NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Going concern

Notwithstanding that:

– the Group and the Company suffered loss;

– as at 31 March 2005, the Group had net current liabilities, including the note payable of HK$155,000,000 (note 33) and the promissory note of HK$39,500,000 (note 32) which were overdue; and

– as at the date of authorisation for issue of the financial statements, the note payable of HK$155,000,000 and the promissory note of HK$9,500,000 remain outstanding,

these financial statements have been prepared on a going concern basis as the directors of the Company are of the opinion that the Company and the Group are able to continue as a going concern and to meet their obligations as and when they fall due having regard to the following:

(i) the Group is able to attain profitable and cash positive operation in the future;

(ii) the Company is able to extend the repayment schedule in respect of the note payable of HK$155,000,000 and the promissory note of HK$39,500,000 made available to the Company from the holder of the note payable and the promissory note (collectively the "Noteholder") and the Noteholder will not take any action against the Company, provided that the Company is able to make repayments to the Noteholder according to its arranged repayment schedule; and

(iii) continuing financial support received from Mr. Liu Xue Lin, a director of the Company and the sole shareholder of Open Mission Assets Limited which is a major shareholder of the Company.

The directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, these financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Company and the Group fail to continue as a going concern.

(c) Basis of measurement

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of hotel properties as explained in the accounting policies set out below.

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

2. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants 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 financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies adopted by the Group is set out below.

(a) Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors. A subsidiary is considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise, so as to obtain benefits from its activities.

An investment in a subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated income statement as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet separately from liabilities and the shareholders' equity. Minority interests in the results of the Group for the year are also separately presented in the income statement.

Where losses attributable to the minority exceed the minority interest in the net assets of a subsidiary, the excess, and any further losses attributable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. All subsequent profits of the subsidiary are allocated to the Group until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 3(i)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case it is stated at fair value with changes in fair value recognised in the consolidated income statement as they arise. The consolidated income statement reflects the Group's share of the post-acquisition results of the associates for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 3(c). When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

(c) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of subsidiaries, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 3(i)).

In respect of acquisitions of associates, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. The cost of positive goodwill less any accumulated amortisation and any impairment losses (see note 3(i)) is included in the carrying amount of the interest in associates.

Negative goodwill arising on acquisitions of subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Goodwill *(Continued)*

In respect of any negative goodwill not yet recognised in the consolidated income statement:

– for subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and

– for associates, such negative goodwill is included in the carrying amount of the interest in associates.

On disposal of a subsidiary or an associate during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated income statement is included in the calculation of the profit or loss on disposal.

(d) Other investments in securities

The Group's and the Company's policies for investments in securities other than investments in subsidiaries and associates are as follows:

(i) Investments held on a continuing basis for an identified long-term purpose are classified as investment securities. Investment securities are stated in the balance sheet at cost less any provisions for diminution in value. Provisions are made when the fair values have declined below the carrying amounts, unless there is evidence that the decline is temporary, and are recognised as an expense in the income statement, such provisions being determined for each investment individually.

(ii) Provisions against the carrying value of investment securities are written back when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(iii) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the income statements as they arise.

(e) Property, plant and equipment

(i) Property, plant and equipment are carried in the balance sheet on the following bases:

– hotel and investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers;

– other property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation (see note 3(h)) and impairment losses (see note 3(i)).

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment *(Continued)*

(ii) Changes arising on the revaluation of hotel and investment properties are generally dealt with in reserves. The only exceptions are as follows:

- when a deficit arises on revaluation, it will be charged to the income statement, if and to the extent that it exceeds the amount held in the reserve in respect of that same asset, or, solely in the case of hotel and investment properties, immediately prior to the revaluation; and

- when a surplus arises on revaluation, it will be credited to the income statement, if and to the extent that a deficit on revaluation in respect of that same asset, or, solely in the case of hotel and investment properties, had previously been charged to the income statement.

(iii) Subsequent expenditure relating to an asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of an asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal. On disposal of hotel and investment properties, the related portion of surpluses or deficits previously taken to the hotel and investment properties revaluation reserve is also transferred to the income statement for the year. For all other property, plant and equipment, any related revaluation surplus is transferred from the revaluation reserve to retained profits.

(f) Intangible assets (other than goodwill)

(i) Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Capitalised development costs are stated at cost less accumulated amortisation (see note 3(h)) and impairment losses (see note 3(i)). Other development expenditure is recognised as an expense in the period in which it is incurred.

(ii) Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (see note 3(h)) and impairment losses (see note 3(i)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

(iii) Subsequent expenditure on an intangible asset after its purchase or its completion is recognised as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. If these conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Leased assets

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts over the term of the relevant lease or, where it is likely the Company or the Group will obtain ownership of the asset, the life of the asset, as set out in note 3(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(i). Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made.

(h) Amortisation and depreciation

(i) No depreciation is provided on hotel and investment properties with an unexpired lease term of over 20 years.

(ii) Depreciation is calculated to write off the cost or valuation of other property, plant and equipment over their estimated useful lives as follows:

– leasehold improvements are depreciated on a straight-line basis over the remaining term of the lease;

– other property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Plant and machinery	5 to 10 years
Furniture, fixtures and equipment	4 to 5 years
Motor vehicles and others	3 to 5 years

(iii) Amortisation of intangible assets is charged to the income statement on a straight-line basis over the assets' estimated useful lives of not more than 2 years.

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– investments in subsidiaries and associates (except for those accounted for at fair value under notes 3(a) and (b));

– intangible assets; and

– positive goodwill.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of such an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment losses is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(l) 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 the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the retirement plans managed by the local government authorities as stipulated by the requirements set by the local government authorities in The People's Republic of China (the "PRC"), are recognised as an expense in the income statement as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(iii) When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

(m) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that it, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Income tax *(Continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary difference arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Revenue recognition

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is recognised in the income statement as follows:

(i) Revenue from hotel operations

Revenue from hotel operations is recognised when the relevant services are provided.

(ii) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales tax, and is after deduction of any trade discounts and goods return.

(iii) Interest income

Interest income is accrued on a time-apportioned basis by reference to the principal outstanding and at the rate applicable.

(p) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income statement.

The results of foreign subsidiaries denominated in foreign currencies are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

On disposal of a foreign enterprise, the cumulative amount of the exchange differences which relate to that foreign enterprise is included in the calculation of the profit or loss on disposal.

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(r) Related parties

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.

(s) 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.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primarily reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

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. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

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 loans, borrowings, corporate and financing expenses and minority interests.

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

4. TURNOVER

The Company is an investment holding company. The principal activities of the Group are (i) design, development and distribution of hi-tech electronic products, (ii) trading of electronic products related materials, (iii) hotel operations, and (iv) strategic investments in the PRC.

Turnover represents sales value of hi-tech electronic products and related materials of electronic products and revenue from hotel operations. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2005	2004
	HK$'000	*HK$'000*
Sales of hi-tech electronic products	**173,258**	81,020
Sales of electronic products related materials	**58,594**	48,843
Revenue from hotel operations	**50,951**	49,813
	282,803	179,676

5. OTHER REVENUE AND OTHER NET INCOME

	2005	2004
	HK$'000	*HK$'000*
Other revenue		
Interest income from banks	**400**	187
Interest income from others	**278**	2,144
Management fee income	**532**	–
Others	**39**	60
	1,249	2,391
Other net income		
Gain on disposal of investment properties	**–**	1,651
	1,249	4,042

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

6. (LOSS)/PROFIT FROM OPERATIONS

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

	2005	2004
	HK$'000	*HK$'000*
Amortisation of intangible assets	**11,280**	9,400
Amortisation of positive goodwill (including in other operating expenses)	**6,989**	6,548
Auditors' remuneration		
– current year	**662**	557
– under-provision in prior years	**–**	210
Cost of inventories sold and services rendered	**206,471**	113,342
Depreciation of property, plant and equipment		
– owned assets	**4,815**	9,421
– an asset under a finance lease	**132**	131
Impairment loss on interest in an associate (including in other operating expenses)	**37,060**	–
Loss on disposal of property, plant and equipment	**371**	214
Operating lease charges		
– properties	**1,778**	1,978
– office equipment	**7**	1
Provision for bad and doubtful debts	**14**	630
Research and development costs	**4,751**	5,383
Staff costs (including directors' remuneration)		
– contributions to defined contribution plans	**849**	580
– other staff salaries, wages and other benefits	**21,681**	22,609
	22,530	23,189
Net exchange gain	**(55)**	(244)

7. NON-OPERATING INCOME

	2005	2004
	HK$'000	*HK$'000*
Surplus on revaluation of hotel properties	**429**	2,428

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

8. FINANCE COSTS

	2005	2004
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**7,785**	521
Interest on other loans	**2,757**	–
Interest on promissory note	**3,411**	3,533
Interest on convertible note	**1,893**	3,105
Interest on note payable	**3,081**	–
Finance charges on obligations under a finance lease	**12**	21
Other borrowings costs	**2,170**	–
Total finance costs	**21,109**	7,180

9. SHARE OF RESULTS OF ASSOCIATES

	2005	2004
	HK$'000	*HK$'000*
Share of results of associates	**(772)**	2,712
Amortisation of positive goodwill	**(2,831)**	(884)
	(3,603)	1,828

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

10. TAXATION

(a) Taxation in the consolidated income statement represents:

	2005 *HK$'000*	2004 *HK$'000*
Provision for Hong Kong profits tax for the year	**165**	–
Share of taxation of associates	**1,157**	567
Tax expense	**1,322**	567

(i) Hong Kong Profits Tax has been provided for 17.5% on the estimated assessable profit for the year (2004: Nil).

(ii) Taxation for the PRC operations is charged at appropriate current rates of taxation ruling in the PRC.

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

	2005		2004	
	HK$'000	%	*HK$'000*	%
(Loss)/profit before tax	**(40,492)**		6,104	
Share of results of associates	**3,603**		(1,828)	
(Loss)/profit before taxation, excluding share of results of associates	**(36,889)**		4,276	
Notional tax on (loss)/profit before tax, calculated at the applicable rate of 17.5%	**(6,456)**	**(17.5)**	748	17.5
Tax effect of non-deductible expenses	**11,408**	**30.9**	3,961	92.6
Tax effect of non-taxable revenue	**(52)**	**(0.1)**	(664)	(15.5)
Effect of tax holidays granted to a PRC subsidiary	**(1,865)**	**(5.1)**	(1,967)	(46.0)
Utilisation of tax losses not previously recognised	**(5,030)**	**(13.6)**	(3,649)	(85.3)
Tax effect of unused tax losses not recognised	**113**	**0.3**	185	4.3
Effect of different tax rates of companies of the Group	**2,047**	**5.5**	1,386	32.4
Tax expense before share of taxation of associates	**165**	**0.4**	–	–
Share of taxation of associates	**1,157**		567	
Actual tax expense	**1,322**		567	

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

11. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2005	2004
	HK$'000	*HK$'000*
Fees	**300**	240
Salaries and other emoluments	**186**	1,359
Retirement scheme contributions	**6**	24
	492	1,623

The remuneration of the directors is within the following bands:

	Number of directors	
	2005	2004
HK$Nil - HK$1,000,000	**9**	9

Included in the directors' remuneration were fees of HK$300,000 (2004: HK$240,000) paid to the three (2004: two) independent non-executive directors during the year.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended 31 March 2005, of the five individuals with the highest emoluments, no one is director. For the year ended 31 March 2004, of the five individuals with the highest emoluments, two are directors whose emoluments have been disclosed in note 11 above. The aggregate of the emoluments in respect of the other five (2004: three) individuals are as follows:

	2005	2004
	HK$'000	*HK$'000*
Salaries and other emoluments	**2,402**	1,283
Retirement scheme contributions	**60**	31
	2,462	1,314

The emoluments of the five (2004: three) individuals with the highest emoluments are within HK$Nil – HK$1,000,000 band.

13. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated (loss)/profit attributable to shareholders includes a loss of HK$127,421,000 (2004: HK$9,446,000) which has been dealt with in the financial statements of the Company.

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

14. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on a loss attributable to shareholders of HK$41,814,000 (2004: a profit of HK$5,537,000) and the weighted average of 1,061,627,920 shares (2004: 1,061,627,920 shares) in issue during the year.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the years ended 31 March 2005 and 2004 are not presented because the existence of the potential shares outstanding during the both years have an anti-dilutive effect on the calculation of diluted (loss)/earnings per share.

15. SEGMENT REPORTING

Segment reporting

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

Business segments

The Group comprises the following main business segments:

Strategic investments	:	The investments in investment securities, which engage in (i) design and integration of automation and control system, and (ii) development of landed property in Shanghai, the PRC, to generate dividend income and gain from appreciation in the investment value in the long term.
Hotel operations	:	Leasing of lodging spaces, provision of food and beverage at restaurant outlets, leasing of retail outlets and operating of other minor departments such as spa, telephone, guest transportation and laundry within the hotel premises.
Hi-tech electronic products	:	Design, development and distribution of hi-tech electronic products.
Electronic materials	:	Manufacture, distribution and trading of electronic products related materials.
Property investment	:	Leasing of office premises and shopping arcades in Guangzhou, the PRC to generate rental income.

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

15. SEGMENT REPORTING *(Continued)*

	2005						
	Strategic investments	Hotel operations	Hi-tech electronic products	Electronic materials	Property investment	Inter-segment elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	–	52,738	173,258	58,594	–	(1,787)	282,803
Segment results before impairment loss on interest in an associate	262	13,096	15,243	(619)	–	(1,375)	26,607
Impairment loss on interest in an associate	(37,060)	–	–	–	–	–	(37,060)
Segment results after impairment loss on interest in an associate	(36,798)	13,096	15,243	(619)	–	(1,375)	(10,453)
Unallocated operating expenses							(5,756)
Loss from operations							(16,209)
Surplus on revaluation of hotel properties							429
Finance costs							(21,109)
Share of results of associates	(1,161)	–	–	(2,442)	–		(3,603)
Taxation							(1,322)
Loss attributable to shareholders							(41,814)
Depreciation and amortisation for the year	–	2,412	13,598	–	–		16,010
Unallocated depreciation and amortisation							217
							16,227
Segment assets	37,085	344,203	304,067	77,535	–	(30,253)	732,637
Unallocated assets							5,984
Total assets							738,621
Segment liabilities	211,498	331,531	315,556	16,333	–	(585,365)	289,553
Unallocated liabilities							234,905
Total liabilities							524,458
Capital expenditure incurred during the year	–	868	401	–	–		1,269

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

15. SEGMENT REPORTING *(Continued)*

	2004						
	Strategic investments *HK$'000*	Hotel operations *HK$'000*	Hi-tech electronic products *HK$'000*	Electronic materials *HK$'000*	Property investment *HK$'000*	Inter-segment elimination *HK$'000*	Consolidated *HK$'000*
Revenue from external customers	–	50,055	81,020	48,843	–	(242)	179,676
Segment results before impairment loss on interest in an associate	(42)	6,942	8,711	(1,020)	3,784		18,375
Impairment loss on interest in an associate	–	–	–	–	–		–
Segment results after impairment loss on interest in an associate	(42)	6,942	8,711	(1,020)	3,784		18,375
Unallocated operating expenses							(9,347)
Profit from operations							9,028
Surplus on revaluation of hotel properties							2,428
Finance costs							(7,180)
Share of results of associates	1,207	–	–	621	–		1,828
Taxation							(567)
Profit attributable to shareholders							5,537
Depreciation and amortisation for the year	–	10,133	5,674	–	–		15,807
Unallocated depreciation and amortisation							3,145
							18,952
Segment assets	142,282	302,280	259,016	28,142	2,647	(13,422)	720,945
Unallocated assets							36,417
Total assets							757,362
Segment liabilities	207,555	332,421	275,563	23,184	301,194	(902,975)	236,942
Unallocated liabilities							264,443
Total liabilities							501,385
Capital expenditure incurred during the year	21,700	558	34,415	–	–		56,673

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

15. SEGMENT REPORTING *(Continued)*

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	2005	2004
	HK$'000	*HK$'000*
Revenue from external customers		
PRC (including Hong Kong)	**109,851**	168,246
India	**516**	846
Korea	**98,098**	10,443
Italy	**391**	141
Malaysia	**73,947**	–
	282,803	179,676

All segment assets and capital expenditures are in the PRC (including Hong Kong) for the years ended 31 March 2005 and 2004.

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

16. PROPERTY, PLANT AND EQUIPMENT

(a) Movements of the property, plant and equipment during the year are as follows:

	The Group						The Company
	Hotel properties	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles and others	Total	Motor vehicles
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation							
At 1 April 2004	244,693	2,127	34,823	25,808	6,103	313,554	438
Additions	242	392	5	630	–	1,269	–
Disposals	(1,060)	–	(379)	(282)	–	(1,721)	–
Surplus on revaluation	429	–	–	–	–	429	–
At 31 March 2005	244,304	2,519	34,449	26,156	6,103	313,531	438
Representing:							
Cost	–	2,519	34,449	26,156	6,103	69,227	438
Valuation – 2005	244,304	–	–	–	–	244,304	–
At 31 March 2005	244,304	2,519	34,449	26,156	6,103	313,531	438
Aggregate amortisation and depreciation							
At 1 April 2004	–	455	15,523	21,471	5,327	42,776	175
Charge for the year	–	1,664	1,942	1,061	280	4,947	132
Written back on disposals	–	–	(77)	(257)	–	(334)	–
At 31 March 2005	–	2,119	17,388	22,275	5,607	47,389	307
Net book value							
31 March 2005	244,304	400	17,061	3,881	496	266,142	131
31 March 2004	244,693	1,672	19,300	4,337	776	270,778	263

(b) All hotel properties of the Group are held outside Hong Kong on long leases.

(c) Hotel properties of the Group situated in the PRC were revalued at 31 March 2005 by an independent firm of surveyors, Vigers Appraisal & Consulting Limited, on an open market value basis. The revaluation surplus of HK$429,000 (2004: a surplus of HK$2,428,000) has been recognised in the consolidated income statement.

(d) The Group and the Company lease a motor vehicle under a finance lease expiring in three years. At the end of the lease term the Group and the Company have the option to purchase the motor vehicle at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals.

The net book value of the motor vehicle held under the finance lease of the Group and the Company at 31 March 2005 was HK$131,000 (2004: HK$263,000).

NOTES ON THE FINANCIAL STATEMENTS
For the year ended 31 March 2005

17. INTANGIBLE ASSETS

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Cost		
At 1 April	**20,680**	–
Additions	**–**	20,680
31 March	**20,680**	20,680
Accumulated amortisation		
At 1 April	**9,400**	–
Charge for the year	**11,280**	9,400
At 31 March	**20,680**	9,400
Carrying amount		
At 31 March	**–**	11,280

Intangible assets comprise technical know-how in respect of mobile phones and are recognised as an expense on a straight-line basis over the assets' estimated useful lives of not more than two years. The amortisation charge for the year is included in "other operating expenses" in the consolidated income statement.

18. GOODWILL
Positive goodwill

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Cost		
At 1 April	**97,387**	33,787
Addition arising on acquisition of a subsidiary	**–**	63,600
At 31 March	**97,387**	97,387
Accumulated amortisation		
At 1 April	**8,237**	1,689
Amortisation for the year	**6,989**	6,548
At 31 March	**15,226**	8,237
Carrying amount		
At 31 March	**82,161**	89,150

Positive goodwill is recognised as an expense on a straight-line basis over its useful life with the period not exceeding twenty years. The amortisation of positive goodwill for the year is included in "other operating expenses" in the consolidated income statement.

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

19. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	**1**	1

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ operation	Particulars of issued and paid-up capital/ registered capital	Proportion of equity interest: Group's effective interest	Proportion of equity interest: Held by the Company	Proportion of equity interest: Held by subsidiary	Principal activities
Goldwiz Management Limited	Hong Kong	2 shares of HK$1 each	100%	100%	–	Provision of management services for inter-group companies
Goldwiz Technology Limited	British Virgin Islands	1 share of US$1	100%	100%	–	Investment holding
Goldwiz Communication Limited	British Virgin Islands	1 share of US$1	100%	100%	–	Investment holding
Goldwiz Huarui (H.K.) Limited	Hong Kong	1,000 shares of HK$1 each	100%	–	100%	Trading of electronic products related materials
Smart Idea Enterprises Limited	British Virgin Islands	1,000 shares of US$1 each	100%	–	100%	Investment holding
Goldwiz Electric Trading Limited	Hong Kong	10,000 shares of HK$1 each	100%	–	100%	Trading of electronic products
科維華瑞(深圳)電子材料有限公司 (前稱：科維電氣(深圳)有限公司) Goldwiz Huarui (Shenzhen) Electronic Material Co. Ltd. # (Formerly known as Goldwiz Electric (Shenzhen) Limited) ("Goldwiz Huarui") *	The PRC	HK$100,000,000 (of which HK$80,000,000 being paid-up)	100%	–	100%	Design, development and distribution of hi-tech electronic products
Goldwiz Property Limited	Hong Kong	2 shares of HK$1 each	100%	100%	–	Investment holding

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

19. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ operation	Particulars of issued and paid-up capital/ registered capital	Proportion of equity interest: Group's effective interest	Proportion of equity interest: Held by the Company	Proportion of equity interest: Held by subsidiary	Principal activities
Pacific Peace Investments Limited	British Virgin Islands	100 shares of US$1 each	100%	–	100%	Investment holding
Risdon Limited	British Virgin Islands	1 share of US$1	100%	–	100%	Investment holding
昆明海逸酒店有限公司 Harbour Plaza Kunming Co., Ltd. # ("Harbour Plaza") *	The PRC	RMB140,772,056	100%	–	100%	Hotel ownership and operation
Ever First Enterprises Limited	British Virgin Islands	100 shares of US$1 each	100%	–	100%	Investment holding

* *Goldwiz Huarui and Harbour Plaza are wholly foreign-owned enterprises established in the PRC.*

\# *The company name is for identification purpose only.*

20. INTEREST IN ASSOCIATES

	The Group 2005 HK$'000	The Group 2004 HK$'000
Share of net assets of associates		
Listed in Hong Kong	**49,728**	50,564
Unlisted	**34,563**	35,656
	84,291	86,220
Impairment loss	**(12,934)**	–
Positive goodwill on acquisition of associates less amortisation and impairment *(note a)*	**23,335**	50,292
	94,692	136,512
Market price of listed equity securities	**36,794**	75,523

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

20. INTEREST IN ASSOCIATES *(Continued)*

(a) Movements of the positive goodwill during the year are as follows:

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Cost		
At 1 April	**51,176**	–
Addition	**–**	51,176
At 31 March	**51,176**	51,176
Accumulated amortisation and impairment		
At 1 April	**884**	–
Amortisation for the year *(**note 9**)*	**2,831**	884
Impairment loss	**24,126**	–
At 31 March	**27,841**	884
Carrying amount		
At 31 March	**23,335**	50,292

Positive goodwill is recognised as an expense on a straight-line basis over its useful life with the period not exceeding twenty years. The amortisation of positive goodwill for the year and the impairment loss are included in "share of results of associates" and "other operating expenses", respectively, in the consolidated income statement.

(b) Details of the associates at 31 March 2005 are as follows:

			Percentage of equity interest			
Name of associate	**Place of incorporation/ operation**	**Particulars of issued and paid-up or registered capital**	**Group's effective interest**	**Held by the Company**	**Held by subsidiary**	**Principal activities**
Techwayson Holdings Limited ("Techwayson") *	Cayman Islands	350,000,000 ordinary shares of HK$ 0.10 each	27.66%	–	27.66%	Investment holding
科維華瑞(銅陵) 電子材料有限公司 (前稱: 銅陵華瑞電子材料有限公司) Goldwiz Huarui (Tongling) Electronic Material Co., Ltd.) (Formerly known as Tongling Huarui Electronic Material Co., Ltd.) ("Goldwiz Tongling") **	The PRC	US$12,453,800 (of which US$12,310,300 being paid-up)	33.36%	–	33.36%	Manufacture and distribution of electronic products related materials

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

20. INTEREST IN ASSOCIATES *(Continued)*

(b) Details of the associates at 31 March 2005 are as follows: *(Continued)*

* *Techwayson's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited.*

** *Goldwiz Tongling was a sino-foreign equity joint venture established in the PRC. In March 2005, Goldwiz Tongling was transformed into a wholly foreign-owned enterprise established in the PRC. Subsequent to the balance sheet date, the Company acquired additional 48.12% equity interest in Goldwiz Tongling, in which 47% equity interest was acquired upon completion of the acquisitions of Pencester Limited and Best News International Limited, and 1.12% equity interest was acquired through the further capital contribution by Pencester Limited. Upon completion of the said transactions, Goldwiz Tongling became a subsidiary of the Company.*

(c) Additional financial information in respect of Techwayson is given as follows:

The financial information of Techwayson and its subsidiaries, which is material in the context of the Group's financial statements, as extracted from the unaudited consolidated financial statements for the year ended 31 March 2005 is summarised below:

(i) Consolidated operating results of Techwayson and its subsidiaries for the year ended 31 March 2005

	1 April 2004 to 31 March 2005	#1 March 2004 to 31 March 2004
	HK$'000	*HK$'000*
Turnover	**184,195**	68,779
Profit before taxation	**413**	4,749
(Loss)/profit after taxation	**(3,021)**	4,346
Attributable share of an associate's (loss)/profit after taxation	**(836)**	1,202

\# *Techwayson is accounted for as an associate of the Group from 1 March 2004.*

(ii) Consolidated balance sheet of Techwayson and its subsidiaries at 31 March 2005

	2005	2004
	HK$'000	*HK$'000*
Non-current assets	**106,744**	117,077
Current assets	**205,804**	242,940
Current liabilities	**(124,877)**	(167,075)
Non-current liabilities	**(7,890)**	(10,141)
Net assets	**179,781**	182,801
Attributable share of an associate's net assets	**49,728**	50,564

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

20. INTEREST IN ASSOCIATES *(Continued)*

(d) Additional financial information in respect of Goldwiz Tongling is given as follows:

The financial information of Goldwiz Tongling, which is material in the context of the Group's financial statements, as extracted from the unaudited financial statements for the year ended 31 March 2005 is summarised below:

(i) Operating results of Goldwiz Tongling for the year ended 31 March 2005

	1 April 2004 to 31 March 2005	#1 October 2003 to 31 March 2004
	HK$'000	*HK$'000*
Turnover	**104,124**	70,692
(Loss)/profit before taxation	**(2,657)**	4,194
(Loss)/profit after taxation	**(3,277)**	2,828
Attributable share of an associate's (loss)/profit after taxation	**(1,093)**	943

\# *Goldwiz Tongling is accounted for as an associate of the Group from 1 October 2003.*

(ii) Balance sheet of Goldwiz Tongling at 31 March 2005

	2005	2004
	HK$'000	*HK$'000*
Non-current assets	**85,360**	92,394
Current assets	**141,746**	131,493
Current liabilities	**(123,500)**	(101,606)
Non-current liabilities	**–**	(15,397)
Net assets	**103,606**	106,884
Attributable share of an associate's net assets	**34,563**	35,656

(e) The Group assessed the recoverable amount of the interest in Techwayson. Based on this assessment, the carrying amount of the interest in Techwayson was written down by HK$37,060,000, which was included in "other operating expenses" in the consolidated income statement. The estimates of recoverable amount were based on the net selling price from the sale of the interest in Techwayson.

NOTES ON THE FINANCIAL STATEMENTS
For the year ended 31 March 2005

21. DEPOSITS FOR ACQUISITION OF SUBSIDIARIES

In September 2003, the Group entered into sale and purchase agreements with independent third parties to acquire 100% equity interest in Pencester Limited ("PL") and in Best News International Limited ("BNI"). PL and BNI then held 24.52% and 22.48% respectively of the equity interest in Goldwiz Tongling. Further details of the acquisition of PL and BNI are set out in the announcement dated 26 September 2003 issued by the Company.

These transactions were completed after 31 March 2005. Upon completion of the said transactions, PL, BNI and Goldwiz Tongling became the subsidiaries of the Company.

22. OTHER FINANCIAL ASSETS

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Investment securities				
Unlisted equity securities, at cost *(note a)*	**39**	39	**39**	39
Loans to the investee company *(note b)*	**–**	3,500	**–**	3,500
	39	3,539	**39**	3,539

(a) The directors of the Company are of the opinion that the Group holds the above investments on a continuing basis with strategic reasons.

(b) At 31 March 2004, the loans were unsecured, non-interest bearing and had no fixed terms of repayment.

(c) The underlying value of investment securities is, in the opinion of the directors of the Company, not less than the carrying amount at 31 March 2005.

23. LOANS TO AN INVESTEE COMPANY

At 31 March 2005, the loans were unsecured and expected to be recovered within one year. A loan of HK$4,245,000 (2004: Nil) bore interest at the Hong Kong prime rate.

24. DUE FROM/TO SUBSIDIARIES

The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

NOTES ON THE FINANCIAL STATEMENTS
For the year ended 31 March 2005

25. INVENTORIES

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Food and beverage and others, at cost	**4,464**	4,289
Goods held for re-sales, at cost	**37,344**	47,439
Goods-in-transits, at cost	**–**	960
	41,808	52,688

At 31 March 2005 and 2004, none of the Group's inventories were stated at the estimated net realisable value.

26. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade debtors *(note b)*	**110,880**	58,698	**–**	–
Bills receivable	**–**	90	**–**	–
Deposits, prepayments and other receivables *(note c)*	**86,339**	49,184	**12**	14
	197,219	107,972	**12**	14

(a) All the trade and other receivables are expected to be recovered within one year.

(b) Included in trade and other receivables are trade debtors and bills receivable with the following ageing analysis:

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Within 1 month	**7,942**	43,901
More than 1 month but less than 3 months	**53,785**	9,414
More than 3 months but less than 12 months	**49,332**	6,247
More than 12 months	**609**	–
	111,668	59,562
Less: General provision for bad and doubtful debts	**(788)**	(774)
	110,880	58,788

Debts are generally due within 3 months from the date of billing. The Group may, on a case by case basis and after evaluation of the business relationship and credit worthiness, extend the credit period upon customers' request.

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

26. TRADE AND OTHER RECEIVABLES *(Continued)*

(c) Included in deposits, prepayments and other receivables is the advance to a supplier amounting to HK$45,479,000 for acquisition of hi-tech electronics products related materials. During the year, a subsidiary of the Company and a supplier had entered into agreements that the subsidiary would purchase hi-tech electronics products related materials from the supplier amounting to US$8,640,000 (equivalent to approximately HK$67,392,000). The subsidiary advanced to the supplier amounting to approximately HK$45,479,000 as deposits agreed by the subsidiary and the supplier. Eventually, the supplier was not able to provide the materials with the quality to the subsidiary's satisfaction. The subsidiary and the supplier reached an agreement that the above mentioned agreements were terminated and the supplier refunded the amount to the subsidiary in May 2005.

27. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank	**46,069**	79,410	**680**	3,166
Cash on hand	**280**	264	**12**	–
Cash and cash equivalents	**46,349**	79,674	**692**	3,166

28. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade creditors	**16,817**	22,875	**–**	–
Deposits received	**–**	1,840	**–**	–
Receipts in advance	**441**	3,637	**–**	–
Accruals and other payables	**20,204**	20,011	**5,970**	4,978
	37,462	48,363	**5,970**	4,978

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

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

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Due within 1 month or on demand	**8,343**	6,320	**–**	–
Due after 1 month but within 3 months	**4,579**	7,930	**–**	–
Due after 3 months but within 6 months	**3,895**	8,625	**–**	–
	16,817	22,875	**–**	–

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

29. BANK LOANS

At 31 March 2005, the bank loans borrowed by a subsidiary of the Company were repayable within one year. A bank loan of RMB100,000,000 (equivalent to approximately HK$94,000,000) (2004: HK$94,000,000) bore interest at 6.696% (2004: 5.841%) per annum and was guaranteed by the Company, another subsidiary of the Company and Mr. Liu Xue Lin, a director of the Company. A bank loan of RMB50,000,000 (equivalent to approximately HK$47,000,000) (2004: NIL) bore interest at 5.31% per annum and was guaranteed by the Company.

30. OTHER LOAN, SECURED

In August 2004, a subsidiary of the Company obtained a six-month term loan of HK$21,200,000 and in March 2005, the subsidiary successfully renewed the loan for a further period of six months.

The loan is secured by (i) a share mortgage over all the issued shares in Goldwiz Technology Limited, a wholly-owned subsidiary of the Company (ii) an assignment of the shareholder's loan owing by the Group to Open Mission Assets Limited, a major shareholder of the Company, (iii) a first floating charge over all undertaking assets and property of the Company, (iv) a first floating charge over all undertaking assets and property of Goldwiz Technology Limited and (v) guarantees by two independent third parties and Mr. Liu Xue Lin, a director of the Company. The loan bears interest at 1.75% per month and repayable in August 2005.

31. OBLIGATIONS UNDER A FINANCE LEASE

At 31 March 2005, the Group and the Company had obligations under the finance lease repayable as follows:

	The Group and the Company					
	2005			2004		
	Present value of the minimum lease payments	**Interest expense relating to future periods**	**Total minimum lease payments**	Present value of the minimum lease payments	Interest expense relating to future periods	Total minimum lease payments
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	**84**	**3**	**87**	118	12	130
After 1 year but within 2 years	**–**	**–**	**–**	84	3	87
	84	**3**	**87**	202	15	217

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

32. PROMISSORY NOTE, SECURED

The promissory note (the "Promissory Note") is secured by (i) a share mortgage over all the issued shares in Risdon Limited, a wholly-owned subsidiary of the Company, incorporating an assignment of the shareholder's loan due from Risdon Limited and (ii) a mortgage over 100% of Risdon Limited's equity interest in Harbour Plaza Kunming Co., Ltd. (the "Hotel"), a wholly-owned subsidiary of the Company. The Promissory Note bears interest at Hong Kong Interbank Offering Rate ("HIBOR") plus 2% and is repayable in three equal installments each following the expiry of the eight-month, sixteen-month and twenty-four month period after 24 July 2002. The Promissory Note is due to Hutchison International Limited ("HIL"). Further details of the issue of the Promissory Note are set out in the announcement dated 26 July 2002 issued by the Company.

The second and final installments of the Promissory Note were due on 24 November 2003 and 24 July 2004 respectively. At 31 March 2005, the outstanding amount under the Promissory Note was HK$39,500,000 and bore interest at HIBOR plus 5% on a monthly basis.

As at the date of this report, the final instalment of the Promissory Note has been overdue and HK$9,500,000 remains outstanding, and HIL has not taken any action against the Company due to the Company's default in the second and final instalments of the Promissory Note due on 24 November 2003 and 24 July 2004 respectively; however HIL has the right to exercise the mortgages mentioned above.

33. NOTE PAYABLE, SECURED/CONVERTIBLE NOTE, SECURED

The convertible note ("Convertible Note") was issued to HIL on 8 November 2002 and was expired on the date being the second anniversary of the date of issue of the Convertible Note (the "Maturity Date"). The holder of the Convertible Note has the right to convert in whole or any part of the principal amount outstanding under the Convertible Note into the shares of the Company at an initial conversion price of HK$0.76 per share, subject to adjustment, at any time before 8 November 2004 (the "Conversion Period"). The Convertible Note is secured by (i) a share mortgage over all the issued shares in Risdon Limited, a wholly-owned subsidiary of the Company, incorporating an assignment of the shareholder's loan due from Risdon Limited and (ii) a mortgage over 100% of Risdon Limited's equity interest in the Hotel. The Convertible Note bears interest at 2% per annum until the repayment of all obligations of the Company in full under the Convertible Note. The Company shall not be obliged to make any redemption of the outstanding principal amount of the Convertible Note until the Company has received the certificate of the Convertible Note on the Maturity Date. Further details of the issue of the Convertible Note are set out in the announcement dated 26 July 2002 issued by the Company.

During the Conversion Period, the holder of the Convertible Note did not exercise its right to convert any part of the Convertible Note into new shares of the Company. On 8 November 2004 being the Maturity Date, the Convertible Note was immediately due for repayment and classified as a note payable (the "Note"). At 31 March 2005, the Note bore interest at 5% per annum on a monthly basis.

As at the date of this report, the Company has not yet received the certificate of the Convertible Note from the holder of the Note and the Note remains outstanding, and the holder of the Note has not taken any action against the Company due to the Company's default in repayment of all obligations of the Company in full under the Convertible Note due on 8 November 2004; however the holder of the Note has the right to exercise the mortgages mentioned above.

In the opinion of the directors of the Company, the Company has received verbal consent from the holder of the Note for the extension of payment for the redemption of the Note to allow the Company to seek for refinancing. Further details of the expiry of the Convertible Note are set out in the announcement dated 29 November 2004 issued by the Company.

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

34. TAXATION PAYABLE

Taxation in the consolidated balance sheet represents provision for Hong Kong profits tax for the year.

35. DUE TO A MAJOR SHAREHOLDER

The amounts due to the major shareholder are unsecured. Of the total amounts due to the shareholder at 31 March 2005, the amounts of HK$34,380,000 (2004: HK$25,355,000) due by the Group and HK$29,943,000 (2004: HK$25,355,000) due by the Company bore interest at 2% per annum over the Hong Kong prime rate. Subsequent to the balance sheet date, the major shareholder has agreed to waive charging the interest against the Group and the Company for the year.

The major shareholder has also agreed not to demand the Group and the Company for repayment until they are financially capable to do so.

36. SHARE CAPITAL

	The Group and the Company			
	2005		2004	
	Number of shares		Number of shares	
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of $0.10 each	**5,000,000**	**500,000**	5,000,000	500,000
Issued and fully paid:				
At 1 April and 31 March	**1,061,628**	**106,163**	1,061,628	106,163

There was no movement in the share capital of the Company during the two years ended 31 March 2005 and 2004.

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

37. RESERVES

	Share premium	Capital redemption reserve	Contributed surplus (note (a))	Investment properties revaluation reserve (note (b))	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
The Group						
At 1 April 2003	436,670	68	–	651	(292,461)	144,928
Revaluation surplus transferred to the income statement on disposal of investment properties	–	–	–	(651)	–	(651)
Net profit for the year	–	–	–	–	5,537	5,537
At 31 March 2004 and at 1 April 2004	436,670	68	–	–	(286,924)	149,814
Net loss for the year	–	–	–	–	(41,814)	(41,814)
At 31 March 2005	436,670	68	–	–	(328,738)	108,000
The Company						
At 1 April 2003	436,670	68	61,324	–	(359,150)	138,912
Net loss for the year	–	–	–	–	(9,446)	(9,446)
At 31 March 2004 and at 1 April 2004	436,670	68	61,324	–	(368,596)	129,466
Net loss for the year	–	–	–	–	(127,421)	(127,421)
At 31 March 2005	436,670	68	61,324	–	(496,017)	2,045

(a) The excess value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation scheme in 1990 over the nominal value of new shares of the Company issued in exchange is credited to the contributed surplus account.

Under the company law in Bermuda, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(b) The revaluation reserve has been set up and dealt with in accordance with the accounting policies adopted for revaluation of investment properties.

(c) Included in the figure for the accumulated losses of the Group is an amount of HK$216,000 (2004: HK$2,145,000) being the retained profits attributable to associates.

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

38. DEFERRED TAXATION

The Group has not recognised deferred tax assets in respect of the tax losses of approximately HK$24 million (2004: HK$44 million) as it is not probable that taxable profit will be available against which the tax losses can be utilised.

At 31 March 2005, the Group's tax losses of approximately HK$9 million (2004: HK$30 million) will expire in five years from the year in which they were incurred and of approximately HK$15 million (2004: HK$14 million) do not expire under current tax legislation.

The Group and the Company have no significant potential unprovided deferred tax liabilities for the year and at the balance sheet date.

39. RETIREMENT BENEFITS SCHEMES

Hong Kong

The Group maintains a mandatory provident fund (the "MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to a cap of monthly relevant income of HK$20,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

PRC, other than Hong Kong

The Company's subsidiaries established in the PRC participate in the central pension schemes operated by the relevant local government authorities. The subsidiaries are required to contribute a certain percentage of the eligible employees' salaries to the central pension schemes to fund the employees' retirement benefits.

The Group does not have any other pension schemes for its employees in respect of its subsidiaries outside Hong Kong and other parts of the PRC. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities at 31 March 2005 to the retirement benefits of its employees.

NOTES ON THE FINANCIAL STATEMENTS
For the year ended 31 March 2005

40. COMMITMENTS

(a) Capital commitments outstanding at 31 March 2005 not provided for in the financial statements were as follows:

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Contracted for	**20,000**	20,743	**–**	743

(b) At 31 March 2005, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

Properties

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within 1 year	**638**	1,702	**302**	517
After 1 year but within 5 years	**71**	588	**–**	302
	709	2,290	**302**	819

The Group leases a number of properties under operating leases, which typically run for an initial period of one to three years, with an option to renew the leases when all terms are renegotiated. None of the leases includes contingent rentals.

Others

	The Group		The Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within 1 year	**7**	7	**–**	–
After 1 year but within 5 years	**21**	28	**–**	–
	28	35	**–**	–

The Group leases office equipment under operating leases for a period of five years. The lease does not include contingent rentals.

41. CONTINGENT LIABILITIES

At 31 March 2005, the Company provided guarantees to financial institutions in respect of loans granted to certain subsidiaries amounting to HK$162,200,000 (2004: HK$94,000,000).

NOTES ON THE FINANCIAL STATEMENTS
For the year ended 31 March 2005

42. MATERIAL RELATED PARTY TRANSACTIONS

(a) Advance from a major shareholder

During the year, Open Mission Assets Limited ("Open Mission"), a major shareholder of the Company, advanced to the Group and the Company amounted to HK$11,220,000 (2004: HK$118,521,000) and HK$4,588,000 (2004: HK$16,604,000) respectively. To show its continuous financial support, Open Mission has agreed to waive the Group HK$2,161,000 (2004: HK$1,243,000) and the Company HK$2,039,000 (2004: HK$ 1,243,000) interest accruing on the shareholder's loan.

During the year, the Group and the Company repaid Open Mission amounting to HK$7,493,000 (2004: HK$3,246,000) and NIL (2004: HK$2,294,000) respectively.

(b) Purchases of materials from a subsidiary of an associate

Goldwiz Tongling supplies a subsidiary of the Company with the electronic products related materials under similar terms as it trades with other customers. Purchases from Goldwiz Tongling amounted to HK$56,795,000 during the year ended 31 March 2005 (2004: HK$37,316,000). At the balance sheet date, amount due to Goldwiz Tongling amounted to HK$14,653,000 (2004: HK$18,473,000) and was included under trade payables in the consolidated balance sheet.

(c) Purchases of property, plant and equipment from a subsidiary of an associate

During the year, a subsidiary of the Company purchased property, plant and equipment from a subsidiary of Techwayson amounted to HK$312,000 (2004: NIL).

(d) Advance to subsidiaries of an associate

During the year, the Group and the Company advanced to subsidiaries of Techwayson amounted to approximately HK$18,124,000 (2004: NIL) and HK$8,858,000 (2004: NIL) respectively. The advances are unsecured and bear interest at 2% to 2.7% per month. All the advances were fully repaid in the year ended 31 March 2005. During the year, the Group and the Company received interest income from the subsidiaries of Techwayson amounting to approximately HK$82,000 (2004: NIL) and HK$55,000 (2004: NIL) respectively.

(e) Advance from subsidiaries of an associate

During the year, subsidiaries of Techwayson advanced to the Company amounted to approximately HK$1,620,000 (2004: NIL). The advances are unsecured and bear interest at 2.18% to 2.96% per month. All the advances were fully repaid in the year ended 31 March 2005. During the year, the Company paid interest expense to the subsidiaries of Techwayson amounting to approximately HK$73,000 (2004: NIL).

(f) Management fee income from a subsidiary of an associate

In September 2004, the Group and Techwayson entered into an agreement for the provision of administrative services to Techwayson at HK$40,000 per month with effect from 1 October 2004 without specified expiry date. During the year, the Group received management fee income from a subsidiary of Techwayson amounted to HK$240,000 (2004: NIL).

(g) Guarantees given by a director of the Company against loan facilities granted to the Group

At 31 March 2005, Mr. Liu Xue Lin, a director of the Company has given personal guarantees to financial institutions for securing loans of HK$115,200,000 (2004: HK$94,000,000) borrowed by subsidiaries of the Company.

(h) Guarantees given by a major shareholder of the Company against loan facilities granted to the Group

During the year, a subsidiary of the Company borrowed a loan of HK$21,200,000 from a financial institution and Open Mission assigned to the financial institution its shareholder's loan owing by the Group for securing the loan borrowed by the subsidiary. At 31 March 2005, the loan has not yet been settled.

NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

43. POST BALANCE SHEET EVENTS

(a) In April 2005, the Group paid approximately HK$13,997,000 being the balance for the acquisitions of the entire issued share capital of Pencester Limited and Best News International Limited together with the shareholders' loans due and owing by Pencester Limited and Best News International Limited. Further details of the acquisitions of Pencester Limited and Best News International Limited are set out in note 21 to the financial statements.

(b) In June 2005, the Group paid approximately HK$1,092,000 for further acquisition of 1.12% equity interest in Goldwiz Tongling.

(c) Upon completion of the above transactions, Goldwiz Tongling is held up to 81.48% by the Group and as to 18.52% by a subsidiary of Techwayson.

(d) After the balance sheet date, Open Mission further advanced approximately HK$45 million to the Group. The amount is unsecured, bears interest at 2% per annum over the Hong Kong prime rate and has no fixed terms of repayment.

44. COMPARATIVE FIGURES

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