanding and no options were granted or exercised during the period.

26. EMPLOYEE BENEFIT (Continued)

The New Scheme

Pursuant to resolutions passed on 7 June 2004, the Old Scheme was terminated and a new share option scheme was adopted. Under the New Scheme, the directors of the Company may, at their discretion, select participants as incentives or rewards for their contribution to the Group to take up options at HK$1 per option to subscribe for shares in the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other schemes must not, in aggregate, exceed 10% of the issued share capital of the Company as at the date of approval of the New Scheme by the shareholders, unless prior approval from the Company's shareholders has been obtained. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the share in issue from time to time. No options may be granted under any share option schemes of the Group if this will result in the said 30% limit being exceeded. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options may be exercised at any time from the date of grant of the share option to the date of expiry of the option. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the share.

The New Scheme shall be valid for a period of 10 years from 7 June 2004 to 7 June 2014 (both dates inclusive).

Details of the share options outstanding as at 31 December 2004 which have been granted under the New Scheme are as follows:

Name or category of participants	Date of grant	Closing price before date of grant (Note)	Exercise period	Exercise price	Balance at 31 December 2004
Consultants	12 November 2004	HK$0.151	15 November 2004 to 14 November 2006	HK$0.151	661,000,000

Note: The closing price before date of grant refers to the closing price on the date of the Board Meeting at which the Board proposed to grant option to the eligible participants.

27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 23 of the accounts.

Company	Share premium account HK$'000	Contributed surplus (note a) HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2003	179,717	69,332	(286,791)	(37,742)
Share issuing expenses	(154)	–	–	(154)
Loss for the year	–	–	(2,407)	(2,407)
At 31 December 2003 and 1 January 2004	179,563	69,332	(289,198)	(40,303)
Capital reduction	–	32,314	–	32,314
Captial reorganisation	–	(32,314)	32,314	–
Issued of shares for cash, net of expenses	642,860	–	–	642,860
Expenses for capital reorganisation	(999)	–	–	(999)
Loss for the year	–	–	(4,203)	(4,203)
At 31 December 2004	**821,424**	**69,332**	**(261,087)**	**629,669**

(a) The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued and the value of net assets of the underlying subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), a Company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account. At Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.

(b) The Company had no reserve available for distribution as at 31 December 2004 and 2003.

28. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of (loss)/profit before taxation to cash (used in)/from operating activities is set out below:

	2004 HK'000	2003 HK$'000
(Loss)/profit before taxation	**(11,088)**	140
Adjustments for:		
Reversal of obsolete and slow-moving inventories	**–**	(7,930)
Revaluation surplus in respect of leasehold land and buildings	**(685)**	(2,148)
Unrealised loss/(gain) on other investments	**419**	(3)
Waiver of accrued salaries due to directors	**–**	(105)
Waiver of accrued salaries due to ex-directors	**–**	(206)
Waiver of other payables	**–**	(1,020)
Depreciation of fixed assets	**1,402**	1,646
Convertible debts issuing expenses	**500**	–
Loss on disposal of fixed assets	**–**	81
Operating loss before working capital changes	**(9,452)**	(9,545)
Decrease in inventories	**2,394**	6,085
(Increase)/decrease in trade receivable, prepayments, deposits and other receivables	**(48,123)**	4,604
Increase in trade payables, other payables and accruals, including amounts due to directors and a substantial shareholder	**7,621**	1,604
Cash (used in)/from operations	**(47,560)**	2,748
Hong Kong profits tax paid	**(880)**	(986)
Net cash (used in)/from operating activities	**(48,440)**	1,762

29. CONNECTED TRANSACTIONS

On 24 November 2004, the company entered into an agreement with Mrs CHU Yuet Wah whereby Mrs CHU agreed to acquire the entire issued share capital of Futuremind Holdings Limited ("Futuremind"), a wholly owned subsidiary of the Company, for the purpose of protecting itself from making any loss by reimbursing the Company an amount of HK$50,000,000, being the same as the deposit paid by Futuremind for the acquisition of Grandview Hotel (the "Acquisition") and complete the Acquisition herself. The entering into the agreement by the Company constituted a major and connected transactions of the Company given that Mrs CHU is a sister-in-law of Mr CHU Yuk Kuen, an executive Director and became an associate of a connected person of the Company pursuant to the Listing Rules. Completion of the Acquisition took place on 31 March 2005.

30. POST BALANCE SHEET EVENT

(i) On 19 February 2005, Next Champion Limited ("Next Champion"), a wholly owned subsidiary of the Company, and the vendors entered into a Sale and Purchase Agreement, pursuant to which Next Champion agreed to acquire (i) the entire shareholding interest in Hang Huo Hotel Holdings Limited (which holds 99% shareholding interest in Hang Huo Hotel Company Limited), and (ii) 1% shareholding interest in Hang Huo Hotel Company Limited at a total consideration of HK$1.25 billion (the "Acquisition"). Upon the completion of Acquisition, Next Champion will be beneficially interest in the entire interest of Hang Huo Hotel Company Limited whose principal asset is Hotel Casa Real. The consideration was determined with reference to the verbal communication between the vendors and an independent valuer, in respect of the approximate valuation of Hotel Casa Real as at 31 December 2004 at about HK$1,400,000,000 and after arm's length negotiation between Next Champion and the vendors. The consideration shall be satisfied by (i) as to HK$750 million in cash and (ii) as to the remaining balance of HK$500 million by issue of not more than 1,100,000,000 new shares to the vendors. The Acquisition constitutes a very substantial acquisition in respect of the Company under the Listing Rules and therefore is subject to approval by the Company's shareholders and the approval of the Stock Exchange for the listing of and permission to deal in the Consideration Shares. The completion of the acquisition is expected to take place on or before 31 May 2005.

(ii) On 10 January 2005, Win Matching Limited ("Win Matching"), a wholly owned subsidiary of the Company, and Sky Beyond Investments Limited ("Sky Beyond") entered into the Disposal Agreement, pursuant to which Win Matching agreed to disposed of its entire 35% shareholding interest in Starway Management Limited to Sky Beyond at a consideration of HK$52,000,000 in cash. The consideration for the Disposal was determined after arm's length negotiation between Win Matching and Sky Beyond based on 4% premium over the original acquisition price of the 35% interest in Starway by Win Matching of HK$50,000,000. Completion of the disposal is conditional upon, amongst others, the passing of an ordinary resolution by the Company's shareholders at the special general meeting for approving the disposal. Completion of the disposal is expected to take place on the third business day after fulfillment of the conditions of the disposal.

(iii) On 31 January 2005, 3 February 2005 and 16 February 2005, 375,000,000 shares, 275,000,000 shares and 350,000,000 shares, respectively, of HK$0.01 each were issued to the convertible noteholders upon the full conversion of the convertible notes with total principal amount of HK$20,000,000 at a conversion price of HK$0.02 each. As such all convertible debts outstanding at 31 December 2004 were converted to shares of the Company.

30. POST BALANCE SHEET EVENT (Continued)

(iv) Pursuant to an ordinary resolution passed on 10 March 2005, subject to completion of the acquisition of the entire interests of Grandview Hotel and conditional upon the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of and permission to deal in the shares of HK$0.01 each in the capital of the Company which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants, the directors of the Company was authorised to grant 800,000,000 Warrants conferring rights to subscribe up to HK$200,000,000 in aggregate of cash for share at an initial subscription price of HK$0.25 per shares to Sure Expert Limited ("Sure Expert") to retain Mrs. Chu's support to the Company as a consultant in the future in respect of the management of Grandview Hotel with gaming entertainment.

(v) Pursuant to a special resolution passed on 17 March 2005, the name of the Company was changed from "Medtech Group Company Limited" to "Golden Resorts Group Limited" with effect from 31 March 2005 and "黃金集團有限公司" was adopted as the Chinese name of the Company with effect from 15 April 2005.

(vi) On 22 April 2005, the board of Directors proposed to seek approval from the shareholders to effect a share consolidation involving consolidation of every 10 existing shares into 1 consolidated share ("Share Consolidation"). The Share Consolidation is conditional upon (a) the approval of the Share Consolidation by the shareholders at the coming Special General Meeting, (b) the completion of the acquisition of Hang Huo Hotel Company Limited, which holds the entire interest in Hotel Casa Real, further details of which are set out in the announcement dated 19 January 2005 and circular dated 18 April 2005 of the Company and (c) the approval from Listing committee of the Stock Exchange.

31. CAPITAL COMMITMENTS IN RESPECT OF VERY SUBSTANTIAL ACQUISITION

On 24 November 2004, Futuremind Holdings Limited ("Futuremind"), a wholly owned subsidiary of the company, and Grand View Hotel Investment S. A. (the "Vendor") entered into the Provisional Sale and Purchase Agreement, pursuant to which Futuremind agreed to acquire from the Vendor Grandview Hotel and all the fixed assets therein at a consideration of HK$500,000,000 which shall be satisfied by (i) HK$400,000,000 in cash, HK$50,000,000 of which were paid by Futuremind to the Vendor on 1 December 2004 as deposit and the remaining balance of which will be paid by Futuremind to the Vendor upon the completion of the Acquisition; and (ii) issue of 500,000,000 new shares at HK$0.20 each to the assignees nominated by the Vendor. The consideration was determined with reference to the verbal communication with an independent valuer, in respect of the approximate composite valuation of Grandview Hotel and its fixed assets at about HK$500,000,000 and after arm's length negotiation between Futuremind and the Vendor. The acquisition was approved by the shareholders of the Company on 10 March 2004 and the acquisition was completed on 31 March 2005.