NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

1. CORPORATE INFORMATION

The Company is a public listed company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Fujian Investment and Development Company Limited ("FIDC"), a state-owned corporation in the PRC.

The Group is principally engaged in investment holding, property investment in Hong Kong and hotel operations in the PRC. The principal activities and other particulars of the subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the principal activities of the Group during the year.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(a) Statement of compliance

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Measurement basis

The measurement basis used in the preparation of the financial statements is historical cost as modified by the revaluation of certain investment properties as further explained in note 4(e) below.

3. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (the "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 financial statements for the year ended 31 March 2005. The new HKFRSs may result in changes in the future as to how the Group's financial performance and financial positions are prepared and presented.

4. PRINCIPAL ACCOUNTING POLICIES

A summary of the principal accounting policies followed by the Group in the preparation of the financial statements is set out below:

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2005. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

The gain or loss on disposal of a subsidiary represents the difference between the sales proceeds and the Group's share of its identifiable assets and liabilities together with any goodwill or negative goodwill which was not previously charged or recognised in the consolidated income statement.

(b) Subsidiaries

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors or equivalent governing body.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Associates

An associate is an entity, not being a subsidiary or jointly controlled entity, in which an equity interest is held for the long term and significant influence is exercised in its management.

The consolidated income statement includes the Group's share of the results of associates for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associates.

In the Company's balance sheet, investments in associates are stated at cost less provision for impairment losses. Such provision is determined and made for each associate individually.

The results of associates are accounted for by the Company on the basis of dividends received and receivable.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Goodwill/ negative goodwill

Goodwill/ negative goodwill arising on the acquisition of subsidiaries, jointly controlled entities and associates represents the excess/ shortfall of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, jointly controlled entity or associate at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life.

Negative goodwill arising on acquisition is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

(e) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods greater than twenty years are valued at intervals of not more than three years by an independent valuer; in each of the intervening years valuations are undertaken by professionally qualified executives of the Group. The valuations are based on an open market value basis. The valuations are incorporated in the annual financial statements. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are firstly set off against increases on earlier valuations on a portfolio basis and thereafter are debited to the income statement. Any subsequent increases are credited to the income statement up to the amount previously debited.

Investment properties held on leases with unexpired periods of twenty years or less are depreciated over the remaining unexpired periods of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the income statement.

(f) Hotel properties

Hotel properties are interests in land and buildings and their integral fixed plant which are collectively used in the operation of the hotel, and are stated at cost less accumulated depreciation and any impairment loss.

Hotel properties with remaining lease of less than twenty years are depreciated on a straight-line basis over the remaining unexpired period of the lease.

NOTES TO THE FINANCIAL STATEMENTS - (Con't)

For the year ended 31 March 2005

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Other fixed assets

Other fixed assets (including furniture and fixtures, leasehold improvements, plant and machinery and equipment) are stated at cost less accumulated depreciation and impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Depreciation of other fixed assets is calculated to write off their costs on the reducing balance method over their expected useful lives to the Group at a principal annual rate of 20%.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(h) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised to reduce the asset to its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual asset or, if it is not possible, for the cash-generating unit.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased, however not to an amount higher than the carrying amount that would have been determined (net of depreciation/ amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(i) Inventories

Inventories consisting of food, beverage and hotel supplies, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for the costs of realisation.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) Rental income under operating leases is recognised on a straight-line basis over the term of the lease;

(ii) Revenue from hotel operations is recognised when the services are provided;

(iii) Income from granting the management right of the Group's hotel to a management agent is recognised evenly over the terms of the contract;

(iv) Management fee income is recognised on quarterly basis for the fixed portion and yearly basis for floating portion over the terms of contract; and

(v) Interest income is recognised on a time-apportioned basis on the principal outstanding and at the rates applicable.

(k) Income tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(l) Translation of foreign currencies

Transactions in foreign currencies are translated at rates of exchange ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising are dealt with in the income statement.

The balance sheet of the subsidiary expressed in foreign currencies is translated at the rates of exchange ruling at the balance sheet date whilst its income statement is translated at an average rate. Exchange differences arising are dealt with as a movement in exchange fluctuation reserve.

(m) Operating leases

Rentals payable and receivable under operating leases are charged or credited to the income statement on a straight-line basis over the leases terms.

(n) Employee benefits

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year.

The Group operates a defined contribution staff retirement scheme. The Group's contributions under the scheme are charged to the income statement as incurred. The amount of the Group's contributions is based on a specified percentage of the basic salaries of employees and forfeited contributions in respect of unvested benefits of staff leavers are used to reduce the Group's contributions. The assets of the scheme are held separately from those of the Group.

(o) Related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(p) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash which are subject to an insignificant risk of change in value. For the purpose of the cash flow statement, cash equivalents would also include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

(r) Contingent liabilities and contingent assets

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

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

(s) Segment reporting

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

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

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 capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing borrowings, corporate and financial expenses and minority interests.

5. TURNOVER AND OTHER REVENUES

	2005	2004
	HK$	HK$
Turnover		
Gross rental income from letting of investment properties	952,400	969,200
Revenue from hotel operations	15,589,418	15,187,732
	16,541,818	16,156,932
Other revenues		
Income from granting the management right of the Group's hotel to a management agent	2,089,745	–
Management fee income	772,603	–
Bank interest income	81,580	183
Loan interest from a fellow subsidiary	164,548	–
Waive of the principal balance and interest on bank and other borrowings	3,156,361	–
Written back on over-provision of PRC tax penalty	1,873,588	–
Others	1,065,972	347,027
	9,204,397	347,210
Total revenues	25,746,215	16,504,142

6. SEGMENTAL INFORMATION

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's internal financial reporting.

(a) Business segments

The Group comprises the following main business segments:

Property investment
– The rental of investment properties

Hotel operation
– The rendering of hotel accommodation services

NOTES TO THE FINANCIAL STATEMENTS - (Con't)

For the year ended 31 March 2005

6. SEGMENTAL INFORMATION (continued)

(a) Business segments (continued)

	Property investment		Hotel operations		Unallocated		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$
Revenue from external customers	**952,400**	969,200	**15,589,418**	15,187,732	**–**	–	**16,541,818**	16,156,932
Other revenue from external customers	**–**	–	**4,917,403**	–	**4,286,994**	347,210	**9,204,397**	347,210
Total	**952,400**	969,200	**20,506,821**	15,187,732	**4,286,994**	347,210	**25,746,215**	16,504,142
Segment results	**878,608**	901,720	**376,691**	(10,402,735)	**–**	–	**1,255,299**	(9,501,015)
Unallocated corporate expenses							**4,661,899**	(28,176,828)
Profit/(loss) from operations							**5,917,198**	(37,677,843)
Gain on financial restructuring							**–**	525,345,838
Restructuring expenses							**–**	(6,673,324)
Finance costs							**(3,033,973)**	(36,032,692)
Share of results of associates	**532,689**	(415,568)	**–**	–	**–**	–	**532,689**	(415,568)
Profit before taxation							**3,415,914**	444,546,411
Taxation	**(36,953)**	(29,377)	**853,257**	4,390,574	**–**	–	**816,304**	4,361,197
Net profit attributable to the shareholders							**4,232,218**	448,907,608
Assets								
Segment assets	**13,466,396**	12,310,000	**75,858,735**	75,146,952	**–**	–	**89,325,131**	87,456,952
Investments in associates	**9,442,164**	7,171,732	**–**	–	**362,434**	–	**9,804,598**	7,171,732
Unallocated assets							**35,794,058**	36,975,818
Total assets							**134,923,787**	131,604,502
Liabilities								
Segment liabilities	**(347,519)**	(1,056,056)	**(18,672,265)**	(19,978,231)	–	–	**(19,019,784)**	(21,034,287)
Unallocated liabilities							**(39,324,225)**	(40,385,862)
Total liabilities							**(58,344,009)**	(61,420,149)
Other segment information								
Capital expenditure	**35,548**	696,628	**222,580**	21,987	**–**	–		
Depreciation	**143,866**	45,319	**6,591,080**	9,861,281	**–**	1,556		
Surplus on revaluation of investment properties	**(1,950,000)**	(150,000)	**–**	–	**–**	–		
Provision for impairment loss on hotel properties	**–**	–	**(5,045,460)**	24,625,768	**–**	–		

6. SEGMENTAL INFORMATION (continued)

(b) Geographical segments

The following table presents revenue, profit/ (loss) and certain assets and expenditure information for the Group's geographical segments.

	Hong Kong		PRC	
	2005	2004	**2005**	2004
	HK$	HK$	**HK$**	HK$
Segment revenue:				
Revenue from external customers	**952,400**	969,200	**15,589,418**	15,187,732
Segment results	**878,608**	901,720	**376,691**	(10,402,735)
Other segment information:				
Segment assets	**57,114,416**	56,457,550	**77,809,370**	75,146,952
Capital expenditure	**35,548**	696,628	**222,580**	21,987
Depreciation	**143,866**	46,875	**6,591,080**	9,861,281

7. PROFIT/ (LOSS) FROM OPERATIONS

	2005	2004
	HK$	HK$
Profit/ (loss) from operations is stated after crediting and charging the following:		
Gross rental income from letting of investment properties	**952,400**	969,200
Less: Outgoings	**(73,792)**	(67,480)
	878,608	901,720
Depreciation:		
– hotel properties	**6,545,460**	8,733,279
– owned fixed assets	**189,486**	1,174,877
	6,734,946	9,908,156
Operating lease rentals for land and buildings	**287,729**	5,000
Auditors' remuneration	**300,000**	280,000
Loss on disposal of fixed assets	**9,423**	1,733,802
Net exchange loss/ (gain)	**39,344**	(309,591)
Retirement benefits costs	**23,133**	29,070

NOTES TO THE FINANCIAL STATEMENTS - (Con't)

For the year ended 31 March 2005

8. GAIN ON FINANCIAL RESTRUCTURING

	2005 HK$	2004 HK$
Debt restructuring gain	–	525,695,673
Loss on disposal of subsidiaries	–	(349,835)
	–	525,345,838

9. FINANCE COSTS

	2005 HK$	2004 HK$
Interest on bank loans and overdrafts		
– wholly repayable within five years	17	19,091,824
– wholly repayable over five years	2,762,119	1,646,219
	2,762,136	20,738,043
Interest on other borrowings		
– wholly repayable within five years	271,837	15,294,649
	3,033,973	36,032,692

10. TAXATION

Taxation in the consolidated income statement comprises:

	2005 HK$	2004 HK$
Deferred tax	853,257	4,390,574
Share of taxation attributable to associates	(36,953)	(29,377)
	816,304	4,361,197

(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 year (2004: 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 year (2004: Nil).

Deferred tax as shown in the consolidated balance sheet represents:

	2005 HK$	2004 HK$
Tax effect on temporary differences arising from accelerated tax depreciation:		
As at 1 April 2004/ 2003	4,729,278	9,119,852
Deferred tax credited to consolidated income statements	(853,257)	(4,390,574)
As at 31 March 2005/ 2004	3,876,021	4,729,278

10. TAXATION (continued)

As at 31 March 2005, the Group has unrecognised estimated tax losses of approximately HK$143.5 million (2004: approximately HK$131.5 million) to carry forward against future taxable income. These tax losses have not been recognised in the Group's financial statements due to the unpredictability of future profit streams. Included in unrecognised estimated tax losses are estimated tax losses of approximately HK$11 million (2004: approximately HK$8 million) that will expire in the years from 2005 to 2008. The remaining estimated tax losses may be carried forward indefinitely.

11. NET PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS

The consolidated net profit attributable to the shareholders of HK$4,232,218 (2004: HK$448,907,608) including a loss of HK$1,591,106 (2004: profit of HK$459,313,201), which has been dealt with in the financial statements of the Company.

12. EARNINGS/ (LOSS) PER SHARE

(a) The calculation of basic earnings per share is based on the consolidated net profit attributable to the shareholders of HK$4,232,218 (2004: HK$448,907,608) and the weighted average number of 519,993,846 ordinary shares (2004: 230,021,828 ordinary shares as retrospectively adjusted for the effects of the share consolidation) deemed to be in issue during the year.

The calculation of basic earnings/ (loss) per share excluding non-recurring items is based on the adjusted consolidated net profit attributable to the shareholders of HK$4,232,218 (2004: adjusted consolidated net loss attributable to the shareholders of HK$69,764,906) and the weighted average number of 519,993,846 ordinary shares (2004: 230,021,828 ordinary shares as retrospectively adjusted for the effects of the share consolidation) deemed to be in issue during the year.

Reconciliation:	**2005** **HK$**	2004 HK$
Consolidated net profit attributable to the shareholders	**4,232,218**	448,907,608
Adjustments for:		
Gain on financial restructuring	**–**	(525,345,838)
Restructuring expenses	**–**	6,673,324
Adjusted consolidated net profit/ (loss) attributable to the shareholders for calculating the basic earnings/ (loss) per share excluding non-recurring items	**4,232,218**	(69,764,906)

(b) Diluted earnings/ (loss) per share has not been presented as there were no potential dilutive share options in existence during the year (2004: Nil).

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

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

	2005 HK$	2004 HK$
Independent non-executive directors:		
– Fees	227,123	–
– Basis salaries, housing benefits, other allowances and benefits in kind	–	–
– Retirement scheme contributions	–	–
	227,123	–
Executive directors:		
– Fees	–	–
– Basis salaries, housing benefits, other allowances and benefits in kind	1,593,750	2,100
– Retirement scheme contributions	–	–
	1,593,750	2,100
	1,820,873	2,100

The remunerations of each of the directors for each of the years ended 31 March 2004 and 2005 were within the band of nil to HK$1,000,000.

No directors waived any emoluments and no emoluments were paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Five highest paid employees

Three (2004: none) of the five highest paid employees are directors whose emoluments are reflected in the directors' emoluments disclosed as above. Details of the aggregate emoluments of the two (2004: five) highest paid non-director individuals are as follows:

	2005 HK$	2004 HK$
Basic salaries, housing allowances, other allowances and benefits in kind	**623,948**	1,141,200
Provident fund contributions	**18,583**	29,070
	642,531	1,170,270

The emoluments of each of these two (2004: five) highest paid non-director individuals for each of the years ended 31 March 2004 and 2005 were within the band from nil to HK$1,000,000.

14. FIXED ASSETS

	Group					
	Investment properties HK$	Hotel properties HK$	Furniture and fixtures HK$	Leasehold improvements HK$	Plant, machinery and equipment HK$	Total HK$
Cost or valuation						
As at 1 April 2004						
At cost	–	179,000,000	6,710,240	6,539,137	4,685,809	196,935,186
At professional valuation	10,700,000	–	–	–	–	10,700,000
	10,700,000	179,000,000	6,710,240	6,539,137	4,685,809	207,635,186
Additions	–	–	212,876	12,000	33,252	258,128
Disposals	–	–	(1,083,625)	–	(390,936)	(1,474,561)
Revaluation surplus	1,950,000	–	–	–	–	1,950,000
Exchange difference	–	–	4,741	4,307	3,278	12,326
As at 31 March 2005	12,650,000	179,000,000	5,844,232	6,555,444	4,331,403	208,381,079
Representing:						
At cost	–	179,000,000	5,844,232	6,555,444	4,331,403	195,731,079
At professional valuation	12,650,000	–	–	–	–	12,650,000
	12,650,000	179,000,000	5,844,232	6,555,444	4,331,403	208,381,079

NOTES TO THE FINANCIAL STATEMENTS - (Con't)

For the year ended 31 March 2005

14. FIXED ASSETS (continued)

Group

	Investment properties HK$	Hotel properties HK$	Furniture and fixtures HK$	Leasehold improvements HK$	Plant, machinery and equipment HK$	Total HK$
Accumulated depreciation and impairment losses						
As at 1 April 2004	–	105,000,000	6,631,523	6,024,582	4,395,283	122,051,388
Charge for the year	–	6,545,460	32,850	104,911	51,725	6,734,946
On disposal written back	–	–	(1,083,625)	–	(381,513)	(1,465,138)
Reversal of impairment losses	–	(5,045,460)	–	–	–	(5,045,460)
Exchange difference	–	–	4,741	4,306	3,140	12,187
As at 31 March 2005	–	106,500,000	5,585,489	6,133,799	4,068,635	122,287,923
Net book value						
As at 31 March 2005	**12,650,000**	**72,500,000**	**258,743**	**421,645**	**262,768**	**86,093,156**
As at 31 March 2004	10,700,000	74,000,000	78,717	514,555	290,526	85,583,798

Company

	Investment properties HK$	Furniture and fixtures HK$	Leasehold improvements HK$	Computer and office equipment HK$	Total HK$
Cost or valuation					
As at 1 April 2004					
At cost	–	88,185	523,277	108,396	719,858
At professional valuation	10,700,000	–	–	–	10,700,000
	10,700,000	88,185	523,277	108,396	11,419,858
Additions	–	–	12,000	23,548	35,548
Revaluation surplus	1,950,000	–	–	–	1,950,000
As at 31 March 2005	12,650,000	88,185	535,277	131,944	13,405,406
Representing:					
At cost	–	88,185	535,277	131,944	755,406
At professional valuation	12,650,000	–	–	–	12,650,000
	12,650,000	88,185	535,277	131,944	13,405,406

14. FIXED ASSETS (continued)

	Company				
	Investment properties HK$	Furniture and fixtures HK$	Leasehold improvements HK$	Computer and office equipment HK$	Total HK$
Accumulated depreciation					
As at 1 April 2004	–	9,468	8,722	11,286	29,476
Charge for the year	–	15,744	104,910	23,212	143,866
As at 31 March 2005	–	25,212	113,632	34,498	173,342
Net book value					
As at 31 March 2005	**12,650,000**	**62,973**	**421,645**	**97,446**	**13,232,064**
As at 31 March 2004	10,700,000	78,717	514,555	97,110	11,390,382

(a) The investment properties of the Group and the Company are held under medium-term leases in Hong Kong.

The investment properties of the Group and the Company were revalued on an open market value basis as at 31 March 2005 by Norton Appraisals Limited, an independent firm of professional valuers. The revaluation surplus of HK$1,950,000 (2004: HK$150,000) has been credited to the income statement.

(b) The hotel properties are situated in the PRC and are held under short-term leases. The building ownership certificate for the hotel properties has not been obtained. According to the legal opinion provided by the Company's PRC legal advisors on 7 July 2005, which confirms, inter alia, that Xiamen South East Asia Hotel Company, Limited ("Xiamen Plaza"), an indirect subsidiary wholly-owned by the Company, has the right to operate and manage the Xiamen South East Asia Hotel (the "Hotel"), a hotel located in Xiamen city of Fujian province of the PRC, until 11 December 2015 in accordance with the terms of the joint venture agreement entered into between 廈門鐵路開發公司 and the Company's subsidiary, Yan Hei Limited ("Yan Hei").

(c) As at 31 March 2005, the Directors reviewed the carrying value of the hotel properties with reference to the valuation performed by Norton Appraisals Limited. In the opinion of the Directors, the impairment losses previously recognised for the hotel properties have decreased as the recoverable amount is considered to be higher than the carrying value of the hotel properties as at 31 March 2005, and accordingly, a reversal of impairment loss on hotel properties of HK$5,045,460 (2004: recognised an impairment loss of HK$24,625,768) has been credited to the income statement.

NOTES TO THE FINANCIAL STATEMENTS - (Con't)

For the year ended 31 March 2005

15. INVESTMENT IN SUBSIDIARIES

	2005 HK$	2004 HK$
Unlisted shares, at cost	**7,694,824**	7,694,824
Less: Provision for impairment losses	**(7,694,824)**	(7,694,824)
	–	–
Loans to subsidiaries	**119,691,065**	119,691,065
Less: Provision for doubtful amounts	**(67,656,586)**	(67,656,586)
	52,034,479	52,034,479
Advances from a subsidiary	**(35,775,824)**	(35,775,824)
	16,258,655	16,258,655

Particulars of the Company's subsidiaries as at 31 March 2005 are as follows:

Name of subsidiaries	Place of establishment/ incorporation and principal place of operations	Effective percentage holding 2005 %	Effective percentage holding 2004 %	Issued and fully paid share/ registered capital	Principal activities
Direct subsidiaries:					
Eastern Associated Investment Company, Limited	Hong Kong	**100**	100	Ordinary HK$1,000,000	Investment holding
Kiu Sun Investment Company, Limited	Hong Kong	**100**	100	Ordinary HK$1,000,000	Investment holding
Ming Chuen Construction Company, Limited	Hong Kong	**100**	100	Ordinary HK$100,000	Investment holding
Smart Truth International Limited	Hong Kong	**100**	100	Ordinary HK$10,000	Inactive
Yan Hei Limited	Hong Kong	**100**	100	Ordinary HK$10,000 and Non-voting deferred HK$10,000	Investment holding
Indirect subsidiary:					
Xiamen South East Asia Hotel Company, Limited ("Xiamen Plaza") *(notes (a)&(b))*	PRC	**100**	100	Registered capital US$5,000,000	Hotel operations

15. INVESTMENT IN SUBSIDIARIES (continued)

Notes:

(a) Xiamen Plaza has a financial year end of 31 December. Its financial year cannot be co-terminous with that of the Company for the reason of its need to comply with regulations of the PRC. The financial statements of Xiamen Plaza for the year ended 31 December 2004 have been audited by Pan-China (Xiamen) Certified Public Accountants. The annual results, year-end assets and liabilities of Xiamen Plaza for the year ended 31 March 2005, have been consolidated based on the audited financial statements for the year ended 31 December 2004 and the unaudited management accounts for the three months ended 31 March 2005.

(b) 40% of the Group's interests in Xiamen Plaza are pledged in favour of a bank for a loan granted to the subsidiary as referred to in note 24 to the financial statements.

16. INVESTMENT IN ASSOCIATES

	Group		Company	
	2005	2004	**2005**	2004
	HK$	HK$	**HK$**	HK$
Unlisted shares, at cost	**–**	–	**5,980,051**	6,475,051
Less: Provision for impairment losses	**–**	–	**(3,980,050)**	(4,475,050)
	–	–	**2,000,001**	2,000,001
Share of net assets other than goodwill	**9,154,598**	6,521,732	**–**	–
	9,154,598	6,521,732	**2,000,001**	2,000,001
Amounts due from associates	**650,000**	650,000	**650,000**	650,000
	9,804,598	7,171,732	**2,650,001**	2,650,001

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

16. INVESTMENT IN ASSOCIATES (continued)

Particulars of the Group's associates as at 31 March 2005 are as follows:

Name of associates	Place of establishment/ incorporation and principal place of operations	Effective percentage holding 2005 %	Effective percentage holding 2004 %	Issued and fully paid share/ registered capital	Principal activities
Austin Land Investment Limited	Hong Kong	**46.82**	46.82	Ordinary HK$6,300,000	Provision of building management services
Ealing Court Limited	Hong Kong	**33.33**	33.33	Ordinary HK$6,000,000	Property investment
Ming Sun Contractors Limited *(note below)*	Hong Kong	–	49.50	Ordinary HK$1,000,000	Inactive
Sherrin Property Investment Limited	Hong Kong	**33.33**	33.33	Ordinary HK$3	Property investment

Note: Ming Sun Contractors Limited had been struck off from the Register of Companies of Hong Kong on 14 January 2005 and the removal of which had no material financial impact to the Group.

17. INVENTORIES

	Group 2005 HK$	Group 2004 HK$
At cost	**839,637**	605,232
Less: Provision for obsolete inventories	**(121,692)**	(126,806)
	717,945	478,426

Inventories of HK$717,945 (2004: HK$478,426) are carried at net realisable value.

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005	2004	**2005**	2004
	HK$	HK$	**HK$**	HK$
Trade receivables, net of provision with ageing analysis				
Current to six months	**1,621,387**	156,968	**79,762**	149,405
Over six months	**–**	236,347	**–**	316
	1,621,387	393,315	**79,762**	149,721
Management fee receivable from ultimate holding company	**493,150**	–	**493,150**	–
Loan interest receivable from a fellow subsidiary	**164,548**	–	**164,548**	–
Other receivables, utility deposits and prepayments	**1,110,010**	920,438	**1,064,216**	769,896
	3,389,095	1,313,753	**1,801,676**	919,617

The Group has defined credit terms which are agreed with each of its customers.

19. BANK AND OTHER BORROWINGS

	Group	
	2005	2004
	HK$	HK$
Secured bank loans, repayable		
– Within one year	**2,826,269**	1,882,832
– In the second year	**3,768,359**	2,824,247
– In the third to fifth years inclusive	**14,131,346**	13,179,820
– Over five years	**3,768,359**	8,472,741
	24,494,333	26,359,640
Unsecured bank loans wholly repayable within one year	**–**	4,096,451
	24,494,333	30,456,091
Unsecured other borrowings from an independent third party	**2,866,767**	–
	27,361,100	30,456,091
Less: current portion of bank and other borrowings	**(4,845,155)**	(5,979,283)
	22,515,945	24,476,808

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2005	2004	**2005**	2004
	HK$	HK$	**HK$**	HK$
Trade payables with ageing analysis				
Current to six months	**1,415,180**	4,223,170	**39,574**	789,353
Over six months and within one year	**117,836**	7,364,451	**–**	658
Within one year	**1,533,016**	11,587,621	**39,574**	790,011
In the second year	**555,782**	1,501,500	**–**	–
In the third to fifth years inclusive	**508,508**	2,944,500	**–**	–
	2,597,306	16,033,621	**39,574**	790,011
Accrued charges, tenants' deposits and other payables	**13,846,457**	271,387	**607,945**	266,045
	16,443,763	16,305,008	**647,519**	1,056,056
Portion classified as non-current liabilities	**(7,655,304)**	(4,446,000)	**–**	–
	8,788,459	11,859,008	**647,519**	1,056,056

21. SHARE CAPITAL

		2005		2004	
	Note	**Number of shares**	**HK$**	Number of shares	HK$
Authorised:					
As at 1 April 2004/ 2003		**30,331,044,697**	**379,138,059**	4,000,000,000	500,000,000
Capital reduction	*(i)*	**–**	**–**	–	(120,861,941)
Share subdivision	*(ii)*	**–**	**–**	26,331,044,697	–
Increase of authorised capital	*(vii)*	**68,955,303**	**861,941**	–	–
Share consolidation	*(viii)*	**(27,360,000,000)**	**–**	–	–
Ordinary shares of HK$0.125 (2004: HK$0.0125) each as at 31 March 2005/ 2004		**3,040,000,000**	**380,000,000**	30,331,044,697	379,138,059
Issued and fully paid:					
As at 1 April 2004/ 2003		**5,199,101,516**	**64,988,769**	1,074,328,367	134,291,046
Capital reduction	*(i)*	**–**	**–**	–	(120,861,941)
Issue of shares	*(iii), (vi)*	**898,484**	**11,231**	4,124,773,149	51,559,664
Share consolidation	*(viii)*	**(4,680,000,000)**	**–**	–	–
Ordinary shares of HK$0.125 (2004: HK$0.0125) each as at 31 March 2005/ 2004		**520,000,000**	**65,000,000**	5,199,101,516	64,988,769

21. SHARE CAPITAL (continued)

Notes:

(i) By an ordinary resolution passed on 3 November 2003 and pursuant to an Order of the Court made on 10 December 2003, the nominal value of each issued share of the Company was reduced from HK$0.125 to HK$0.0125 and the Company's issued share capital of HK$134,291,046 was reduced by HK$120,861,941 to HK$13,429,105. The amount of HK$120,861,941 arising from the capital reduction was applied to reduce the same amount of the accumulated losses of the Company.

(ii) Pursuant to the ordinary resolution passed on 3 November 2003, the authorised share capital of the Company of HK$379,138,059 was divided into 30,331,044,697 shares of HK$0.0125 each.

(iii) Pursuant to the restructuring agreement dated 25 April 2003 and by an ordinary resolution passed on 3 November 2003, 2,792,413,792 shares at HK$0.0145 each were subscribed by HC Technology Capital Company Limited ("HC Technology") for a consideration of HK$40,490,000 on 11 December 2003 upon the completion of the Company's restructuring.

The cash proceeds from the subscription, totaling about HK$34 million, was and would be applied by the Company in the coming 12 months immediately following the completion of the restructuring as follows:

(a) US$200,000 and RMB2,000,000 in settlement of part of the debts of Xiamen Plaza owing to 廈門鐵路開發公司of the Shanghai Railway Department and The Industrial and Commercial Bank of China (Xiamen Branch);

(b) Approximately HK$11.3 million for cash payments due under the Debt Restructuring; and

(c) The balance of approximately HK$19.27 million will be retained by the Company for the general working capital requirements of the Group.

An aggregate of 380,965,823 and 151,393,534 shares were issued to Sino Earn Holdings Limited and Jian Xing Finances Limited at HK$0.125 each pursuant to the restructuring agreement to set-off the indebtedness owing by the Company.

(iv) The Company entered into a placing agreement and subscription agreement on 11 December 2003. Pursuant to the placing agreement, HC Technology appointed a placing agent to place 800,000,000 placing shares on a fully underwritten basis to not less than six independent parties at the placing price of HK$0.025 per placing share. The placing was completed on 16 December 2003. Pursuant to the subscription agreement, the Company further issued 800,000,000 shares to HC Technology at HK$0.025 each.

The Placing and the Subscription were made for the purpose of restoring the public float of the shares to not less than 25% in order to meet the requirement under Rule 8.08 of the Listing Rules.

The net proceed from the subscription of approximately HK$19.4 million would be used for general working capital purposes.

(v) Share premium of HK$75,475,256 was resulted from the shares issued in note 21(iii).

(vi) On 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 better 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.

(vii) Pursuant to the ordinary resolution passed on 10 May 2004, the authorised 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.

(viii) Pursuant to the ordinary resolution passed on 10 May 2004, every 10 shares of the Company of HK$0.0125 each was consolidated into one consolidated share of HK$0.125 each. 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.

22. SHARE OPTIONS

On 22 January 1997, the Company approved a share option scheme ("Existing Scheme") under which the directors may, at their discretion, invite any employee or executive directors of the Company and the Group to take up options to subscribe for shares in the capital of the Company at any time during the ten years from the date of offer. The subscription price of the Company's shares shall be referred to the average closing price of the Company's shares as quoted on the Stock Exchange for five dealings days immediately preceding the offer date. The maximum number of shares on which options may be granted may not exceed 10% of the ordinary share capital of the Company in issue from time to time. No options of the Company were being granted or outstanding since the year ended 2002.

On 23 August 2001, the Stock Exchange introduced changes to the provisions of the Chapter 17 of the Listing Rules in relation to share option schemes which came into effect on 1 September 2001. As a result of the amendments to the Listing Rules, the Board has not been able to grant options under the Existing Scheme. In compliance with the amendments to the Listing Rules, by an ordinary resolution passed on 10 May 2004, the Company terminated the existing share option scheme and adopted the new share option scheme ("New Scheme").

The principal terms of the New Scheme are set out as follows:

Purpose of the New Scheme

The purpose of the New Scheme is to provide participants of the same with the opportunity to acquire proprietary interests in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

Eligible participants of the New Scheme

(i) any executive, non-executive or independent non-executive director of any member of the Group or an entity in which the Group holds an interest ("Affiliate"); (ii) any employee or officer (whether full time or part time) ("Employee") of the Group or an Affiliate; (iii) any shareholder of any member of the Group or an Affiliate who has, in the opinion of the Board, contributed or may contribute to the development and growth of the Group; (iv) any customer, supplier, agent, partner, consultant or adviser of or contractor to any member of the Group or an Affiliate; or (v) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, customer, supplier, agent, partner, consultant or adviser of or contractor to any member of the Group or an Affiliate; or (vi) a company beneficially owned by any director, employee, consultant, customer, supplier, agent, partner or adviser of or contractor any member of the Group or an Affiliate.

Total number of securities issuable

The maximum number of shares which may be granted under the New Scheme and any other schemes involving the issue or grant of options or similar rights over shares or other securities by the Company shall not, in aggregate, exceed 10% of shares in issue as at the date of approval of the New Scheme. As at the date of this annual report, no share options have been granted under the New Scheme.

22. SHARE OPTIONS (continued)

Maximum entitlement of each participant

Unless approved by the shareholders, no option may be granted to any eligible participants which if exercised in full would result in the total number of shares issued and to be issued upon exercise of the options already granted or to be granted to such eligible participant under the New Scheme (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital of the Company as at the date of such new grant.

Period to take up share options and minimum period to hold before exercise

There is no minimum period within which the shares option must be taken up or for which a share option must be held before it can be exercised.

Amount payable to take up share options and time to accept offer

An offer for the granting of share options under the New Scheme shall be accepted within 28 days from the offer date and by way of payment of a consideration of HK$1.

Maximum period for exercising on option

An option may be exercised in accordance with the terms of the New Scheme at any time during a period to be determined and notified by the board of Directors to each guarantee, which period may commence on the date on which the offer for the grant of options is made but shall end in any event not more than 10 years from the date of grant of the option.

Exercise price

The exercise price shall be a price determined by the board of directors of the Company and shall not be less than the highest of:

(i) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be a business day;

(ii) an amount equivalent to the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant of the relevant option; and

(iii) the nominal value of a share.

Life of the New Scheme

The New Scheme shall be valid and effective for a period of two years commencing on the date of adoption of the New Scheme.

23. RESERVES

(a) Group

Details of changes in reserves of the Group are set out in the consolidated statements of changes in equity on page 20.

(b) Company

	Share premium HK$ *Note (i)*	Capital reserve HK$ *Note (ii)*	Accumulated losses HK$	Total HK$
As at 1 April 2003	498,358,945	10,000,000	(1,161,352,988)	(652,994,043)
Capital reduction *(Note 21 (i))*	–	–	120,861,941	120,861,941
Release of capital reserve	–	(10,000,000)	10,000,000	–
Issue of ordinary shares	75,485,708	–	(10,452)	75,475,256
Capital expenditure on issue of ordinary shares	(660,106)	–	–	(660,106)
Unclaimed dividends written back	–	–	81,573	81,573
Net profit for the year	–	–	459,313,201	459,313,201
As at 31 March 2004 and as at 1 April 2004	573,184,547	–	(571,106,725)	2,077,822
Issue of ordinary shares *(Note 21(vi))*	15,724	–	–	15,724
Capital expenditure on issue of ordinary shares	(878)	–	–	(878)
Net loss for the year	–	–	(1,591,106)	(1,591,106)
As at 31 March 2005	**573,199,393**	**–**	**(572,697,831)**	**501,562**

Notes:

(i) The application of share premium is governed by Section 48B of the Hong Kong Companies Ordinance.

(ii) The capital reserve, which was previously set aside for general purpose, had been transferred to accumulated losses during the year ended 31 March 2004.

(iii) At 31 March 2005, no distributable reserves of the Company was available for distribution as dividends (2004: Nil).

24. PLEDGE OF ASSETS

A bank loan of HK$24,494,333 (2004: HK$26,359,640) are secured by the Group's 40% interests in Xiamen Plaza.

25. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, during the year, the Group had entered into the following significant related party transactions which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business:

A standby loan facility letter has been entered into between the Company and its immediate holding company, HC Technology Capital Company Limited ("HC Technology"), on 17 September 2003, pursuant to which, HC Technology has agreed to provide the Company with a standby loan facility of no more than RMB29 million (equivalent to approximately HK$27.1 million) for the settlement of a bank's claim in relation to a secured bank loan as shown in note 19 to the financial statements which amounted to HK$24,494,333 as at 31 March 2005.

The Group paid rents to the fellow subsidiaries of the Company for the lease of Directors and staff quarters amounted to HK$384,000 and HK$50,000 respectively for the year ended 31 March 2005. The Directors consider that the rental was calculated by reference to open market rentals.

During the year, the Group had also entered into the following significant transactions with its related parties:

(i) Acquisition agreement

On 11 November 2004, a Company's wholly-owned subsidiary, Ming Chuen Construction Company, Limited ("Ming Chuen"), entered into an acquisition agreement ("Acquisition Agreement") with Fairweal Industrial Company Limited ("Fairweal"), a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company's ultimate holding company, FIDC, in relation to the acquisition of 25% equity interest of Fuzhou Harmony Piano Co., Ltd. ("Harmony Piano"), a wholly-owned foreign enterprise incorporated in the PRC with limited liability and is owned as to 25% by Fairweal and 75% by Brilliant Well Investment Limited ("Brilliant Well"), a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company's ultimate holding company, FIDC.

Pursuant to the Acquisition Agreement, Ming Chuen agreed to acquire from Fairweal 25% equity interest of Harmony Piano at a cash consideration of approximately HK$4.8 million (the "Acquisition") and is payable by the Group within ten business days after the completion of the Acquisition Agreement. Completion of the Acquisition Agreement is conditional upon the fulfillment of certain conditions as stipulated in the Acquisition Agreement and the Group and the Company were committed to pay purchase consideration of HK$4,848,500 in respect of the Acquisition. The Acquisition was completed on 30 June 2005 and the purchase consideration for the Acquisition of HK$4,848,500 has been fully paid by the Group on 8 July 2005.

25. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(i) Acquisition agreement (continued)

The Acquisition Agreement has been approved by the independent shareholders of the Company at the extraordinary general meeting held on 20 January 2005 and the Company has obtained approvals in relation to the Acquisition from the Fujian Provincial Department of Foreign Trade and Economic cooperation of the PRC on 29 June 2005 and on 30 June 2005, the original approval office of administration of the government of the PRC has issued a certificate of approval for the establishment of Harmony Piano by Brilliant Well and Ming Chuen with an initial operational term of 40 years. The total investment and registered capital were US$2,860,000 and US$2,000,000 respectively. The Acquisition Agreement has been completed on 30 June 2005.

(ii) Loan agreement

On 11 November 2004, the Company entered into a loan agreement ("Loan Agreement") with Brilliant Well, pursuant to which the Company agreed to provide a loan facility up to an aggregate principal amount of HK$16.5 million (the "Loan") to Brilliant Well carrying an interest rate of 6.5% per annum. The term for the Loan Agreement is 18 months commencing from the drawn down date of the Loan under the Loan Agreement. Brilliant Well shall pay interest quarterly in arrears and repay the principal amount drawn upon maturing. There is a covenant under the Loan Agreement that Brilliant Well shall apply the Loan provided by the Company in its entirely solely as working capital of Harmony Piano only. The said loan amounted to HK$16.5 million has been drawn down by Brilliant Well on 3 February 2005 and no repayment has been made up to the year ended 31 March 2005.

To comply with the terms and conditions of the Loan Agreement, on 11 November 2004, a property pledge agreement ("Property Pledge Agreement") has been entered into between the Company and Fujian Properties Limited ("Fujian Properties"), a company incorporated in the British Virgin Islands with limited liability and wholly-owned by FIDC, pursuant to which Fujian Properties has pledged to the Company eleven residential units in Wah Ming Center and ten residential units in Hongway Garden (the "Properties") with an aggregate estimated value of HK$25 million as security for the Loan. The valuation of the Properties was calculated according to internal evaluation carried out by Fujian Properties with reference to the relevant market price of similar residential properties located in neighbourhood in the same region as the properties as at 24 February 2004. The Properties were revalued on an open market value basis as at 31 December 2004 by C S Surveyors Limited, an independent firm of professional valuers, at aggregate open market value of HK$27,590,000.

During the year ended 31 March 2005, the aggregate loan interest amounted to HK$164,548 (2004: Nil).

25. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(iii) Management service agreement

On 11 November 2004, the Company has entered into a management service agreement ("Management Service Agreement") with FIDC and Brilliant Well, pursuant to which FIDC has appointed the Company as an agent to assist FIDC to participate in the management of Harmony Piano and Hua Min Tourism Company Limited, a company in which FIDC has 50% beneficial interests. Pursuant to the Management Service Agreement, the Company will provide management services to FIDC for a period of 18 months commencing from the effective date of the Management Service Agreement at a fixed management fee of HK$2 million per annum and a floating management fee on the basis of 10% of the net profit after taxation of Huamin Tourism and Harmony Piano respectively and after deduction of the fixed management fee. The fixed management fee shall be payable within 15 days after the end of each quarter in equal installments of HK$500,000 and the floating management fee shall be payable within one month after the audited reports of each of Harmony Piano and Hua Min Tourism Company Limited are issued.

During the year ended 31 March 2005, the aggregate management service income amounted to HK$772,603 (2004: Nil).

The Directors consider that the consideration for the above significant related party transactions were based on rates mutually agreed with reference to the then market conditions and in the ordinary course of the Group's business and these significant related party transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. Further details of the above significant transactions are set out in the Company's circular dated 3 January 2005.

26. OPERATING LEASE COMMITMENTS

As at 31 March 2005, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group and Company					
	2005			2004		
	Land and buildings HK$	**Other HK$**	**Total HK$**	Land and buildings HK$	Other HK$	Total HK$
Within one year	**375,782**	**7,500**	**383,282**	291,980	–	291,980
After one year but within five years	**254,305**	**21,250**	**275,555**	517,087	–	517,087
	630,087	**28,750**	**658,837**	809,067	–	809,067

27. OPERATING LEASE ARRANGEMENTS

The Group and the Company had entered into non-cancellable operating lease arrangements with the tenants and the terms of the leases range from one to two years. As at 31 March 2005, the Group and the Company had future aggregate minimum lease receivables under non-cancellable operating leases in respect of land and buildings as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$	HK$	**HK$**	HK$
Within one year	**1,917,282**	1,709,699	**918,290**	877,284
After one year but within five years	**3,850,805**	2,220,736	**1,626,484**	78,000
	5,768,087	3,930,435	**2,544,774**	955,284

28. CAPITAL COMMITMENTS

As at 31 March 2005, the Group had the following commitments which were not provided for in the financial statements:

	2005	2004
	HK$	HK$
Authorised and contracted for in respect of acquisition of 25% equity interest of Harmony Piano	**4,848,500**	–

As at 31 March 2005, the Group were committed to pay purchase consideration of HK$4,848,500 in respect of the above acquisition which has been fully settled subsequent to the balance sheet date. Further details of which are set out in note 25 to the financial statements and the Company's Circular dated 3 January 2005.

29. SUBSEQUENT EVENTS

On 6 June 2005, the Company announced that, Yan Hei Limited, a wholly owned subsidiary of the Company, 廈門鐵路開發公司and Fujian Enterprises (Holdings) Company Limited (as a guarantor), entered into an extension agreement on 9 May 2005 (the "Extension Agreement"), in which, amongst others, the operation period of the Xiamen South East Asia Hotel ("Hotel") as wholly owned by Yan Hei Limited will be extended for ten years up to 31 December 2025. 廈門鐵路開發公司is the joint venture of the Hotel.

As certain conditions precedents as set out in the Extension Agreement have not been fulfilled as of the date of approval of these financial statements, the Extension Agreement is still not effective as of the date of approval of these financial statements.

30. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year presentation.

31. AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 14 July 2005.