

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Appendix 16 under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

2. Principal Accounting Policies

The accounting policies and methods of computation used in preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2005 except that the Group has changed certain of its accounting policies following its adoption of the new Hong Kong Financial Reporting Standards ("HKFRS") and HKASs (collectively referred to as new "HKFRSs") which are effective for accounting periods commencing on or after 1 January 2005.

A. Changes in Accounting Policies

HKAS 17: "Leases"

The adoption of HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land are expensed in the income statement on a straight-line basis over the period of the lease and where there is impairment, the impairment is expensed in the income statement.

HKAS 32 – "Financial Instruments: Disclosure and presentation" and

HKAS 39 – "Financial instruments: Recognition and measurement"

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy for recognition, measurement and disclosure of financial instruments. In accordance with HKAS 39, the investments, depending on the purpose for which the investments are held, are required to be classified into financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. As a result, the trust fund investments held by the Group are reclassified as financial assets at fair value through profit or loss and carried at fair value at the balance sheet date with movements in fair value recognised in income statement.

Furthermore, HKAS 39 requires financial liabilities, except for those carried at fair value through profit or loss, to be carried at amortised cost using the effective interest method.

HKAS 16 – "Property, Plant and Machinery"

Hong Kong Interpretation 2 – "Appropriate Policies for Hotel Properties"

In prior periods, the Group's hotel properties were stated at its open market value for existing use on the basis of annual professional valuations. No depreciation was provided on the hotel properties on the basis that they were maintained in such condition that their residual values were not diminished by the passage of time and that any element of depreciation was insignificant.

Upon the adoption of HKAS 16 and Hong Kong Interpretation 2, the Group's leasehold interest in the hotel buildings is now stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in hotel land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed asset to leasehold premium for land, while leasehold buildings continue to be classified as part of property, plant and equipment. Leasehold premium for land under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term.

The effects of the above changes are summarised in Note 2B & Note 20. The comparative amounts in the condensed consolidated balance sheet for the year ended 31 March 2005 have been restated.

2. Principal Accounting Policies (Continued)

A. Changes in Accounting Policies (Continued)

HKFRS 3 – “Business Combinations” and HKAS 36 – “Impairment of Assets”

Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets, except to the extent it related to expectations of future losses and expenses that were identified in the acquisition plan and that could be measured reliably, in which case, it was recognised as income in the income statement when the future losses and expenses were recognised.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period. Any excess of the Group’s interest in the net fair value of the acquirees’ identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as “negative goodwill”), after reassessment, is recognised immediately in the income statement.

B. Summary of the effects of the changes in accounting policies

The effects of the changes in the accounting policies described above on the results for the current and prior periods are as follows:

	1.4.2005 to 30.9.2005 HK\$’000	1.4.2004 to 30.9.2004 HK\$’000
Increase in depreciation of hotel properties	9,504	8,494
Increase in depreciation of leasehold premium for land	482	482

3. SEGMENT REPORTING

BUSINESS SEGMENTS

For the six months ended 30 September 2005 (Unaudited)

	Strategic Investments HK\$’000	Hotel operations HK\$’000	Electronic Products HK\$’000	Electronic Materials HK\$’000	Property Investments HK\$’000	Inter- Segment elimination HK\$’000	Consolidated HK\$’000
Revenue from external customers	-	26,687	78	81,785	-	(240)	108,310
Segment results	-	(1,409)	(4,160)	(3,664)	-		(9,233)
Unallocated operating expenses							(2,199)
Loss from operations							(11,432)
Reversals of impairment loss on interest in an associate							12,566
Impairment loss on goodwill of subsidiaries							(73,912)
Finance costs							(15,127)
Share of results of associates							(480)
Taxation							(480)
Loss attributable to shareholders							(88,865)

3. SEGMENT REPORTING (Continued)**BUSINESS SEGMENTS (Continued)**

For the six months ended 30 September 2004 (Unaudited & restated)

	Strategic Investments <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Electronic Products <i>HK\$'000</i>	Electronic Materials <i>HK\$'000</i>	Property Investments <i>HK\$'000</i>	Inter- Segment elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue from external customers	–	26,230	72,238	42,034	–	(975)	139,527
Segment results	–	(3,119)	19,314	(1,468)	–	–	14,727
Unallocated operating expenses							(4,145)
Profit from operations							10,582
Reversals of impairment loss on interest in an associate							–
Impairment loss on goodwill of subsidiaries							–
Finance costs							(7,167)
Share of results of associates							(470)
Taxation							(390)
Profit attributable to shareholders							2,555

GEOGRAPHICAL SEGMENTS**For the six months ended
30 September**

	2005 (Unaudited) <i>HK\$'000</i>	2004 (Unaudited) <i>HK\$'000</i>
Revenue from external customers		
PRC (including Hong Kong)	108,310	60,780
India	–	517
Korea	–	62,280
Italy	–	390
Malaysia	–	15,560
	108,310	139,527

4. (LOSS)/PROFIT FROM OPERATIONS

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

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited & restated)
	HK\$'000	HK\$'000
Amortisation of intangible assets	–	6,580
Amortisation of positive goodwill	–	3,494
Auditors' remuneration		
– current year	–	–
– under-provision in prior years	55	144
Bad debts written off	350	–
Cost of inventories sold and services rendered	89,937	90,633
Depreciation of property, plant and equipment		
– owned assets	14,073	11,494
– an asset held under a finance lease	65	65
	14,138	11,559
Depreciation of leasehold premium for land	482	482
Loss on disposal of property, plant and equipment	313	104
Loan to an ex-shareholder written off	1,203	–
Net exchange loss	813	25
Provision for doubtful debts	8	–
Operating lease charges		
– properties	1,606	1,133
– office equipment	4	4
Staff cost		
– contributions to defined contribution plan	142	273
– other staff salaries, wages and other benefits	11,237	11,897
	11,379	12,170

5. FINANCE COSTS

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	6,706	3,468
Interest on other borrowings wholly repayable within five years	2,342	464
Interest on note payable	4,030	–
Interest on convertible note	–	1,550
Interest on promissory note	890	1,678
Finance charges on obligations under a finance lease	2	7
Other borrowings costs	1,157	–
Total finance costs	15,127	7,167

6. TAXATION

	For the six months ended 30 September	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Share of associates' taxation	467	336
Current tax – Hong Kong Profits Tax	13	54
	480	390

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit earned by a subsidiary operated in Hong Kong for the period. Taxation for the PRC operations is charged at appropriate current rates of taxation ruling in the PRC.

7. (LOSS)/EARNINGS PER SHARE**(a) Basic (loss)/earnings per share**

The calculation of basic (loss)/earnings per share for the six months ended 30 September 2005 is based on the loss attributable to shareholders of approximately HK\$88,865,000 (2004: restated profit of HK\$2,555,000) and on the weighted average of 1,061,627,920 shares (2004: 1,061,627,920 shares) in issue throughout the period.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the periods ended 30 September 2005 and 2004 are not presented as the existence of the potential shares outstanding during these two periods has anti-dilutive effect on the calculation of diluted (loss)/earnings per share.

8. PROPERTY, PLANT AND EQUIPMENT**For the six months ended 30 September 2005**

	Unaudited & Restated HK\$'000
Opening net book value	153,805
Additions	429
Acquisition of subsidiaries	81,858
Disposal	(312)
Depreciation	(14,138)
Closing net book value	<u>221,642</u>

Hotel properties of the Group situated in the PRC were revalued at 31 March 2005 by an independent firm of surveyors on an open market value basis at RMB281,000,000 (approximately HK\$264,000,000).

The net book value of motor vehicle held under the finance lease of the Group as at 30 September 2005 was HK\$65,000 (2004: HK\$197,100).

9. GOODWILL**For the six months ended 30 September 2005****Unaudited***HK\$'000*

Opening net carrying value	82,161
Acquisition of subsidiaries	46,471
Impairment loss on goodwill of subsidiaries	(73,912)
	54,720
Closing net carrying value	54,720

10. TRUST FUND INVESTMENTS

Trust fund investments represents funds placed with an independent trust investment company in the PRC. The funds are managed by the trust investment company and transacted with the assets/trust assets under its management. The trust investment company guaranteed the annual rate of return on the trust fund investments at 4%. In accordance with the terms of the trust fund contracts, the trust period of the funds will expire in May 2006.

11. OTHER INVESTMENT

The investment represents the Company's partial payment of investment on joint production and distribution of a 20-chapter TV series "Super Diva" in the PRC with Shanghai ee-media Co. Ltd. which is a holding company of the Hunan entertainment channel under the Hunan Broadcasting Group.

12. TRADE AND OTHER RECEIVABLES

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

	30/9/2005 (Unaudited) HK\$'000	31/3/2005 (Audited) <i>HK\$'000</i>
Within 1 month	37,360	7,942
More than 1 month but less than 3 months	12,874	53,785
More than 3 months but less than 12 months	9,731	49,332
More than 12 months	3,695	609
	63,660	111,668
Less: Provision for bad and doubtful debts	(1,592)	(788)
	62,068	110,880

Debts are due within 3 months from the date of billing. Debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

13. TRADE AND OTHER PAYABLES

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

	30/9/2005 (Unaudited) HK\$'000	31/3/2005 (Audited) <i>HK\$'000</i>
Due within 1 month or on demand	24,170	8,343
Due after 1 month but within 3 months	15,848	4,579
Due after 3 months but within 6 months	36,782	3,895
	76,800	16,817

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

14. BANK LOANS

At 30 September 2005, the bank loans of RMB149,000,000 (HK\$140,060,000) (31/3/2005: RMB150,000,000) to a subsidiary is repayable within one year and bore interest at the range of 5.22% to 6.696% per annum.

At 30 September 2005, the bank loans of RMB10,000,000 (HK\$9,400,000) (31/3/2005: Nil) to another subsidiary is repayable within one year and bore interest at about 5.86% per annum.

15. BANK LOANS, SECURED

At 30 September 2005, the bank loans of RMB60,000,000 (HK\$56,400,000) (31/3/2005: Nil) to a subsidiary is repayable within one year and bore interest at the range of 6.138% to 6.446% per annum. The loans are secured by the pledge of plant and machinery with net book value of approximately RMB65,780,000 (about HK\$61,800,000) and the pledge of leasehold premium for land with net book value of approximately RMB3,680,000 (HK\$3,462,000) by that subsidiary.

16. OTHER LOAN, SECURED

During the period, the term loan of HK\$21,200,000 has been renewed for a further six months and is repayable within one year. It bears interest at 1.75% per month and is secured by (i) a share mortgage over all the issued shares in a wholly-owned subsidiary of the Company; (ii) an assignment of the shareholder's loan owing by the Group to its major shareholder, (iii) a first floating charge over all undertaking assets and property of the Company and that subsidiary; and (iv) guarantees by two independent third parties and Mr. Liu Xue Lin, a director of the Company.

17. PROMISSORY NOTE, SECURED

The non-transferable promissory note (the "Promissory Note") is secured by (i) a share mortgage over all the issued shares in Risdon Limited, a wholly-owned subsidiary of the Company, 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").

As at the date of this report, the final instalment of the Promissory Note has been fully settled.

18. NOTE PAYABLE, SECURED/CONVERTIBLE NOTE, SECURED

The convertibles note (the "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 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. 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 the Maturity Date, the Convertible Note was immediately due for repayment and classified as a note payable (the "Note"). At 30 September 2005, the Note bore interest at 5% per annum on the outstanding sum compounded monthly. 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. Subsequent to the balance sheet date, the Company received a letter of from the holder of the Note regarding the revised repayment schedule of which the Company has to repay the outstanding amount under the Note on or before 23 December 2005. Since then, The Company has repaid HK\$26,000,000 to the holder of the Note. The management has, however, been liaising with the holder for a more favourable repayment schedule. The Company is also in negotiation with financial institutions regarding financing arrangement of the hotel properties. The management is confident that the Company will be able to meet its liabilities commitment and may consider using the Group's internal funding, including the PRC trust fund investment upon maturity (subject to the permission of the relevant PRC authorities), for such purpose.

19. SHARE CAPITAL

	No. of shares	Nominal value (HK\$'000)
Authorised (Ordinary shares, HK\$0.1 each)		
As at 1 April 2005 & 30 September 2005	<u>5,000,000,000</u>	<u>500,000</u>
<i>Issued and fully paid</i> (Ordinary shares, HK\$0.1 each)		
As at 1 April 2005 & 30 September 2005	<u>1,061,627,920</u>	<u>106,163</u>

20. RESERVES

	Share Premium HK\$'000	Capital Redemption Reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 April 2004	436,670	68	(286,924)	149,814	–	149,814
Prior year adjustment	–	–	(88,570)	(88,570)	–	(88,570)
As restated at 1 April 2004	436,670	68	(375,494)	61,244	–	61,244
Net profit for the period	–	–	11,986	11,986	–	11,986
Prior year adjustment	–	–	(9,431)	(9,431)	–	(9,431)
At restated at 30 September 2004 and 1 October 2004	436,670	68	(372,939)	63,799	–	63,799
Net loss for the period	–	–	(53,800)	(53,800)	–	(53,800)
Prior year adjustment	–	–	(9,986)	(9,986)	–	(9,986)
At 31 March 2005 and 1 April 2005	436,670	68	(436,725)	13	–	13
Acquisition of subsidiaries	–	–	–	–	7,322	7,322
Net loss for the period	–	–	(87,485)	(87,485)	(1,380)	(88,865)
At 30 September 2005	<u>436,670</u>	<u>68</u>	<u>(524,210)</u>	<u>(87,472)</u>	<u>5,942</u>	<u>(81,530)</u>

21. COMMITMENTS**(a) Capital commitment**

Capital commitment outstanding at 30 September 2005 not provided for in the financial statements is as follows:

	30/9/2005 (Unaudited) HK\$'000	31/3/2005 (Audited) HK\$'000
Contracted for	<u>3,525</u>	<u>20,000</u>

(b) Operating lease commitments

At 30 September 2005, the total future minimum lease payments under non-cancellable operating lease are payable as follows:

Properties

	30/9/2005 (Unaudited) HK\$'000	31/3/2005 (Audited) HK\$'000
Within one year	1,825	638
After 1 year but within 5 years	1,831	71
	<u>3,656</u>	<u>709</u>

Others

	30/9/2005 (Unaudited) HK\$'000	31/3/2005 (Audited) HK\$'000
Within one year	7	7
After 1 year but within 5 years	17	21
	<u>24</u>	<u>28</u>

22. CONTINGENT LIABILITIES

At 30 September 2005, the Company provided guarantees to financial institutions in respect of loans granted to certain subsidiaries amounting to HK\$162,200,000 (31/3/2005: HK\$162,200,000).

23. MATERIAL RELATED PARTY TRANSACTIONS**a. Advance from a major shareholder**

During the period, the Group had received net advancement of HK\$47,034,000 (31/3/2005: HK\$11,200,000) from Open Mission Assets Limited ("Open Mission"), the major shareholder of the Company. To show its continuous financial support, Open Mission has agreed to waive interest of approximately HK\$2,235,350 accruing on the shareholder's loan due by the Group for the period.

b. Fee income from a subsidiary of an associate

During the period, the Group received fee income from a subsidiary of the Company's associate, Techwayson Holdings Limited ("Techwayson") amounted to HK\$240,000 (2004: NIL) for the provision of administrative services to Techwayson at HK\$40,000 per month.

c. Advance from a subsidiary of an associate

At 30 September 2005, advancement of RMB950,000 (HK\$893,000) (31/3/2005: HK\$1,620,000) was made from a subsidiary of Techwayson to a subsidiary of the Company. The advance is unsecured and bears interest at HIBOR plus 2% per annum.

d. Guarantees given by a director of the Company against loan facilities granted to the Group

At 30 September 2005, Mr. Liu Xue Lin, a director of the Company, has given personal guarantees to financial institutions for securing loans of HK\$114,260,000 (31/3/2005: HK\$115,200,000) borrowed by two subsidiaries of the Company.

e. Guarantees given by a major shareholder of the Company against loan facilities granted to the Group

At 30 September 2005, the term-loan of HK\$21,000,000 granted to a subsidiary of the Company was secured by the assignment of shareholder's loan owing by the Group to Open Mission in favour of the financial institution.

24. COMPARATIVE FIGURES

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

25. APPROVAL

These unaudited condensed consolidated interim financial statements were approved by the board of directors on 21 December 2005.