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If you have sold or transferred all your shares in Golden Resorts Group Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser(s) or the transferee(s), or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).

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Golden Resorts
Golden Resorts Group Limited
黃金集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1031)

**VERY SUBSTANTIAL DISPOSAL –
PROPOSED DISPOSAL OF THE ENTIRE 35 PER CENT.
INTEREST IN STARWAY MANAGEMENT LIMITED**

Financial adviser to Golden Resorts Group Limited



KINGSTON CORPORATE FINANCE LIMITED

A notice convening the special general meeting to be held at Suite 2809, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong, on Tuesday, 17 May 2005 (or any adjournment thereof) at 10:30 a.m. is set out on pages 95 to 96 of this circular. Form of proxy for use in the special general meeting is enclosed. Whether or not you propose to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding of the special general meeting or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjourned meeting thereof, should you so desire.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	the acquisition by Next Champion Limited, a wholly owned subsidiary of the Company, from the Vendors of the entire interests in (i) Hang Huo Hotel Holdings Limited, a company incorporated in the British Virgin Islands with limited liability; (ii) Hang Huo Hotel Company Limited, a company incorporated in Macau with limited liability; and (iii) Hang Huo Hotel Company Limited, a company incorporated in Hong Kong with limited liability, pursuant to the formal sale and purchase agreement dated 19 February 2005 entered into by Next Champion Limited and the Vendors
“Announcement”	the announcement dated 19 January 2005 made by the Company in relation to, among other things, the Acquisition and Disposal
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Bye-laws”	bye-laws of the Company
“Company”	Golden Resorts Group Limited, a company incorporated in Bermuda with limited liability and whose Shares are listed on the Stock Exchange
“Directors”	the directors of the Company
“Disposal”	the disposal of the 35% shareholding interest in Starway by Win Matching pursuant to the Disposal Agreement
“Disposal Agreement”	the agreement dated 10 January 2005, pursuant to which Win Matching agreed to dispose of its entire 35% shareholding interest in Starway to Sky Beyond
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Latest Practicable Date”	28 April 2005, being the latest practicable date for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Mr. Lee”	Mr. Lee Wai Man
“Mrs. Chu”	Mrs. Chu Yuet Wah, the daughter of Mr. Lee
“Perfect View”	Perfect View Development Limited, a company incorporated in the British Virgin Islands with limited liability and is beneficially owned by Mr. Cheung Yu Shum, Jenkin, the Chairman and a Director. Perfect View Development Limited, interested in 25.90% of the existing issued share capital of the Company, is the substantial shareholder (within the meaning ascribed thereto in the Listing Rules) of the Company as at the Latest Practicable Date
“PRC”	The People’s Republic of China
“Registrar”	Abacus Share Registrars Limited, G/F Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong
“Remaining Group”	the Group which is assumed that it has disposed of its shareholding in Starway after completion of the Disposal
“Share”	ordinary share(s) of HK\$0.01 each in the existing share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“SGM”	a special general meeting of the Company to be convened to approve, amongst other things, the Disposal
“Share Option(s)”	option(s) granted under the share option scheme of the Company
“Sky Beyond”	Sky Beyond Investments Limited, a limited liability company incorporated in the British Virgin Island

DEFINITIONS

“Starway”	Starway Management Limited, a limited liability company incorporated under the laws of the British Virgin Islands
“Starway Group”	Starway and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	Mr. Ngan In Leng, Ms. Chan Wai Ian, Mr. Ngan Iek, Ms. Ngan Iek Chan and Ms. Ngan Iek Peng
“Warrant(s)”	unlisted warrants of the Company conferring right in its registered form to Sure Expert Limited to subscribe for Shares at an initial subscription price of HK\$0.25 (subject to adjustments, the mechanism of which is set out in the Instrument) at any time during the 3-year period from the date of issue the Warrants, being 31 March 2005
“Win Matching”	Win Matching Limited, a wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“MOP”	Macau Pataca, the lawful currency of Macau
“Rmb”	Renminbi, the lawful currency of PRC
“%” or “per cent”	percentage

Translation of HK\$ into MOP is made for illustration purpose only, at the rate of HK\$ = MOP1.03.

Translation of HK\$ into Rmb is made for illustration purpose only, at the rate of HK\$ = Rmb1.06.

LETTER FROM THE BOARD



Golden Resorts Group Limited
黃金集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1031)

Executive Directors:

Mr. CHEUNG Yu Shum, Jenkin (*Chairman*)

Mrs. CHU Yuet Wah (*Managing Director*)

Mr. CHU Yuk Kuen

Mr. WONG Hin Shek, Hans

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Non-executive Director:

Mr. LEE Wai Man

*Head office and principal place of
business in Hong Kong:*

Suite 2809, 28th Floor

One International Finance Centre

1 Harbour View Street

Central

Hong Kong

Independent non-executive Directors:

Mr. CHAN Chi Yuen

Mr. SHUM Ka Hei

Mr. WONG King Shiu, Daniel

29 April 2005

To all the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL –
PROPOSED DISPOSAL OF THE ENTIRE 35 PER CENT.
INTEREST IN STARWAY MANAGEMENT LIMITED**

INTRODUCTION

On 19 January 2005, the Board announced that on 10 January 2005, Win Matching, a wholly-owned subsidiary of the Company, and Sky Beyond entered into the Disposal Agreement, pursuant to which Win Matching agreed to dispose of its entire 35% shareholding interest in Starway to Sky Beyond at a consideration of HK\$52,000,000 in cash. It is estimated that a gain on disposal of HK\$2,000,000 (being the difference between the consideration to the Disposal of HK\$52,000,000 and the original acquisition price of the 35% Shareholding interest in Starway of HK\$50,000,000) will be realized as a result of the Disposal.

* For identification purposes only

LETTER FROM THE BOARD

The Disposal constitutes a very substantial disposal in respect of the Company under the Listing Rules and therefore is subject to approval by Shareholders at the SGM under Rule 14.49 of the Listing Rules. At the SGM, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, all Shareholders' interests in the Disposal are the same and therefore, no Shareholder is required to abstain from voting for the approval of the Disposal.

The purpose of this circular is to provide, among other things, further details of the Disposal and other disclosures in connection with the Disposal required pursuant to the Listing Rules in respect of the very substantial disposal, and together with a notice of SGM for the purpose of approving the Disposal.

THE DISPOSAL

The Disposal Agreement

Date: 10 January 2005

Parties:

Purchaser: Sky Beyond

Vendor: Win Matching, being a wholly-owned subsidiary of the Company

The Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner, namely Mr. Li Hing Sing, are third parties independent of (i) the Company; and (ii) the connected persons (as defined under the Listing Rules) of the Company. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Sky Beyond, its ultimate beneficial owner and their respective associates do not hold any Shares.

The Purchaser is an investment holding company for the purpose of holding the 35% shareholding interest in Starway. The Company approached Mr. Li Hing Sing through the management of the Company who was acquainted with Mr. Li Hing Sing in social occasions.

Asset to be disposed

The asset to be disposed of by the Company is its entire 35% shareholding interest in Starway which is engaged in the manufacturing and sale of advanced technology energy-saving products in the PRC. For information purpose, the 65% shareholding interest in Starway is held by China Energy Savings Technology, Inc. listed on Over-the-Counter Bulletin Board on NASDAQ.

LETTER FROM THE BOARD

For the years ended 31 December 2002 and 31 December 2003, Starway recorded an audited consolidated net profit after taxation of approximately HK\$13.1 million and HK\$70.2 million respectively, and recorded an audited consolidated net profit before taxation (and extraordinary items) of approximately HK\$19.9 million and HK\$85.5 million respectively. As at 31 March 2004, the total audited consolidated net asset of Starway amount to approximately HK\$144,048,000. Based on the unaudited consolidated management account of Starway for the year ended 31 December 2004, the net profit and the net asset value of Starway Group amount to approximately HK\$236.4 million and approximately HK\$339.4 million respectively.

Consideration

The consideration for the Disposal is HK\$52,000,000 in cash payable upon completion of the Disposal and was determined after arm's length negotiation between Win Matching and Sky Beyond based on 4% premium over the original acquisition price of the 35% interest in Starway by Win Matching of HK\$50,000,000. The Board considers that the consideration for the Disposal, being 4% premium over the original acquisition price, is fair and reasonable so far as the Company is concerned as the Disposal is a step towards the business direction of the Group (please also refer to the paragraph headed 'Reasons for the Disposal' below).

Conditions precedent

Completion of the Disposal (independent of the Acquisition) is conditional upon the passing by the Shareholders in general meeting of the ordinary resolution approving the Disposal in accordance with the relevant requirements of the Listing Rules.

It is expected that completion of the Disposal will take place on the third business day after fulfillment of the conditions of the Disposal.

Reasons for the Disposal

The Company acquired 35% shareholding interest in Starway from Eurofaith Holdings Inc. which is beneficially owned as to 50% by each of Mr. Cheng Ming and Mr. Sun Li, who are independent third parties not connected with the directors, chief executive and substantial shareholders of the Company and any of its subsidiaries or any of their respective associates (as defined under the Listing Rules) and Mr. Li Hing Sing and their respective associates, in August 2004 at a cash consideration of HK\$50 million of which HK\$48.5 million was funded by the proceeds from the issue of 5,000,000,000 new Shares to Perfect View as announced on 9 January 2004 and the remaining balance was funded by the Group's internal resources, details of which were set out in the Company's announcement dated 15 June 2004. Notwithstanding that Starway has made profits these years, the Directors consider that the Company only holds a minority stake in Starway and the Disposal is a step towards the realignment of the business direction of the Group in view of the new strategic business diversification direction of the Group towards the hotel business with gaming entertainment in Macau, which has been illustrated by the acquisition of Grandview Hotel, which was completed on 31 March 2005 and the

LETTER FROM THE BOARD

Acquisition which is subject to the Shareholders' approval at the special general meeting to be held by the Company on 17 May 2005. In addition, it is estimated that there will be a gain on disposal of HK\$2,000,000 (being the difference between the consideration for the Disposal of HK\$52,000,000 and the original acquisition price of the 35% shareholding interest in Starway of HK\$50,000,000) as a result of the Disposal within a short period of time after the Company's acquisition of the 35% stake in Starway. The Directors also consider that the Disposal has no material impact on the existing business of the Company as the Company only holds a minority interest, being 35%, in Starway. Therefore, the Directors are of the view that the Disposal and the terms of and consideration for the Disposal are in the interests of the Company and its Shareholders as a whole.

The proceeds from the Disposal will be used for general working capital of the Group. There is no specific purpose of the application of such proceeds as at the Latest Practicable Date.

The Group is principally engaged in the manufacturing and trading of watches and watch components, the provision of electroplating services, investment holding, property holding and hotel business. As at the Latest Practicable Date, the Company has no intention to dispose of any of its existing business save for the Disposal.

THE SGM

The SGM will be held to consider and, if thought fit, pass the resolutions to approve the Disposal.

Notice of the SGM is set out on pages 95 to 96 of this circular. The SGM will be held at Suite 2809, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong on Tuesday, 17 May 2005 (or any adjournment thereof) at 10:30 a.m. To the best knowledge of the Directors' knowledge, no Shareholder have material interests in the Disposal and are required to abstain from voting for the approval of the Disposal.

Shareholders should note that completion of the Disposal are conditional. Shareholders and the investing public should exercise caution when dealing in the Shares.

Form of proxy for use at the SGM is enclosed in this circular. Whether or not you are able to attend the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for holding of the SGM. Completion of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting thereof should you so wish.

LETTER FROM THE BOARD

PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Bye-laws 66 to 70 of the Bye-laws set out the procedures under which a poll may be demanded.

A resolution put to the vote of a general meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or
- (d) by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a member or in the case of a member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by the member.

Unless a poll is duly demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against the resolution.

If a poll is duly demanded the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. There shall be no requirement for the chairman to disclose the voting figures on a poll.

A poll demanded on the election of a chairman, or on a question of adjournment, shall be taken forthwith. A poll demanded on any other question shall be taken in such manner (including the use of ballot or voting papers or tickets) and either forthwith or at such time (being not later than thirty (30) days after the date of the demand) and place as the chairman directs. It shall not be necessary (unless the chairman otherwise directs) for notice to be given of a poll not taken immediately.

LETTER FROM THE BOARD

The demand for a poll shall not prevent the continuance of a meeting or the transaction of any business other than the question on which the poll has been demanded, and, with the consent of the chairman, it may be withdrawn at any time before the close of the meeting or the taking of the poll, whichever is the earlier and a demand so withdrawn shall not be taken to have invalidated the result of a show of hands declared before the demand was made.

GENERAL

The Board had no intention to nominate any new Director as at the Latest Practicable Date.

RECOMMENDATION

The Directors consider that the terms, conditions and reasons for the Disposal are fair and reasonable and are in the best interests of the Company and its Shareholders. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM.

ADDITIONAL INFORMATION

Please refer to the appendices to this circular for additional information.

By order of the Board
Golden Resorts Group Limited
Cheung Yu Shum, Jenkin
Chairman

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the auditors and reporting accountants of Golden Resorts Group Limited, Graham H. Y. Chan & Co., Certified Public Accountants, Hong Kong.



GRAHAM H.Y. CHAN & CO.

CERTIFIED PUBLIC ACCOUNTANTS

HONG KONG

Unit 1,15/F., The Center
99 Queen's Road Central
Hong Kong

29 April 2005

The Board of Directors
Golden Resorts Group Limited

Dear Sirs,

We set out below our report regarding the financial information of Golden Resorts Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the years ended 31 December 2002, 2003 and 2004 (the "Relevant Periods") for inclusion in the circular of the Company dated 29 April 2005 (the "Circular") in connection with the proposed disposal of the entire 35% shareholding interest in Starway Management Limited and its subsidiaries ("Starway Group"), associated companies of the Group pursuant to the announcement dated 19 January 2005.

The Company was incorporated in Bermuda on 10 April 1996 with limited liability. As at the date of this report, the Company had direct and indirect interests in the principal subsidiary companies set out in note 1 of Section VI below.

We acted as the auditors of the Group throughout the Relevant Periods and audited the financial statements in accordance with Statement of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

For the purpose of this report, we have examined the audited accounts of the Company and the Group for the Relevant Periods in accordance with the Auditing Guideline 3.304 "Prospectus and the reporting accountant" as recommended by the HKICPA.

The consolidated profit and loss accounts, consolidated statements of changes in equity and consolidated cash flow statements of the Group for each of the years ended 31 December 2002, 2003 and 2004 and the consolidated balance sheets of the Group and the balance sheet of the Company as at 31 December 2002, 2003 and 2004 together with the notes thereon (the "Financial Information") set out in this report have been prepared from

the audited accounts of the Company and the Group on the basis set out in note 2 of Section VI below for the purpose of preparing our report for inclusion in the Circular.

The audited accounts are the responsibility of the Directors of the Company who approved their issue. The Directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the audited accounts, to form an independent opinion on the Financial Information and to report our opinion to you.

Set out below is the basis of opinion of the auditors' report for the year ended 31 December 2002 as extracted from the 2002 annual report of the Company:

"The accounting records of some subsidiaries which had been engaged in the business of distribution of computer components and were disposed of during the year (the "Disposed Group") for the period from 1 January 2002 up to the date of disposal have not been made available to the Company and us. The Company has consolidated the Disposed Group based on the unaudited management accounts for the six months period ended 30 June 2002. There was no other satisfactory audit procedure that we could adopt to ascertain whether there are any misstatements in the amounts included in the consolidated profit and loss account and whether the disclosures which have incorporated amounts in relation to the Disposed Group as included in notes to accounts are fairly stated."

Except for any adjustments which might have been found necessary had we been able to obtain sufficient evidence concerning the Disposed Group, in our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the results of the Group for the year ended 31 December 2002.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and the Group as at 31 December 2002, 2003 and 2004, and of the results of the Group for the years ended 31 December 2003 and 2004 and cash flows of the Group for the years ended 31 December 2002, 2003 and 2004.

I. CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Turnover	3			
Continuing operation		103,380	90,022	141,655
Discontinued operation	5	9,445	–	–
		112,825	90,022	141,655
Cost of sales		(119,357)	(73,670)	(135,949)
Gross profit/(loss)		(6,532)	16,352	5,706
Other revenues	3	283	250	136
Distribution costs		(2,911)	(1,952)	(1,589)
Administrative expenses		(20,021)	(17,335)	(14,555)
Other operating gains/(expenses)		(6,968)	381	(109)
Other gains		15,220	3,482	266
Profit/(loss) from operating activities	6			
Continuing operation		(20,482)	1,178	(10,145)
Discontinued operation	5	(447)	–	–
		(20,929)	1,178	(10,145)
Finance costs	7			
Continuing operation		(926)	(1,038)	(943)
Discontinued operation	5	–	–	–
		(926)	(1,038)	(943)
Loss on disposal of subsidiaries	5	(3,596)	–	–
Profit/(loss) before taxation		(25,451)	140	(11,088)
Taxation	8			
Continuing operation		(47)	(284)	(4)
Discontinued operation	5	–	–	–
		(47)	(284)	(4)
Loss attributable to shareholders	9	<u>(25,498)</u>	<u>(144)</u>	<u>(11,092)</u>
Dividends	10	<u>–</u>	<u>–</u>	<u>–</u>
Loss per share	11			
Basic		<u>2.22 cents</u>	<u>0.009 cents</u>	<u>0.14 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

II. CONSOLIDATED BALANCE SHEET

	Note	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Non-current assets				
Fixed assets	13	21,923	23,045	24,714
Goodwill	14	–	–	–
Investment in associates	16	–	–	50,000
Deferred tax assets	30	579	810	49
		<u>22,502</u>	<u>23,855</u>	<u>74,763</u>
Current assets				
Inventories	17	10,492	12,337	9,943
Trade receivables	18	14,322	12,593	13,753
Prepayments, deposits and other receivables		1,600	3,581	50,544
Other loan receivable	19	4,856	–	–
Advances to a supplier	20	–	–	–
Other investments	21	–	7,909	4,194
Cash and bank balances	22	749	3,063	643,157
		<u>32,019</u>	<u>39,483</u>	<u>721,591</u>
Current liabilities				
Trade payables	23	17,415	15,023	21,062
Other payable and accruals		16,389	20,209	22,239
Amounts due to directors	24	809	15	–
Amount due to a substantial shareholder	25	394	33	–
Other loan	26	2,500	–	–
Obligations under finance leases – due within one year	27	448	207	138
Tax payable		2,023	1,316	436
Bank loans – secured	28	–	12,055	8,879
Bank overdrafts – unsecured		24	–	–
		<u>40,002</u>	<u>48,858</u>	<u>52,754</u>
Net current (liabilities)/assets		<u>(7,983)</u>	<u>(9,375)</u>	<u>668,837</u>
Total assets less current liabilities		<u>14,519</u>	<u>14,480</u>	<u>743,600</u>

APPENDIX I

ACCOUNTANTS' REPORT ON THE GROUP AND
OTHER FINANCIAL INFORMATION ON THE GROUP

		2002	2003	2004
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital and reserves				
Share capital	31	36,393	48,471	95,265
Reserves		<u>(34,545)</u>	<u>(34,748)</u>	<u>628,335</u>
Shareholders' funds		<u>1,848</u>	<u>13,723</u>	<u>723,600</u>
Non-current liabilities				
Bank loans – secured	28	12,150	–	–
Convertible debts				
– due after one year	29	–	–	20,000
Deferred tax liabilities	30	<u>521</u>	<u>757</u>	<u>–</u>
		<u>12,671</u>	<u>757</u>	<u>20,000</u>
		<u><u>14,519</u></u>	<u><u>14,480</u></u>	<u><u>743,600</u></u>

III. BALANCE SHEET

	<i>Note</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Non-current assets				
Fixed assets	13	181	–	–
Investments in subsidiaries	15	4,856	6,325	103,886
		<u>5,037</u>	<u>6,325</u>	<u>103,886</u>
Current assets				
Prepayments and deposits		90	3,338	340
Cash and bank balances		1	75	642,681
		<u>91</u>	<u>3,413</u>	<u>643,021</u>
Current liabilities				
Amount due to a substantial shareholder	25	394	33	–
Other payable and accruals		3,583	1,537	1,937
Other loan	26	2,500	–	–
		<u>6,477</u>	<u>1,570</u>	<u>1,973</u>
Net current assets/(liabilities)		<u>(6,386)</u>	<u>1,843</u>	<u>641,048</u>
Total assets less current liabilities		<u><u>(1,349)</u></u>	<u><u>8,168</u></u>	<u><u>744,934</u></u>
Capital and reserves				
Share capital	31	36,393	48,471	95,265
Reserves	33	(37,742)	(40,303)	629,669
Shareholder's fund/ (capital deficiency)		(1,349)	8,168	724,934
Non-current liabilities				
Convertible debts – due after one year		–	–	20,000
		<u>(1,349)</u>	<u>8,168</u>	<u>744,934</u>

IV. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2002	33,459	179,543	814	140	(189,718)	24,238
Issue of shares	2,934	233	-	-	-	3,167
Share issuing expenses	-	(59)	-	-	-	(59)
Exchange realignment	-	-	-	(28)	-	(28)
Disposal of subsidiaries	-	-	-	28	-	28
Loss for the year	-	-	-	-	(25,498)	(25,498)
At 31 December 2002	<u>36,393</u>	<u>179,717</u>	<u>814</u>	<u>140</u>	<u>(215,216)</u>	<u>1,848</u>
As at 1 January 2003	36,393	179,717	814	140	(215,216)	1,848
Issue of shares	12,078	-	-	-	-	12,078
Exchange realignment	-	-	-	95	-	95
Share issue expenses	-	(154)	-	-	-	(154)
Loss for the year	-	-	-	-	(144)	(144)
As 31 December 2003	<u>48,471</u>	<u>179,563</u>	<u>814</u>	<u>235</u>	<u>(215,360)</u>	<u>13,723</u>
As at 1 January 2004	48,471	179,563	814	235	(215,360)	13,723
Capital reorganization (<i>note</i>)	(32,314)	-	-	-	32,314	-
Issue of shares for cash, net of expenses	79,108	641,861	-	-	-	720,969
Loss for the year	-	-	-	-	(11,092)	(11,092)
As 31 December 2004	<u>95,265</u>	<u>821,424</u>	<u>814</u>	<u>235</u>	<u>(194,138)</u>	<u>723,600</u>

Note: The entire credit arising from the Capital Reorganisation in the amount of approximately HK\$32 million was applied to set off against part of the accumulated losses of the Group. Details of the Capital Reorganisation are set out in note 31 to financial information.

V. CONSOLIDATED CASH FLOW STATEMENT

	<i>Note</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Net cash from/(used in) operating activities	34(a)	(11,687)	1,762	(48,440)
Investing activities				
Purchase of fixed assets		(790)	(701)	(2,386)
Decrease/(increase) of other investments		–	(7,906)	3,296
Disposal of subsidiaries	34(b)	98	–	–
Acquisition of associates				(50,000)
Sale of fixed assets		145	–	–
Net cash used in investing activities		(547)	(8,607)	(49,090)
Financing activities				
Issue of shares		3,167	12,078	741,977
Share issuing expenses		(59)	(154)	(21,008)
Issue of convertible debts		–	–	20,000
Convertible debt issuing expenses		–	–	(500)
Other loans raised		3,000	2,050	2,000
Repayment of bank loan		–	–	(3,176)
Repayment of other loans		(500)	(4,550)	(1,600)
Payment of capital element of finance leases		(898)	(241)	(69)
Net cash from financing activities		4,710	9,183	737,624
Net increase/(decrease) in cash and cash equivalents		(7,524)	2,338	640,094
Cash and cash equivalents at 1 January		8,277	725	3,063
Effect of foreign exchange rates change		(28)	–	–
Cash and cash equivalents at 31 December		<u>725</u>	<u>3,063</u>	<u>643,157</u>
Analysis of balances of cash and cash equivalents				
Cash and bank balances		749	3,063	643,157
Bank overdrafts		(24)	–	–
		<u>725</u>	<u>3,063</u>	<u>643,157</u>

VI. NOTES TO FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in Bermuda on 10 April 1996 under the Companies Act 1981 of Bermuda. The Company's shares have been listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 23 July 1996. The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are manufacturing and selling of watches and watch components, and investment in listed securities.

As at 31 December 2004, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to private companies incorporated in Hong Kong). Particular of the Company's principal subsidiaries as at 31 December 2004 are as follows:

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

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Name	Place of incorporation/ registration	Paid up registered/ issued share capital	Percentage of equity held by the Company		Principal activities
			Directly	Indirectly	
Stime Watch Manufacturing Limited #	British Virgin Islands	US\$50,000	–	100%	Trading of watches and watch components and property holding
Stime Watch Manufacturing Company Limited	Hong Kong	HK\$10,000	–	100%	Trading of watches
Vanfer Electroplating Factory Limited	Hong Kong	HK\$10,000	–	100%	Electroplating of watch components
Wing Fat Watch Band Factory Limited	Hong Kong	HK\$10,000	–	100%	Trading of metal watch bands
#	<i>Companies operate principally in Hong Kong instead of in their respective places of incorporation/establishment.</i>				
*	<i>Companies operate principally in the People's Republic of China instead of in their respective places of incorporation/establishment.</i>				

2. PRINCIPAL ACCOUNTING POLICIES
Basis of preparation

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

Consolidation

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

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

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

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

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

Associates

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

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

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

Goodwill

Goodwill arising on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisition is included in intangible assets and is amortised using the straight-line method over its estimated useful life not exceeding 20 years.

The gain or loss on disposal of a subsidiary/associate includes the unamortised balance of goodwill relating to the subsidiary/associate disposed of to the extent that it has not previously been realised in the consolidated results.

Revenue recognition

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

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

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

Fixed assets

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

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

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

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

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

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

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

Construction in progress

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

Assets under leases

(i) Finance leases

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

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

(ii) Operating leases

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

Impairment of assets

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

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

Other investments

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

Inventories

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

Trade receivables

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

Cash and cash equivalents

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

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the accounting profit nor the tax profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Translation of foreign currencies

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

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

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

Provisions

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

Borrowing costs

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

Related parties

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 corporate entities.

Segment reporting

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

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

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

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

Employee benefits

- (i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

- (ii) Contributions to Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the profit and loss account as incurred.
- (iii) The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled or which lapse prior to their exercise date are deleted from the register of outstanding options and have no impact on the profit and loss account or balance sheet.

3. REVENUE AND TURNOVER

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

	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Turnover			
Sale of watches and watch components	103,380	85,270	126,176
Distribution of computer components	9,445	–	–
Proceeds from sale of listed equity securities	–	4,752	15,479
	<u>112,825</u>	<u>90,022</u>	<u>141,655</u>
Other revenues			
Interest income	172	–	5
Other income	111	250	131
	<u>283</u>	<u>250</u>	<u>136</u>
Total revenues	<u><u>113,108</u></u>	<u><u>90,272</u></u>	<u><u>141,791</u></u>

4. SEGMENTAL INFORMATION

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

(a) By business segment

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

The following tables represent revenue and profit/(loss) information on each of the above business segments for the Relevant Periods, and certain assets and liabilities information regarding business segments at 31 December 2002, 2003 and 2004.

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	Manufacturing and selling of watches and watch components (continuing operation)			Investments in listed securities (continuing operation)			Distribution of computer Components (discontinued operation)			Consolidated		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover												
External sales	<u>103,380</u>	<u>85,270</u>	<u>126,176</u>	<u>-</u>	<u>4,752</u>	<u>15,479</u>	<u>9,445</u>	<u>-</u>	<u>-</u>	<u>112,825</u>	<u>90,022</u>	<u>141,655</u>
Results												
Segment result	<u>(16,041)</u>	<u>3,312</u>	<u>(4,677)</u>	<u>-</u>	<u>1,583</u>	<u>(1,572)</u>	<u>(447)</u>	<u>-</u>	<u>-</u>	<u>(16,488)</u>	<u>4,895</u>	<u>(6,249)</u>
Interest income										172	-	5
Unallocated corporate expenses										<u>(4,613)</u>	<u>(3,717)</u>	<u>(3,901)</u>
Loss from operations										<u>(20,929)</u>	<u>1,178</u>	<u>(10,145)</u>
Finance costs										<u>(926)</u>	<u>(1,038)</u>	<u>(943)</u>
Loss on disposal of subsidiaries	-	-	-	-	-	-	(3,596)	-	-	<u>(3,596)</u>	-	-
Loss before taxation										<u>(25,451)</u>	<u>140</u>	<u>(11,088)</u>
Taxation										<u>(47)</u>	<u>(284)</u>	<u>(4)</u>
Loss for the year										<u>(25,498)</u>	<u>(144)</u>	<u>(11,092)</u>
Assets												
Segment assets	53,904	51,956	49,111	-	7,909	4,456	-	-	-	53,904	59,865	53,567
Investment in associates										-	-	50,000
Unallocated corporate assets										<u>617</u>	<u>3,473</u>	<u>692,787</u>
										<u>54,521</u>	<u>63,338</u>	<u>796,354</u>
Liabilities												
Segment liabilities	45,643	46,198	48,560	-	279	716	-	-	-	45,643	46,477	49,276
Unallocated corporate liabilities										<u>7,030</u>	<u>3,138</u>	<u>23,478</u>
										<u>52,673</u>	<u>49,615</u>	<u>72,754</u>
Other information												
Capital expenditure	790	701	2,386	-	-	-	-	-	-			
Depreciation	3,225	1,543	1,402	-	-	-	-	-	-			
Non-cash expenses other than depreciation	991	(2,148)	(685)	-	(3)	419	-	-	-			

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

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

	Manufacturing and selling of watches and watch components (continuing operation) <i>HK\$'000</i>	Investment in listed securities (continuing operation) <i>HK\$'000</i>	Distribution of computer components (discontinued operation) <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2002				
The People's Republic of China ("PRC")				
including Hong Kong	35,650	–	3,282	38,932
Middle East	22,026	–	–	22,026
Canada	900	–	6,163	7,063
South America	31,667	–	–	31,667
North America	1,416	–	–	1,416
Europe	7,982	–	–	7,982
Other locations	3,739	–	–	3,739
	<u>103,380</u>	<u>–</u>	<u>9,445</u>	<u>112,825</u>
For the year ended 31 December 2003				
The People's Republic of China ("PRC")				
including Hong Kong	15,899	4,752	–	20,651
Middle East	16,292	–	–	16,292
Canada	–	–	–	–
South America	40,126	–	–	40,126
North America	6,228	–	–	6,228
Europe	5,534	–	–	5,534
Other locations	1,191	–	–	1,191
	<u>85,270</u>	<u>4,752</u>	<u>–</u>	<u>90,022</u>
For the year ended 31 December 2004				
The People's Republic of China ("PRC")				
including Hong Kong	28,832	15,479	–	44,311
Middle East	15,294	–	–	15,294
Canada	–	–	–	–
South America	66,897	–	–	66,897
North America	13,362	–	–	13,362
Europe	763	–	–	763
Other locations	1,028	–	–	1,028
	<u>126,176</u>	<u>15,479</u>	<u>–</u>	<u>141,655</u>

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

	Manufacturing and selling of watches and watch components (continuing operation) <i>HK\$'000</i>	Investment in listed securities (continuing operation) <i>HK\$'000</i>	Distribution of computer components (discontinued operation) <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2002				
PRC including Hong Kong	43,539	–	–	43,539
Middle East	8,084	–	–	8,084
South America	542	–	–	542
North America	–	–	–	–
Europe	1,342	–	–	1,342
Other locations	397	–	–	397
Unallocated corporate				617
				<u>54,521</u>
As at 31 December 2003				
PRC including Hong Kong	42,525	7,909	–	50,434
Middle East	6,148	–	–	6,148
South America	–	–	–	–
North America	1,332	–	–	1,332
Europe	1,379	–	–	1,379
Other locations	572	–	–	572
Unallocated corporate				3,473
				<u>63,338</u>
As at 31 December 2004				
PRC including Hong Kong	38,743	4,456	–	43,199
Middle East	3,786	–	–	3,786
South America	3,067	–	–	3,067
North America	3,142	–	–	3,142
Europe	–	–	–	–
Other locations	373	–	–	373
Investment in associates				50,000
Unallocated corporate				692,787
				<u>796,354</u>

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

	Manufacturing and selling of watches and watch components (continuing operation) <i>HK\$'000</i>	Investment in listed securities (continuing operation) <i>HK\$'000</i>	Distribution of computer components operation) <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2002				
PRC including Hong Kong	<u>790</u>	<u>–</u>	<u>–</u>	<u>790</u>
For the year ended 31 December 2003				
PRC including Hong Kong	<u>701</u>	<u>–</u>	<u>–</u>	<u>701</u>
For the year ended 31 December 2004				
PRC including Hong Kong	<u>2,386</u>	<u>–</u>	<u>–</u>	<u>2,386</u>

5. DISCONTINUED OPERATIONS

On 12 December 2002, Enet.com Limited ("Enet.com"), an indirect subsidiary of the Company, entered into an agreement with a third party for the disposal of interests in 1024120 Ontario Limited, a direct subsidiary of Enet.com, which was engaged in the distribution of computer components business and operating in Canada. The aggregate cash consideration was HK\$200,000. The transaction was completed on 23 December 2002.

On 28 December 2002, Lifecycle Investments Limited, a direct subsidiary of the Company, entered into an agreement with third party for the disposal of interests in Enet.com for a cash consideration of HK\$11,000. At the date of disposal, Enet.com held 100% interest in G.C. Systems (Asia) Limited which was engaged in the distribution of computer components business and operating in Hong Kong. After the disposal of Enet.com, the Group ceased to be engaged in the business of distribution of computer components.

The aggregate loss on disposal of the above subsidiaries amounted to HK\$3,596,000 for the year ended 31 December 2002.

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The results from the ordinary operations of the distribution of computer components business included in the consolidated profit and loss accounts for Relevant Periods are as follows:

	2002	2003	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	9,445	–	–
Cost of sales	(8,971)	–	–
	<hr/>	<hr/>	<hr/>
Gross profit	474	–	–
Other revenues	4	–	–
Distribution costs	(8)	–	–
Administrative expenses	(820)	–	–
Other operating expenses	(97)	–	–
	<hr/>	<hr/>	<hr/>
Operating loss	(447)	–	–
Finance costs	–	–	–
	<hr/>	<hr/>	<hr/>
Loss before taxation	(447)	–	–
Taxation	–	–	–
	<hr/>	<hr/>	<hr/>
Net loss	(447)	–	–
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The net cash flows attributable to the distribution of computer components business included in the consolidated cash flow statement for the Relevant Periods are as follows:

	2002	2003	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating activities	1,508	–	–
Investing activities	145	–	–
Financing activities	(160)	–	–
	<hr/>	<hr/>	<hr/>
Net cash inflows	1,493	–	–
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

* *The financial information of the discontinued operation for year ended 31 December 2002 was based on the unaudited management accounts of the discontinued operation for the six months period ended 30 June 2002.*

6. OPERATING PROFIT/(LOSS)

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

	2002	2003	2004
	HK\$'000	HK\$'000	HK\$'000
Cost of inventories sold – note	110,260	81,600	135,949
(Reversal)/provision for obsolete and slow moving inventories	9,097	(7,930)	–
Auditors' remuneration	330	330	380
Depreciation	3,363	1,646	1,402
Amortisation of goodwill	2,490	–	–
Staff costs (excluding directors' remuneration)			
– salaries, bonus, allowances and benefits in kind	26,082	22,887	28,587
– provision for long service payment	–	1,837	–
– retirement benefits scheme contributions	332	219	212
Operating lease rentals:			
Hire of office equipment	19	19	2
Land and buildings	1,619	1,410	1,518
Other operating gains/(expenses)			
Loss on disposal of fixed assets	97	81	–
Other loss	4,050	–	–
(Recovery of bad debt)/provision for bad debt	2,821	(462)	109
Other gains			
Reversal of provision for advances to a supplier	(12,387)	–	–
Revaluation (surplus)/deficits in respect of leasehold land and buildings	991	(2,148)	(685)
Unrealised gain on other investments	–	(3)	419
Waiver of accrued salaries due to directors (<i>note 12</i>)	(2,206)	(105)	–
Waiver of accrued salaries due to ex-directors (<i>note 12</i>)	(241)	(206)	–
Waiver of other payables	(1,377)	(1,020)	–
	<u> </u>	<u> </u>	<u> </u>

Note: Included in costs of inventories sold were staff costs of HK\$17,522,000, HK\$16,451,000 and HK\$23,157,000 and operating lease rentals of HK\$279,000, HK\$454,000 and HK\$525,000 for each of the years ended 31 December 2002, 2003 and 2004 which had also been included in staff costs and operating lease rental disclosed above.

7. FINANCE COSTS

	2002	2003	2004
	HK\$'000	HK\$'000	HK\$'000
Interest expense on bank loans and overdrafts	786	930	722
Interest on convertible debts	–	–	138
Other loan interest	119	76	83
Hire charges	21	32	–
	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>

8. TAXATION

	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Current tax – Hong Kong profits tax			
– Under provision in previous years	26	–	–
– Provided for the year	–	279	–
	<u>26</u>	<u>279</u>	<u>–</u>
Deferred tax (<i>note 30</i>)			
– Current year	21	10	4
– Attributable to a change in tax rate in Hong Kong	–	(5)	–
	<u>21</u>	<u>5</u>	<u>4</u>
Tax charge for the year	<u><u>47</u></u>	<u><u>284</u></u>	<u><u>4</u></u>

- (a) Hong Kong profits tax is calculated at 16% for the year ended 31 December 2002 and 17.5% for the years ended 31 December 2003 and 2004 of the estimated assessable profit for the Relevant Periods.

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

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

	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Profit/(loss) before taxation	<u>(25,451)</u>	<u>140</u>	<u>(11,088)</u>
Tax at the domestic income tax rate of 16% for year ended 31 December 2002 and 17.5% for years ended 31 December 2003 and 2004	(4,072)	25	(1,940)
Tax effect of non-deductible expenses	5,301	984	1,316
Tax effect of non-taxable income	(3,561)	(443)	(294)
Utilisation of tax losses previously not recognised	(8)	(844)	(303)
Reversal of deferred tax not recognised	–	–	(52)
Effect of change in Hong Kong profits tax rate	–	(5)	–
Deferred tax assets not recognised	2,361	567	1,277
Underprovision in previous years	26	–	–
	<u><u>47</u></u>	<u><u>284</u></u>	<u><u>4</u></u>

9. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$1,590,000, HK\$2,407,000 and HK\$4,203,000 for the years ended 31 December 2002, 2003 and 2004 respectively.

10. DIVIDENDS

No dividends had been paid or declared by the Company during the Relevant Periods.

11. LOSS PER SHARE

- (a) The calculation of basic loss per share is based on the net loss attributable to shareholders of HK\$25,498,000, HK\$144,000 and HK\$11,092,000 for the years ended 31 December 2002, 2003 and 2004 respectively and the weighted average of 1,148,348,817, 1,452,643,636 and 7,857,967,966 ordinary shares in issue during the years ended 31 December 2002, 2003 and 2004 respectively. (2002 and 2003 weighted average ordinary shares are restated by share consolidation of three shares into one share)
- (b) Diluted loss per share for the Relevant Periods has not been presented as the effect of any dilution is anti-dilutive.

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

- (a) The aggregate amounts of emoluments payable to directors of the Company during the Relevant Periods are as follows:-

	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Fees:			
Executive directors	-	-	-
Independent non-executive directors	77	-	-
	<u>77</u>	<u>-</u>	<u>-</u>
Other emoluments of executive directors:			
Salaries and allowances	2,663	646	-
Retirement scheme contributions	63	7	-
	<u>2,726</u>	<u>653</u>	<u>-</u>
	<u><u>2,803</u></u>	<u><u>653</u></u>	<u><u>-</u></u>

During the year ended 31 December 2002, four executive directors waived the accrued salaries in an aggregate amount of HK\$2,206,000 for the two years ended 31 December 2002. During the year ended 31 December 2003, four executive directors waived their salaries for the period from 1 January 2003 to 15 March 2003 to the total amount of approximately HK\$311,000. The amounts have been included in the above disclosure. Apart from this, no directors have waived or agreed to waive any emoluments in respect of the years ended 31 December 2002, 2003 and 2004.

The emoluments of each of the directors were less than HK\$1,000,000 for the Relevant Periods.

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- (b) The five highest paid individuals included four directors for the year ended 31 December 2002, nil directors for the years ended 31 December 2003 and 2004, details of whose emoluments are set out in note 12 (a) above. The remaining individuals whose emolument fell within the band of nil to HK\$1,000,000, is as follows:-

	2002 HK'000	2003 HK\$'000	2004 HK\$'000
Salaries and allowances	488	1,650	1,496
Retirement scheme contributions	12	52	58
	<u>500</u>	<u>1,702</u>	<u>1,554</u>

No emoluments were paid or payable to the directors or senior management as an inducement to join the Group or as compensation for loss of office during the Relevant Periods.

13. FIXED ASSETS
Group

	For the year ended 31 December 2002						
	Leasehold land and buildings outside Hong Kong held under medium term leases HK\$'000	Construction in progress HK\$'000 (note d)	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation							
At 1 January 2002	21,900	-	6,373	39,044	9,109	2,355	78,781
Additions, at cost	-	-	100	386	304	-	790
Adjustment on revaluation	(1,752)	-	-	-	-	-	(1,752)
Disposal/write off	-	-	-	-	(220)	(289)	(509)
Disposal of subsidiaries	-	-	-	-	(114)	-	(114)
At 31 December 2002	<u>20,148</u>	<u>-</u>	<u>6,473</u>	<u>39,430</u>	<u>9,079</u>	<u>2,066</u>	<u>77,196</u>
Comprising:							
At cost	-	-	6,473	39,430	9,079	2,066	57,048
At 2002 valuation	<u>20,148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,148</u>
	<u>20,148</u>	<u>-</u>	<u>6,473</u>	<u>39,430</u>	<u>9,079</u>	<u>2,066</u>	<u>77,196</u>
Aggregate depreciation							
At 1 January 2002	-	-	6,372	36,195	8,215	2,200	52,982
Charge for the year	761	-	21	2,189	392	-	3,363
Adjustment on revaluation	(761)	-	-	-	-	-	(761)
Disposal/write off	-	-	-	-	(133)	(134)	(267)
Disposal of subsidiaries	-	-	-	-	(44)	-	(44)
At 31 December 2002	<u>-</u>	<u>-</u>	<u>6,393</u>	<u>38,384</u>	<u>8,430</u>	<u>2,066</u>	<u>55,273</u>
Net book value							
At 31 December 2002	<u>20,148</u>	<u>-</u>	<u>80</u>	<u>1,046</u>	<u>649</u>	<u>-</u>	<u>21,923</u>

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	Leasehold land and buildings outside Hong Kong held under medium term leases <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i> <i>(note d)</i>	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation							
At 1 January 2003	20,148	-	6,473	39,430	9,079	2,066	77,196
Additions, at cost	-	-	-	199	502	-	701
Adjustment on revaluation	1,387	-	-	-	-	-	1,387
Disposal/write off	-	-	-	-	(568)	-	(568)
At 31 December 2003	<u>21,535</u>	<u>-</u>	<u>6,473</u>	<u>39,629</u>	<u>9,013</u>	<u>2,066</u>	<u>78,716</u>
Comprising:							
At cost	-	-	6,473	39,629	9,013	2,066	57,181
At 2003 valuation	<u>21,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,535</u>
	<u>21,535</u>	<u>-</u>	<u>6,473</u>	<u>39,629</u>	<u>9,013</u>	<u>2,066</u>	<u>78,716</u>
Aggregate depreciation							
At 1 January 2003	-	-	6,393	38,384	8,430	2,066	55,273
Charge for the year	761	-	20	519	346	-	1,646
Adjustment on revaluation	(761)	-	-	-	-	-	(761)
Eliminated on disposal	-	-	-	-	(487)	-	(487)
At 31 December 2003	<u>-</u>	<u>-</u>	<u>6,413</u>	<u>38,903</u>	<u>8,289</u>	<u>2,066</u>	<u>55,671</u>
Net book value							
At 31 December 2003	<u>21,535</u>	<u>-</u>	<u>60</u>	<u>726</u>	<u>724</u>	<u>-</u>	<u>23,045</u>

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	Leasehold land and buildings outside Hong Kong held under medium term leases HK\$'000	Construction in progress HK\$'000 <i>(note d)</i>	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation							
At 1 January 2004	21,535	-	6,473	39,629	9,013	2,066	78,716
Additions, at cost	-	-	-	1,333	771	282	2,386
At 31 December 2004	21,535	-	6,473	40,962	9,784	2,348	81,102
Comprising:							
At cost	-	-	6,473	40,962	9,784	2,348	59,567
At 2004 valuation	21,535	-	-	-	-	-	21,535
	<u>21,535</u>	<u>-</u>	<u>6,473</u>	<u>40,962</u>	<u>9,784</u>	<u>2,348</u>	<u>81,102</u>
Aggregate depreciation							
At 1 January 2004	-	-	6,413	38,903	8,289	2,066	55,671
Charge for the year	685	-	20	419	271	7	1,402
Adjustment on revaluation	(685)	-	-	-	-	-	(685)
At 31 December 2004	-	-	6,433	39,322	8,560	2,073	56,388
Net book value							
At 31 December 2004	<u>21,535</u>	<u>-</u>	<u>40</u>	<u>1,640</u>	<u>1,224</u>	<u>275</u>	<u>24,714</u>

- (a) The Group's leasehold land and buildings including land use rights and buildings in the PRC, were revalued by AA Property Services Limited, an independent professional valuer, on an open market value basis as at 31 December 2002, 2003 and 2004.
- (b) As at 31 December 2002, 2003 and 2004, the carrying amount of leasehold land and buildings would have been HK\$22,857,000, HK\$22,096,000 and HK\$21,335,000 respectively had they been stated at cost less accumulated depreciation.
- (c) The net book value of plant and machinery held by the Group under finance leases amounted to nil at 31 December 2002, 2003 and 2004.
- (d) Construction in progress ("CIP") represents the cost of construction in respect of the Group's new production facility in the PRC where construction has yet to be completed to its original intended use. Up to 31 December 2004, the Group has incurred an aggregate construction cost of HK\$9,043,000. Full provision had been made during the four years ended 31 December 2000 due to the limited cash flows of the Group during past years and the directors were of the view that the Group might not have the necessary cash resources available to complete the construction of this new production facility to its original intended use.

The CIP is currently temporarily used by the Group as warehouse. As at 31 December 2002, 2003 and 2004, the open market value of the CIP, as revalued by AA Property Services Limited, an independent professional valuer, amounted to HK\$7,452,000, HK\$7,965,000 and HK\$7,965,000 respectively. In the opinion of the directors, as the relevant Real Estate Title Certificate has not been obtained, no reversal of provision has been made in the accounts.

- (e) The leasehold land and building were pledged to the bank for banking facilities granted to the Group during the Relevant Periods (note 28).

Company

	For the year ended 31 December 2002		
	Furniture and fixtures HK\$'000	Computer equipment HK\$'000	Total HK\$'000
Cost			
At 1 January 2002 and 31 December 2002	319	241	560
Accumulated depreciation			
At 1 January 2002	113	130	243
Charge for the year	64	72	136
At 31 December 2002	177	202	379
Net book value			
At 31 December 2002	142	39	181
	For the year ended 31 December 2003		
	Furniture and fixtures HK\$'000	Computer equipment HK\$'000	Total HK\$'000
Cost			
At 1 January 2003	319	241	560
Disposal/write off	(319)	(241)	(560)
At 31 December 2003	-	-	-
Aggregate depreciation			
At 1 January 2003	177	202	379
Charge for the year	64	39	103
Eliminated on disposal	(241)	(241)	(482)
At 31 December 2003	-	-	-
Net book value			
At 31 December 2003	-	-	-
	For the year ended 31 December 2004		
	Furniture and fixtures HK\$'000	Computer equipment HK\$'000	Total HK\$'000
Cost			
At 1 January 2004 and 31 December 2004	-	-	-
Aggregate depreciation			
At 1 January 2004 and 31 December 2004	-	-	-
Net book value			
At 31 December 2004	-	-	-

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14 GOODWILL

	Group		
	2002	2003	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	9,960	–	–
Amortisation charge	(2,490)	–	–
Disposal of subsidiaries	(7,470)	–	–
	<u> </u>	<u> </u>	<u> </u>
At 31 December	<u> </u>	<u> </u>	<u> </u>

15. INVESTMENTS IN SUBSIDIARIES

	Company		
	2002	2003	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Investments at cost – unlisted shares (<i>note a</i>)	69,532	69,532	69,532
Amounts due from subsidiaries (<i>note b</i>)	260,768	262,366	360,174
Less: provision	(325,444)	(325,573)	(325,820)
	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>

- (a) The principal subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the Relevant Periods and formed a substantial portion of net assets of the Group.
- (b) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

16. INVESTMENT IN ASSOCIATES

	Group		
	2002	2003	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment as cost – unlisted shares	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>

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

Name of associates	Place of incorporation and operation	Issued and fully paid up capital	Effective interest held		Nature of business
			directly	indirectly	
Starway Management Limited #	British Virign Islands *	Ordinary shares of US\$100	35%		Investment holding
Shenzhen Dicken Industrial Development Limited #	The People's Republic of China	Rmb10 million		35%	Operation and sales of energy-saving projects
Shenzhen Dicken Technology Development Limited #	The People's Republic of China	Rmb1,000,000		35%	Patent and technological development of energy-saving projects

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

– *Statutory audit of the associates was not performed by Graham H.Y. Chan & Co.*

Pursuant to a sale and purchase agreement dated 10 January 2005, the Group has committed to dispose its entire equity interest in associates for a consideration of HK\$52,000,000. Details of which are included in note 39(iii) to this report.

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

As disclosed in the circular dated 13 August 2004, the Company would, upon completion of the transaction, nominate at least one person to the board of directors of Starway (the "Board of Starway") and would account for Starway Group on equity accounting basis. However, since completion of the transaction, the Company has made its best endeavour but fail in seeking for suitable person who is familiar with energy saving business to be nominated to the Board of Starway. Until December 2004, the Group's new strategic business diversification moved toward the hotel business with game entertaining in Macau. To align with the new business direction of the Group, the Company decided to dispose of the interest in Starway and thus stopped seeking person to be nominated to the Board of Starway.

On 10 January 2005, Win Matching entered into the Disposal Agreement with Sky Beyond Investments Limited. Pursuant to the Disposal Agreement, Win Matching agreed to dispose of its entire 35% shareholding interest in Starway at a consideration of HK\$52,000,000 in cash.

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

17. INVENTORIES

	Group		
	2002	2003	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw material	5,454	3,489	3,731
Work in progress	4,672	6,344	6,061
Finished goods	366	2,504	151
	<u>10,492</u>	<u>12,337</u>	<u>9,943</u>

At 31 December 2002, 2003 and 2004, the inventories that were carried at net realisable value amounted to HK\$10,492,000, HK\$12,337,000 and HK\$3,414,000 respectively.

18. TRADE RECEIVABLES

The Group generally grants a credit period of 30 to 180 days to its trade customers. The following is an aging analysis of trade receivables at 31 December 2002, 2003 and 2004:

	Group		
	2002	2003	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 3 months	12,950	9,490	13,141
4 – 6 months	1,339	2,839	451
7 – 12 months	28	–	161
Over 1 year	5	264	–
	<u>14,322</u>	<u>12,593</u>	<u>13,753</u>

19. OTHER LOAN RECEIVABLE

On 1 July 2002, the Group entered into a loan agreement with a PRC company for loan advance of Rmb5,200,000 (approximately equivalent to HK\$4,856,000). The loan is unsecured, bearing interest at 7 percent per annum and repayable within one year. The loan was fully received during the year 31 December 2003.

20. ADVANCES TO A SUPPLIER

During the years 1997 and 1998, the Group had advanced totally HK\$56,669,000 to a supplier of the Group, Cheung Tat Metal Products Factory ("Cheung Tat"), for supply of goods. The amounts are unsecured, interest-free and have no fixed terms of repayment.

In 1998, the goods were later found to be defective and the Company exercised the right to reject the goods and returned the same to Cheung Tat, and further demanded Cheung Tat to refund the said consideration of HK\$56,669,000 to the Company. Full provision for defective goods returned had been made against such advances in the aforesaid amounts.

On 20 October 1999, the Group and Cheung Tat entered into a deed of settlement (the "Deed of Settlement"). Under the Deed of Settlement, Cheung Tat will deliver certain quartz watch movements to the Group every month between November 1999 and May 2004, wherein Cheung Tat has undertaken to deliver 100,000 quartz watch movements in each delivery, which are of acceptable quality and fit for the purpose of the Group

Up to April 2002, the Group has received a total quantity of 5,448,986 of quartz watch movement with estimated value of HK\$56,669,000. Accordingly, the Deed of Settlement has been completed.

During the year ended 31 December 2002, the price of quartz watch movement continues to drop. In order to reflect the real performance of the Group, a loss of HK\$4,050,000 was recognised as other loss in the consolidated profit and loss account for the year ended 31 December 2002.

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21. OTHER INVESTMENTS

	Group		
	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Listed equity investment, at fair value	–	7,909	4,194
At market value	–	7,909	4,194

22. CASH AND BANK BALANCES

Included in cash and bank balances of the Group are Reminbi cash and bank deposits in the People's Republic of China of approximately HK\$122,000, HK\$11,000 and HK\$265,000 as at 31 December 2002, 2003 and 2004 respectively.

23. TRADE PAYABLES

The following is an aging analysis of trade payables of the Group at 31 December 2002, 2003 and 2004:

	Group		
	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
0 – 3 months	9,770	8,068	10,723
4 – 6 months	1,909	2,221	1,629
7 – 12 months	2,833	1,476	6,785
Over 12 months	2,903	3,258	1,925
	<u>17,415</u>	<u>15,023</u>	<u>21,062</u>

24. AMOUNTS DUE TO DIRECTORS

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

25. AMOUNT DUE TO A SUBSTANTIAL SHAREHOLDER

The amount is unsecured, interest-free and has no fixed term of repayment.

26. OTHER LOAN

As 31 December 2002, the amount, which bears interest at 12 percent per annum, is secured by personal guarantee executed by a director of the Company and is repayable on demand.

27. OBLIGATIONS UNDER FINANCE LEASES

	Group					
	Minimum lease payment			Present value of minimum lease payment		
	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Amount payable:						
Amount due within one year, included under current liabilities	<u>448</u>	<u>207</u>	<u>138</u>	<u>448</u>	<u>207</u>	<u>138</u>

28. BANK LOAN – SECURED

The bank loan of the Group at 31 December 2002 and 2003 was due on 16 May 2004 and the bank loan of the Group at 31 December 2004 is due on 7 June 2005. It is secured by leasehold land and buildings of the Group.

29. CONVERTIBLE DEBT

	Group and Company		
	2002	2003	2004
	HK'000	HK\$'000	HK\$'000
Convertible bonds:			
Issued during the year and as at 31 December 2004	–	–	20,000

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

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

Note:

- (a) All the bond holders are entitled to convert all or part of the bond at their respective conversion prices, subject to limits set out in the respective bond agreements, into ordinary shares which rank pari passu in all respects with the ordinary shares in issue on the relevant conversion dates.
- (b) The Company has the right, having given notices to the bond holders, to redeem all or any part (in a minimum amount of HK\$100,000 or integral multiple thereof) of the outstanding principal amount of the bonds together with interest accrued to the date of redemption and the bond holders have the right, having given notices to the Company, to require the Company to redeem all or any part (in a amount of not less than a whole multiple of HK\$100,000) of the outstanding principal amount of the bonds together with interest accrued to the date of redemption.

30. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised by the Group and movement thereon during the Relevant Periods.

	Group			Total HK\$
	Accelerated tax depreciation HK\$	Other assets HK\$	Tax losses HK\$	
At 1 January 2002	(505)	56	528	79
Charge to consolidated profit and loss accounts	<u>(16)</u>	<u>–</u>	<u>(5)</u>	<u>(21)</u>
At 31 December 2002 and 1 January 2003	(521)	56	523	58
Effect of change in tax rate (Charge)/credit to consolidated profit and loss accounts	<u>(49)</u>	<u>5</u>	<u>49</u>	<u>5</u>
At 31 December 2003 and 1 January 2004	(757)	38	772	53
(Charge)/credit to consolidated profit and loss accounts	<u>757</u>	<u>3</u>	<u>(764)</u>	<u>(4)</u>
At 31 December 2004	<u>–</u>	<u>41</u>	<u>8</u>	<u>49</u>

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset in accordance with the conditions set out in Hong Kong Statement of Standard Accounting Practice 12 (Revised). The following is the analysis of the deferred tax balance for financial reporting purposes:

	2002 HK'000	2003 HK\$'000	2004 HK\$'000
Deferred tax liabilities	(521)	(757)	–
Deferred tax assets	<u>579</u>	<u>810</u>	<u>49</u>
	<u>58</u>	<u>53</u>	<u>49</u>

At 31 December 2002, 2003 and 2004, the Group has unused tax losses of HK\$23,275,000, HK\$46,666,000 and HK\$58,418,000 respectively available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$3,269,000, HK\$4,411,000 and HK\$45,000 of such losses at 31 December 2002, 2003 and 2004 respectively. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams. The unrecognized tax losses may be carried forward.

31. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 31 December 2002 and 2003	10,000,000,000	100,000
Increase of shares	<u>20,000,000,000</u>	<u>200,000</u>
At 31 December 2004	<u>30,000,000,000</u>	<u>300,000</u>
<i>Issued and fully paid:</i>		
At 1 January 2002	3,345,930,726	33,459
Issue of shares – note (i) & (ii)	<u>293,348,216</u>	<u>2,934</u>
At 31 December 2002 and 1 January 2003	3,639,278,942	36,393
Issue of shares – note (iii) & (iv)	<u>1,207,854,000</u>	<u>12,078</u>
At 31 December 2003 and 1 January 2004	4,847,132,942	48,471
Capital reorganization – note (v)	<u>(3,231,421,962)</u>	<u>(32,314)</u>
Issue of shares – note (vi) – (x)	<u>7,910,800,000</u>	<u>79,108</u>
	<u>9,526,510,980</u>	<u>95,265</u>

Notes:

- (i) During the year ended 31 December 2002, 23,348,216 shares of HK\$0.01 each were issued at a subscription price of HK\$0.02 per share to the warrant holders upon the exercise of their subscription rights for a total consideration of approximately HK\$467,000.
- (ii) On 2 September 2002, an aggregate of 270,000,000 new ordinary shares at a price of HK0.01 each (the "Price") were issued to 6 independent investors, pursuant to a placing agreement entered into by the Company and the placing agent. The Price is equal to (i) the par value of the shares; (ii) a discount of approximately 23.08% to the closing price for the last ten trading days immediately before the date of the announcement. The net proceeds of the placing of approximately HK\$2.6 million, were used by the Group as general working capital.
- (iii) On 25 March 2003, the Company entered into a placing agreement with Kingston Securities Limited ("KSL"), a placing agent, for placing up to a total of 400,000,000 new ordinary shares at a price of HK\$0.01 per share to independent investors. The placing price represented (i) the closing price of HK\$0.01 per share as quoted on the Stock Exchange on 25 March 2003; and (ii) the average of the closing price per share of HK\$0.01 as quoted on the Stock Exchange for the ten trading days ended 25 March 2003. The placing was completed on 8 April 2003. The net proceeds of the placing of approximately HK\$3.9 million were used as the Group's general working capital for operating activities.
- (iv) On 9 June 2003, the Company entered into another placing agreement with KSL, for placing up to a total of 807,854,000 new ordinary shares at a price of HK\$0.01 per share to independent investors. The placing price represented (i) the closing price of HK\$0.01 per share as quoted on the Stock Exchange on 9 June 2003; and (ii) the average of the closing price per share of HK\$0.01 as quoted on the Stock Exchange for the ten trading days ended 9 June 2003. The placing was completed on 23 June 2003. The net proceeds from the placing of approximately HK\$7.9 million were used as the Group's general working capital for operating activities.

- (v) Pursuant to a special resolution passed on 6 April 2004, a capital reorganisation was undertaken on 7 April 2004 which involved:
- (a) Share consolidation on the basis that every 3 issued shares of HK\$0.01 each in the share capital of the company were consolidated into 1 consolidated share of HK\$0.03 each.
 - (b) the nominal value of each of the consolidated share in issue was reduced from HK\$0.03 each to HK\$0.01 each by way of capital reduction. As a result, an amount of HK\$32,314,000 was credited to the contributed surplus account of the Company and set off against the accumulated losses.
- (vi) Pursuant to a subscription agreement entered into between the Company and Perfect View Development Limited ("Perfect View") on 24 December 2003, 5,000,000,000 shares of HK\$0.01 each were issued to Perfect View on 13 April 2004. The issue price of HK\$0.01 (equivalent to approximately HK\$0.033 per old share) represents a discount of approximately 72.5% to the closing price of HK\$0.012 per share as quoted on the Stock Exchange on 23 December 2003, being the last trading day in the shares on the Stock Exchange prior to the publication of the capital reorganisation announcement. The net proceeds of approximately HK\$49 million were used for general working capital and paid for the acquisition of the associates of the Group.
- (vii) On 24 November 2004, 992,300,000 shares were subscribed by Perfect View pursuant to the top-up subscription agreement dated 11 November 2004 entered into between the Company and Perfect View at a price of HK\$0.095 per share (the "First Top-Up Subscription"). The Top-Up Subscription issue price of HK\$0.095 represents (i) a discount of about 7.77% to the closing price of HK\$0.103 per share as quoted on the Stock Exchange on the last trading date; (ii) a premium of about 14.46% over the average closing price per share of about HK\$0.083 as quoted on the Stock Exchange for the last five trading days up to and including the last trading date; (iii) a premium of about 5.56% over the average closing price per share of about HK\$0.090 as quoted on the Stock Exchange for the last ten trading date up to and including the last trading date.
- (viii) On 1 December 2004, 330,800,000 shares were subscribed by Perfect View pursuant to another top-up subscription agreement dated 18 November 2004 entered into between the Company and Perfect View at a price of HK\$0.175 per share (the "Second Top-Up Subscription"). The Second Top-Up Subscription issue price of HK\$0.175 represents (i) a discount of about 3.31% to the closing price of HK\$0.181 per Shares as quoted on the Stock Exchange on the last trading date; (ii) a premium of about 11.89% over the average closing price per Share of about HK\$0.1564 as quoted on the Stock Exchange for the last five trading days up to and including the last trading date; (iii) a premium of about 46.81% over the average closing price per Share of about HK\$0.1192 as quoted on the Stock Exchange for the last ten trading date up to and including the last trading date. The net proceeds of approximately HK\$56 million together with the net proceed from the First Top-Up Subscription of approximately HK\$91.8 million, that is in aggregate of approximately HK\$147.8 million, will be used to financing the acquisition of Grandview Hotel as disclosed in the Company's announcement dated 14 December 2004.
- (ix) Pursuant to a special general meeting passed on 17 December 2004, the authorised share capital of the Company were increased from HK\$100,000,000 to HK\$300,000,000 by the creation 20,000,000,000 shares of HK\$0.01 each.
- (x) On 31 December 2004, 1,587,700,000 shares were subscribed by Perfect View pursuant to another top-up subscription agreement dated 17 December 2004 entered into between (the Company and Perfect View at a price of HK\$0.34 per share (the "Third Top-Up Subscription"). The Third Top-Up Subscription issue price of HK\$0.34 represents (i) a discount of about 10.53% to the closing price of HK\$0.380 per Shares as quoted on the Stock Exchange on the last trading date; (ii) a premium of about 16.60% over the average closing price per Share of about HK\$0.2916 as quoted on the Stock Exchange for the last five trading days up to and including the last trading date; (iii) a premium of about 45.61% over the average closing price per Share of about HK\$0.2335 as quoted on the Stock Exchange for the last ten trading date up to and including the last trading date. The net proceeds of approximately HK\$524.4 million will be used as to about HK\$252.2 million for financing the acquisition of the Grandview Hotel and as to about HK\$272.2 million for financing the acquisition of Hang Huo Hotel Company Limited.

32. EMPLOYEE BENEFIT

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

Under a share option scheme approved by the shareholders of the Company on 4 July 1996 (the "Old Scheme"), the directors of the Company may, at their discretion, invite any employee and any executive director of the Company or its subsidiaries, to take up options at HK\$1 per option to subscribe for shares in the Company.

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

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

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

No options under the Old Scheme were granted or exercised during the years ended 31 December 2002 and 2003. All options brought forward were lapsed during the year ended 31 December 2003 and no options under the Old Scheme were outstanding as at 31 December 2003

Details of options outstanding as at 31 December 2002 and 2003 are as follows:

	Number of share options
At 1 January 2002 and 31 December 2002	150,000,000
Lapsed during the year ended 31 December 2003	(150,000,000)
	<hr style="border-top: 1px solid black;"/>
At 31 December 2003	<u><u>–</u></u>

Another share option scheme was approved by the shareholders of the Company on 7 June 2004 (the "New Scheme"), the directors of the Company may, at their discretion, select participants as incentives or rewards for their contribution to the Group to take up options at HK\$1 per option to subscribe for shares in the Company.

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

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

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

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

33. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statement of changes in equity.

Company	Share premium account HK\$'000	Contributed surplus (note a) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2002	179,543	69,332	(285,201)	(36,326)
Issue of shares	233	-	-	233
Share issuing expenses	(59)	-	-	(59)
Loss for the year	-	-	(1,590)	(1,590)
At 31 December 2002 and 1 January 2003	179,717	69,332	(286,791)	(37,742)
Share issuing expenses	(154)	-	-	(154)
Loss for the year	-	-	(2,407)	(2,407)
At 31 December 2003 and 1 January 2004	179,563	69,332	(289,198)	(40,303)
Capital reduction	-	32,314	-	32,314
Capital reorganisation	-	(32,314)	32,314	-
Issue of shares for cash, net of expenses	642,860	-	-	642,860
Expenses for capital reorganisation	(999)	-	-	(999)
Loss for the year	-	-	(4,203)	(4,203)
At 31 December 2004	<u>821,424</u>	<u>69,332</u>	<u>(261,087)</u>	<u>629,669</u>

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

(b) The Company had no reserve available for distribution as at 31 December 2002, 2003 and 2004.

34. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Profit/(loss) before taxation	(25,451)	140	(11,088)
Adjustments for:			
(Reversal of)/provision for obsolete and slow-moving inventories	9,097	(7,930)	–
Revaluation (surplus)/deficits in respect of leasehold land and buildings	991	(2,148)	(685)
Unrealised gain/(loss) on other investments	–	(3)	419
Waiver of accrued salaries due to directors	(2,206)	(105)	–
Waiver of accrued salaries due to ex-directors	(241)	(206)	–
Waiver of other payables	(1,377)	(1,020)	–
Depreciation of fixed assets	3,363	1,646	1,402
Convertible debts issuing expenses	–	–	500
Amortisation of goodwill	2,490	–	–
Loss on disposal of subsidiaries	3,596	–	–
Loss on disposal of fixed assets	97	81	–
	<hr/>	<hr/>	<hr/>
Operating loss before working capital changes	(9,641)	(9,545)	(9,452)
Decrease in inventories	8,682	6,085	2,394
(Increase)/decrease in trade receivable, prepayments, deposits and other receivables	(5,979)	4,604	(48,123)
(Decrease)/increase in trade payables, other payables and accruals, including amounts due to directors and a substantial shareholder	(4,045)	1,604	7,621
	<hr/>	<hr/>	<hr/>
Cash (used in)/from operations	(10,983)	2,748	(47,560)
Hong Kong profits tax paid	(790)	(986)	(880)
Overseas tax paid	(26)	–	–
Hong Kong profits tax refund	28	–	–
Overseas tax refund	84	–	–
	<hr/>	<hr/>	<hr/>
Net cash (used in)/ from operating activities	<u>(11,687)</u>	<u>1,762</u>	<u>(48,440)</u>

APPENDIX I
**ACCOUNTANTS' REPORT ON THE GROUP AND
OTHER FINANCIAL INFORMATION ON THE GROUP**
(b) Disposal of subsidiaries

	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Fixed assets	70	–	–
Cash and bank balance	113	–	–
Inventories	38	–	–
Other net current liabilities	(3,912)	–	–
Exchange reserves	28	–	–
	<u> </u>	<u> </u>	<u> </u>
	(3,663)	–	–
Attributable goodwill	7,470	–	–
	<u> </u>	<u> </u>	<u> </u>
	3,807	–	–
Loss on disposal	(3,596)	–	–
	<u> </u>	<u> </u>	<u> </u>
Consideration received	211	–	–
	<u> </u>	<u> </u>	<u> </u>
Satisfied by cash	211	–	–
	<u> </u>	<u> </u>	<u> </u>

The analysis of net outflow of cash and cash equivalents in respect of the disposal is as follows:

	2002 <i>HK\$'000</i>	Group 2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Cash consideration received	211	–	–
Net cash and bank balance disposed of	(113)	–	–
	<u> </u>	<u> </u>	<u> </u>
Net inflow of cash and cash equivalents	98	–	–
	<u> </u>	<u> </u>	<u> </u>

35. COMMITMENTS UNDER OPERATING LEASES

As at 31 December 2002, 2003 and 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office equipment, falling due as follows:

	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within one year	19	2	–
In the second to fifth years inclusive	2	–	–
	<u> </u>	<u> </u>	<u> </u>
	21	2	–
	<u> </u>	<u> </u>	<u> </u>

36. CONTINGENT LIABILITIES

As at 31 December 2002, 26 employees have completed the required number of years of service under the Hong Kong Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment. The Company is only liable to make such payments where the termination meets the circumstances specified in the Ordinance.

If the termination of all such employees met the circumstances set out in the Ordinance, the Group's liability as at 31 December 2002 would be approximately HK\$3,077,000. No provision has been made in this respect as at 31 December 2002.

As at 31 December 2003 and 2004, the Group did not have any material contingent liability.

37. Capital commitments in respect of very substantial acquisition

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

38. CONNECTED TRANSACTIONS

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

39. SUBSEQUENT EVENTS

- (i) The acquisition of Grandview Hotel was approved by the shareholders of the Company on 10 March 2004 and was completed on 31 March 2005. The followings are the profit and loss account and cash flow statements of Grandview Hotel during the Relevant Periods and the balance sheet of Grandview Hotel as at 31 December 2002, 2003 and 2004 extracted from the Company's circular dated 22 February 2005 for the acquisition of Grandview Hotel.

Profit and loss accounts

	Year ended 31 December		
	2002	2003	2004
	MOP'000	MOP'000	MOP'000
Turnover	46,778	46,595	68,300
Cost of sales	(8,535)	(8,052)	(2,305)
Operating costs	<u>(26,653)</u>	<u>(25,248)</u>	<u>(21,656)</u>
	11,590	13,295	44,339
Other revenues	14	671	86
Administrative expenses	(9,814)	(9,043)	(10,835)
Depreciation	<u>(17,703)</u>	<u>(17,875)</u>	<u>(18,226)</u>
Operating profit/(loss)	(15,913)	(12,952)	15,364
Finance cost	<u>(9,906)</u>	<u>(7,980)</u>	<u>(5,984)</u>
Profit/(loss) before tax	(25,819)	(20,932)	9,380
Tax	<u>-</u>	<u>-</u>	<u>-</u>
Profit/(loss) attributable to Grand View	<u><u>(25,819)</u></u>	<u><u>(20,932)</u></u>	<u><u>9,380</u></u>

Cash flow statements

	Year ended 31 December		
	2002 MOP'000	2003 MOP'000	2004 MOP'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax	(25,819)	(20,932)	9,380
Adjustments for			
Interest income	–	–	(68)
Interest on bank loans and overdrafts	9,906	7,963	5,423
Interest on other short term loan	–	17	561
Loss on disposal of fixed assets	–	–	181
Depreciation of fixed assets	17,703	17,875	18,226
	<u> </u>	<u> </u>	<u> </u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1,790	4,923	33,703
Decrease/(increase) in inventories	(206)	36	(115)
Decrease/(increase) in accounts receivable, other receivables, prepayment and deposits	2,684	11,594	(43,698)
Decrease/(increase) in amounts due from related companies	(38)	416	(5,381)
(Decrease)/increase in accounts and other payable and amounts due to related companies	(8,294)	(41)	55,877
	<u> </u>	<u> </u>	<u> </u>
CASH FROM/(USED IN) OPERATIONS	(4,064)	16,928	40,386
Interest on bank loans and overdrafts paid	(9,906)	(7,963)	(5,423)
Interest on other short term loan paid	–	(17)	(561)
	<u> </u>	<u> </u>	<u> </u>
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	<u>(13,970)</u>	<u>8,948</u>	<u>34,402</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	(4,443)	(515)	(4,195)
Sale of fixed assets	–	–	70
Interest received	–	–	68
	<u> </u>	<u> </u>	<u> </u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(4,443)</u>	<u>(515)</u>	<u>(4,057)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Fund injection from Grand View	61,117	4,213	42,527
Bank loans repaid	(42,660)	(28,746)	(23,945)
	<u> </u>	<u> </u>	<u> </u>
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	<u>18,457</u>	<u>(24,533)</u>	<u>18,582</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	44	(16,100)	48,927
Cash and cash equivalents at beginning of year	(29,593)	(29,549)	(45,649)
	<u> </u>	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>(29,549)</u>	<u>(45,649)</u>	<u>3,278</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	684	362	3,820
Bank overdrafts	(30,233)	(46,011)	(542)
	<u> </u>	<u> </u>	<u> </u>
	<u>(29,549)</u>	<u>(45,649)</u>	<u>3,278</u>

Balance sheets

	31 December		
	2002	2003	2004
	MOP'000	MOP'000	MOP'000
Non-current assets			
Fixed assets	333,348	315,988	301,706
Current assets			
Inventories	810	774	889
Accounts receivable	6,004	5,798	16,472
Prepayments, deposits and other receivables	16,372	4,984	38,008
Amount due from a related company	421	5	5,386
Cash and bank balances	684	362	3,820
	24,291	11,923	64,575
Current liabilities			
Accounts payable	3,308	3,858	3,142
Other payable and deposit received	2,849	2,230	55,280
Amounts due to related companies	67	95	3,638
Interest-bearing bank borrowings – repayable within one year	58,979	69,956	19,147
	65,203	76,139	81,207
Net current liabilities	(40,912)	(64,216)	(16,632)
Total assets less current liabilities	292,436	251,772	285,074
Non current liabilities			
Interest-bearing bank borrowings – repayable after one year	133,619	109,674	91,069
	158,817	142,098	194,005
Representing:			
Grand View's net investment	207,892	212,105	254,632
Accumulated losses	(49,075)	(70,007)	(60,627)
	158,817	142,098	194,005

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

subject to approval by the Company's shareholders on 17 May 2005 and the approval of the Stock Exchange for the listing of and permission to deal in the Consideration Shares. The completion of the acquisition is expected to take place on or before 31 May 2005. The followings are the combined profit and loss account and combined cash flow statements of Hang Huo Hotel during the Relevant Periods and the combined balance sheet of the Hang Huo Hotel as at 31 December 2002, 2003 and 2004 extracted from the Company's circular dated 18 April 2005 for the acquisition of Hang Huo Hotel Company Limited.

Combined Profit and loss accounts

	Period from 22 October 2002 (date of incorporation) to 31 December 2002	Year ended 31 December	
	<i>MOP'000</i>	2003 <i>MOP'000</i>	2004 <i>MOP'000</i>
Turnover	4,482	38,919	77,045
Cost of sales	(621)	(6,310)	(5,030)
Operating costs	(1,386)	(15,894)	(24,318)
	<u>2,475</u>	<u>16,715</u>	<u>47,697</u>
Other revenues	79	508	475
Administrative expenses	(1,237)	(7,064)	(25,235)
Depreciation	(1,244)	(7,444)	(13,371)
Operating profit	73	2,715	9,566
Finance costs	(428)	(9,814)	(12,822)
Loss before taxation	(355)	(7,099)	(3,256)
Taxation	(41)	1,489	3,553
(Loss)/profit attributable to the shareholders	<u>(396)</u>	<u>(5,610)</u>	<u>297</u>

Combined cash flow statements

	Period from 22 October 2002 (date of incorporation) to 31 December 2002 MOP'000	Year ended 31 December 2003 MOP'000	31 December 2004 MOP'000
OPERATING ACTIVITIES			
Loss before taxation	(355)	(7,099)	(3,256)
Adjustments for:			
Interest income	–	(1)	–
Interest expenses	428	9,814	12,822
Depreciation	1,244	7,444	13,371
	<u> </u>	<u> </u>	<u> </u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1,317	10,158	22,937
Increase in inventories	(642)	(52)	(681)
Increase in accounts receivable	(1,401)	(2,478)	(9,799)
(Increase)/decrease in other receivables, prepayment and deposits	(10,282)	5,977	2,791
(Increase)/decrease in amounts due from related companies	–	(31,203)	5,163
Increase in accounts payable	637	1,576	2,768
Increase in other payables and accruals	2,198	2,307	7,986
Increase in amounts due to related companies	59	334	8,182
	<u> </u>	<u> </u>	<u> </u>
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	(8,114)	(13,381)	39,347
INVESTING ACTIVITIES			
Purchases of fixed assets	(184,763)	(5,050)	(87,817)
Interest received	–	1	–
	<u> </u>	<u> </u>	<u> </u>
NET CASH USED IN INVESTING ACTIVITIES	(184,763)	(5,049)	(87,817)
FINANCING ACTIVITIES			
Interests paid	(332)	(3,890)	(6,707)
Bank loans raised	77,250	10,300	70,040
Increase/(decrease) in loan from a shareholder	118,363	(175)	(6,546)
Repayments of bank loans	–	–	(11,041)
	<u> </u>	<u> </u>	<u> </u>
NET CASH FROM FINANCING ACTIVITIES	195,281	6,235	45,746
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,404	(12,195)	(2,724)
Cash and cash equivalents at beginning of year/period	–	2,404	(9,791)
	<u> </u>	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	<u>2,404</u>	<u>(9,791)</u>	<u>(12,515)</u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	2,404	4,792	2,591
Bank overdrafts	–	(14,583)	(15,106)
	<u> </u>	<u> </u>	<u> </u>
	<u>2,404</u>	<u>(9,791)</u>	<u>(12,515)</u>

Combined Balance sheets

	31 December		
	2002	2003	2004
	MOP'000	MOP'000	MOP'000
Non-current assets			
Fixed assets	186,609	181,125	290,780
Deferred tax assets	–	1,448	5,001
	<u>186,609</u>	<u>182,573</u>	<u>295,781</u>
Current assets			
Inventories	642	694	1,375
Accounts receivable'	1,401	3,879	13,678
Prepayments, deposits and other receivables	10,282	4,305	1,514
Amounts due from related companies	–	31,203	26,040
Cash and bank balances	2,404	4,792	2,591
	<u>14,729</u>	<u>44,873</u>	<u>45,198</u>
Current liabilities			
Accounts payable	637	2,213	4,981
Other payables and accruals	5,384	10,525	59,835
Amounts due to related companies	59	393	8,575
Bank borrowings, secured			
– due within one year	–	25,625	37,926
	<u>6,080</u>	<u>38,756</u>	<u>111,317</u>
Net current assets/(liabilities)	<u>8,649</u>	<u>6,117</u>	<u>(66,119)</u>
Total assets less current liabilities	195,258	188,690	229,662
Non-current liabilities			
Bank borrowings, secured			
– due after one year	77,250	76,508	123,729
Interest-bearing loan from a shareholder	118,362	118,187	111,641
Deferred tax liability	41	–	–
	<u>195,653</u>	<u>194,695</u>	<u>235,370</u>
Net liabilities	<u>(395)</u>	<u>(6,005)</u>	<u>(5,708)</u>
Capital and reserves			
Issued capital	–	–	–
Reserves	(395)	(6,005)	(5,708)
	<u>(395)</u>	<u>(6,005)</u>	<u>(5,708)</u>

- (iii) On 10 January 2005, Win Matching Limited ("Win Matching"), a wholly owned subsidiary of the Company, and Sky Beyond Investments Limited ("Sky Beyond") entered into the Disposal Agreement, pursuant to which Win Matching agreed to disposed of its entire 35% shareholding interest in Starway Management Limited ("Starway") to Sky Beyond at a consideration of HK\$52,000,000 in cash. The consideration for the Disposal was determined after arm's length negotiation between Win Matching and Sky Beyond based on 4% premium over the original acquisition price of the 35% interest in Starway by Win Matching of HK\$50,000,000. Completion of the disposal is conditional upon, amongst others, the passing of an ordinary resolution by the Company's shareholders at the special general meeting for approving the disposal. Completion of the disposal is expected to take place on the third business day after fulfillment of the conditions of the disposal.
- (iv) On 31 January 2005, 3 February 2005 and 16 February 2005, 375,000,000 shares, 275,000,000 shares and 350,000,000 shares, respectively, of HK\$0.01 each were issued to the convertible bondholders upon the full conversion of the convertible bonds with total principal amount of HK\$20,000,000 at a conversion price of HK\$0.02 each. As such all convertible debts outstanding at 31 December 2004 were converted to shares of the Company.
- (v) Pursuant to an ordinary resolution passed on 10 March 2005, upon the completion of the acquisition of the entire interests of Grandview Hotel on 31 March 2005, the Company had granted 800,000,000 warrants conferring rights to subscribe up to HK\$200,000,000 in aggregate in cash for 800,000,000 new shares at an initial subscription price of HK\$0.25 per share to Sure Expert Limited to retain Mrs. Chu's support to the Company as a consultant in the future in respect of the management of Grandview Hotel with gaming entertainment.
- (vi) Pursuant to a special resolution passed on 17 March 2005, the name of the Company was changed from "Medtech Group Company Limited" to "Golden Resorts Group Limited" and "黃金集團有限公司" was adopted as the Chinese name of the Company with effect from 15 April 2005.
- (vii) On 22 April 2005, the Board proposes to seek approval from the shareholders to effect the share consolidation involving consolidation of every 10 existing shares into 1 consolidated share ("Share Consolidation"). The Share Consolidation is conditional upon (a) the approval of the Share Consolidation by the shareholders at the coming SGM; (b) the completion of the acquisition of Hang Huo Hotel Company Limited, which holds the entire interest in Hotel Casa Real, further details of which are set out into the announcement dated 19 January 2005 and circular dated 18 April 2005 of the Company and (c) the approval from Listing committee of the Stock Exchange.

40. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to 31 December 2004.

Yours faithfully,
Graham H. Y. Chan & Co.
Certified Public Accounts (Practising)
Hong Kong

INDEBTEDNESS OF THE GROUP**Borrowings**

At the close of business on 28 February 2005, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$8,549,000, comprising bank loan of approximately HK\$8,411,000, and obligations under finance leases of approximately HK\$138,000. The bank loan were secured by the Group's leasehold land and building with net book value at 28 February 2005 of approximately HK\$21,535,000. The bank loan and obligations under finance leases are repayable within one year.

At as 28 February 2005, the Group did not have any other unused banking facilities.

Disclaimers

Save as aforesaid, and apart from intra-group liabilities and normal accounts payable in the ordinary course of business of the Group, the Group did not have any outstanding indebtedness in respect of any mortgages, charges, debentures or other loan capital, bank loans and overdrafts, loans, debts securities or other similar indebtedness, or hire purchase commitments, finance lease commitments, guarantees or other material contingent liabilities as at the close of business on 28 February 2005.

The Directors have confirmed that, save for a bank loan of HK\$200,000,000 (secured over Grandview Hotel) obtained by the Group for the purpose of financing the Acquisition, which is subject to the Shareholders' approval on the special general meeting of the Company to be held on 17 May 2005, there has not been any material change in the indebtedness and the contingent liabilities of the Group since 28 February 2005 up to and including the Latest Practicable Date.

WORKING CAPITAL

The Directors are of the opinion that, based on the present available facilities, internal resources of the Group, the banking facilities amounting to approximately HK\$300,000,000 to be arranged for the financing of the Acquisition, which is subject to the Shareholders' approval on the special general meeting of the Company to be held on 17 May 2005, and in the absence of unforeseeable circumstances, the Remaining Group will have sufficient working capital to satisfy its requirements for the next twelve months from the date of this circular.

MATERIAL CHANGE

Save as disclosed herein, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2004, the date to which the latest audited financial statements of the Group were made up.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS OF THE REMAINING GROUP**Review of operations, management analysis and discussion***Business review for the year ended 31 December 2002*

During the year ended 31 December 2002, the Group's income derived from the manufacturing and sale of watches and watch components was approximately HK\$103.4 million, which was equivalent to 91.6% of the Group's total turnover, representing an increase of 37.5% compared with the turnover of manufacturing and sale of watches and watch components of approximately HK\$75.2 million for the last year and resulted in the loss of approximately HK\$16 million, representing an increase of 85.3% from the loss of HK\$8.7 million recorded in previous financial year. The increase in loss was mainly due to the decline in profit margin and the increase of sales and marketing expenditure.

Other than the local and PRC market, the Middle East remained as a major market of the Group, and significant effort and resources was spent on South American market to strengthen the business.

The Group's turnover in the distribution of computer components for the year ended 31 December 2002 was approximately HK\$9.4 million, representing a 75.1% decrease compared with HK\$37.9 million in 2001, resulted in a loss from the distribution of computer components of approximately HK\$0.4 million for the year under review. Due to the rapidly changing business environment and increasing number of rivals in the industry, plunging of prices resulted in significant decline in profit margin and the operations of distribution of computer components suffered continuous trading loss since its acquisition of the business of Enet.com Limited and its subsidiaries such that the directors decided to suspend its operation in computer components distribution and that its Canadian operation and Enet.com Limited were eventually disposed in December 2002.

The Group continued to cautiously allocate resources on other geographic segment with relatively stable market conditions besides the Middle East market. Despite the unfavourable economic environment, the Board believed that the huge market of China could still provide good opportunities and the Group continued to explore new business and investment opportunities with good potential so as to diversify the Group's business and bring in new sources of income. The Group continued to enhance efficiencies by way of streamlining its operation, retrenching of organization structure and costs reduction.

Business review for the year ended 31 December 2003

The global economy had shown sign of recovery during the year under review; Hong Kong's economic also rebound after the SARS, and the PRC economic was forecasted to continue to grow. With an aim to prepare for the revival of the economy and the upcoming new investments opportunities, a capital reorganisation of the Company ("Capital Reorganisation") was proposed and was subsequently implemented and completed on 7 April 2004, which allows flexibility to facilitate any future capital raising when circumstances arose. Immediately following completion of the Capital Reorganisation, the Company has issued 5,000,000,000 new shares of HK\$0.01 each to Perfect View Development Limited (the "Subscription").

The Group's income derived from the manufacturing and sale of watches and watch components was approximately HK\$85.3 million, which was equivalent to 94.7% of the Group's total turnover for the year ended 31 December 2003, representing a decrease of 17.5% compared with the turnover of manufacturing and sale of watches and watch components of approximately HK\$103.4 million for the last year. The profit made was approximately HK\$3.3 million when compared with the loss of HK\$16 million for the year ended 31 December 2002 incurred in last year. The turnaround profit was mainly due to the stringent costs control in streamlining the production processes which lowered the production costs and improved the profit margin, whilst sales and marketing related direct expenditures were also reduced.

Hong Kong, Middle East and South America were still the Group's primary markets, of which turnover of South America continued to grow, as a result of the extensive marketing effort, accounting for 44.6% of the Group's total turnover, and recorded a turnover of HK\$40.1 million, representing an increase of 26.9% over the last year.

While the gradual recovery from SARS was yet to be reflected in the current financial year, the Board expected that the signing of the Closer Economic Partnership Agreement ("CEPA") and the China accession to WTO would provide edge to the watch business in the PRC, and the Board believed business in the PRC would become more significant to the development of the Group.

After the cessation of the computer business, the manufacturing and selling of watches and watches components became the major business and major revenue source to the Group. With the Capital Reorganisation and the Subscription, the Group's financial position was enhanced and the Group was well prepared to further develop its existing business and make investments with earning potentials and complementary to the business of the Group.

Business review for the year ended 31 December 2004

Manufacturing and trading of watches and watches components

For the year ended 31 December 2004, turnover of the watches business recorded HK\$126.2 million, representing 89% of the Group's total turnover, and representing a 48% increase as compared to HK\$85.3 million of last year. Loss for the watches business was approximately HK\$4.6 million (2003: profit of HK\$3.3 million). Despite increase in sales, the Group experienced severe price pressure due to keen competition. During the year, cost of raw materials also increased which further affect the margin of the Group.

Hong Kong, Middle East and South America are still the Group's primary markets. The performance of these primary markets improved significantly, of which turnover of South America continued to grow owing to acquisition of new clients with significant orders increased. Turnover of South America alone accounted for 33% of the total turnover of the watches business.

Strategic diversification into hotel business

Following the subscription of new Shares by Perfect View in cash in April 2004, the Directors have been looking for investment projects with potential to diversify into other business area and to strengthen the earnings of the Group in the long run. As announced on 14 December 2005, Futuremind Holdings Limited, a wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement with Grand View Hotel Investment S.A. on 24 November 2004, pursuant to which Futuremind Holdings Limited agreed to acquire Grandview Hotel and all fixed assets therein from Grand View Hotel Investment S.A. at a consideration of HK\$500,000,000.

In view that the economy of Macau has been booming recently following (i) the implementation of the Closer Economic Partnership Arrangement that stimulates business travels and mainland individuals visit to Macau; and (ii) the opening of more casinos in Macau that further promotes the tourism business in Macau, the Directors are confident that participation in the hotel business with gaming entertainment will enable the Group to capture the results of economic boom in Macau.

As at 31 December 2004, The Group employed a total workforce of approximately 2,000 people (2003: 2000) among which 25 people (2003: 30) were working in Hong Kong. The staff costs for the year amounted to approximately HK\$28.8 million (2003: HK\$25.6 million). The employees' remuneration, promotion and salary increment are assessed based on their work performance, working and professional experiences and the prevailing market practice.

The Group's leasehold land and buildings in the PRC with a market value of approximately HK\$21.5 million (2003: HK\$21.5 million) were pledged to a bank for banking facilities granted to the Group amounted to approximately HK\$8.9 million (2003: HK\$12 million).

Subsequent to the balance sheet date, the Group had obtained a mortgage loan of HK\$200 million, the loan is secured by the Grandview Hotel.

Prospects

The Group is principally engaged in the manufacturing and trading of watches and watch components, the provision of electroplating services, investment holding, property holding and hotel business.

Manufacturing and trading of watches and watches components

The Group will continue to focus on the markets of South America, Middle East as well as the PRC. Cost control policy will remain in place with the aim to further minimize the cost and improve the efficiency of the business.

Hotel business

In 2004, the economy of Hong Kong has experienced upward improvement from which most of the business has benefited. At the same time, economy of Macau has also been booming. With the introduction of Individual Traveller's Scheme by the PRC government and the opening of more casinos, the number of tourists, especially those from the PRC, to Macau has been significantly increased. Their consumption in Macau stimulates enormous business opportunity and growth potentials in the tourism industry and the situation is expected to sustain in the future.

The Directors believe that the Group is able to capture the results of the economic boom in Macau through active investment in the hotel business with gaming entertainment in the territory. The strategic diversification of the Group into the hotel business will enhance the Group's profitability and maximize returns for its shareholders.

In late November 2004, the Group proposed to acquire Grandview Hotel which is a four star hotel located at 142 Estrada Governador Albano de Oliveira, Taipa, Macau, together with all the fixed assets therein from Grand View Hotel Investment S.A. at a consideration of HK\$500,000,000 which was satisfied by (i) HK\$400,000,000 in cash; and (ii) issue of 500,000,000 new Shares at HK\$0.02 each to the assignees nominated by Grandview Hotel Investment S.A., details of which were set out in the circular of the Company dated 22 February 2005. The acquisition of Grandview Hotel was completed on 31 March 2005. In January 2005, the Group proposed to acquire Hotel Casa Real through the Acquisition which is still subject to approval by Shareholders in special general meeting of the Company held on 17 May 2005, details are set out in the Announcement and the Company's circular dated 18 April 2005. Both Grandview Hotel and Hotel Casa Real are four star hotels with casino facilities. As gaming entertainment is one of the most popular activities for tourists in Macau, the Group will further expand the casinos in the hotels with the aim to attract and retain more tourists staying at the hotels.

Grandview Hotel

The hotel is located at Taipa and it takes approximately 5 minutes traveling to the Macau International Airport and 10 minutes traveling to the Macau Ferry Terminal. It has a total of 407 guest rooms and facilities including spa, outdoor swimming pool, fitness center, children care room and the casino. There are also Chinese and western restaurants and lobby lounge. Given the proximity to major transportation terminals in Macau, the management believes that the occupancy rate of Grandview hotel will increase in line with the overall growth in the tourism industry in the region. The Group has started renovation immediately subsequent to the completion of the acquisition on 31 March 2005 and will expand the casino and launch various promotion activities to further promote the hotel.

Hotel Casa Real

The hotel is located at Macau, approximately 5 minutes traveling to the Macau Ferry Terminal. It has a total of about 381 guest rooms and facilities including swimming pool, fitness center, retail shop and a casino with both slot machines and gaming tables. There are also Chinese and western restaurants and a coffee shop.

Similar to Grandview Hotel, the Group will undertake various refurbishment works and marketing activity once the transaction is completed in order to further promote the hotel and improve the occupancy rate accordingly.

The Directors are confident that the diversification into the hotel business with gaming entertainment in Macau will enhance the earnings base of the Group which in turn will maximize the shareholder's return in the future. The management will continue to look for potential investment projects in Macau as well as elsewhere with the aim to further leverage the resources of the Group and strive to achieve a satisfactory result in near future.

Disposal of investment

The Company announced on 19 January 2005 that the Group proposed to dispose of the entire 35% shareholding interest in Starway Group, which is engaged in the manufacturing and whose sale of advanced technology energy-saving products in the PRC and 35% shareholding interest was acquired by the Group from Eurofaith Holdings Inc. in August 2004 at a cash consideration of HK\$50 million details of which were set out in the Company's announcement dated 15 June 2004 and this circular, in view of (i) the new strategic business diversification direction of the Group towards the hotel business with gaming entertainment in Macau; and (ii) an estimated profit of HK\$2,000,000 to be realized as a result of the Disposal.

LIQUIDITY AND CAPITAL RESOURCES**Borrowings**

As at 31 December 2004, the Group had total borrowings amounted to approximately HK\$9 million, as compared to approximately HK\$12.3 million at last financial year end, of which approximately HK\$0.1 million (2003: HK\$0.2 million) represents obligations under finance leases and hire purchase contracts and the remaining balance of approximately HK\$8.9 million (2003: HK\$12 million) represents a bank loan which is due on 7 June 2005 and secured by the Group's leasehold land and buildings. As at 31 December 2004, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' fund, was approximately 1.25%, as compared with approximately 89.8% in last financial year end.

On 29 October 2004, the Company issued convertible notes to independent investors in an aggregate principal amount of HK\$20 million at a conversion price of HK\$0.02 per conversion share. The convertible notes have been fully converted into 1,000,000,000 shares of the Company subsequent to the balance sheet date of 31 December 2004.

As at 31 December 2004, the Group recorded net current assets of approximately HK\$668.8 million (2003: net current liabilities of approximately HK\$9.4 million) and shareholders' funds of approximately HK\$723.6 million (2003: HK\$13.7 million). The financial position of the Group as at 31 December 2004 has been significantly strengthened by the subscription, and top-up subscription of new shares by Perfect View, details of the subscription are set out in the Company's announcement dated 9 January 2004 and the circular dated 12 March 2004.

Subsequent to the balance sheet date of 31 December 2004, the Group obtained a mortgage loan of HK\$200 million. The mortgage loan is repayable in 3 years with a floating interest with reference to the HIBOR per annum, and is secured by the Group's asset – the Grandview Hotel.

Capital Investments and commitments

During the year of 2004, the Group has utilised HK\$50 million for the acquisition of 35% interest in Starway whose principal business, together with its subsidiaries, is engaged in energy saving business.

In November 2004, Futhermind had entered into agreement with Grand View Hotel Investment S.A. for the acquisition of the Grandview Hotel ("Grandview Acquisition"). The total consideration of the Grandview Acquisition is HK\$500 million, of which HK\$400 million is settled by cash, and the remaining HK\$100 million is settled by issue of 500,000,000 new shares of the Company at HK\$0.2 each. The Grandview Acquisition has been completed on 31 March 2005.

Save for the abovementioned acquisitions, the Group did not incur or commit any material investment or capital expenditure during the year.

Capital Structure

As at 31 December 2004, the Group had total assets of approximately HK\$796.4 million (2003: HK\$63.3 million). Current assets were approximately HK\$721.6 million (2003: HK\$39.5 million), while current liabilities were approximately HK\$52.8 million (2003: HK\$48.9 million).

The Company had gone through a capital reorganisation in April 2004 to consolidate every 3 issued shares of HK\$0.01 each into one consolidated share of nominal value HK\$0.03 each, then reduce the nominal value of all the issued consolidated shares from HK\$0.03 each to HK\$0.01 each by way of capital reduction (the "Capital Reorganisation"), and the credit amount arisen from the capital reduction of approximately HK\$32.3 million was applied to against the accumulated losses of the Company.

Following the completion of the Capital Reorganisation, the Company has issued 5,000,000,000 Shares of HK\$0.01 each to Perfect View Development Limited ("Perfect View") pursuant to the subscription agreement entered into between Perfect View and the Company in December 2003, and Perfect View subsequently placed 543,700,000 shares to independent investors in April 2004

On 29 October 2004, the Company issued convertible notes to independent investors in an aggregate principal amount of HK\$20 million at a conversion price of HK\$0.02 per conversion share. The convertible notes had been fully converted into 1,000,000,000 shares of the Company subsequent to the balance sheet date of 31 December 2004.

During the year of 2004, the Company had raised in an aggregate amount of approximately HK\$692 million through three top-up placing.

- (i) In November 2004, Perfect View placed 992,300,000 shares of the Company to independent investors, and top-up subscribed the same amount of shares of the Company at HK\$0.095 each ("1st Top-Up Subscription");
- (ii) In December 2004, Perfect View placed 330,800,000 shares of the Company to independent investors, and top-up subscribed the same amount of shares of the Company at HK\$0.175 each ("2nd Top-Up Subscription"); and
- (iii) In December 2004, Perfect View placed 1,587,700,000 shares of the Company to independent investors, and top-up subscribed the same amount of shares of the Company at HK\$0.34 each ("3rd Top-Up Subscription").

To accommodate the rapid expansion and to facilitate the fund raising exercises of the Group, on 17 December 2004, the Company has increased its authorised share capital from HK\$100,000,000 divided into 10,000,000,000 shares to HK\$300,000,000 divided into

30,000,000,000 shares by creation of 20,000,000,000 new shares, and refreshed the general mandate ("New General Mandate"). The New General Mandate had almost been utilised to issue the subscription shares for the 3rd Top-Up Subscription, as such the Company had, subsequent to the balance sheet date, refreshed the general mandate again on 3 February 2005.

During the year of 2004, 661,000,000 Share Option with an exercise price of HK\$0.151 has been granted, and 661,000,000 shares will be issued if fully exercised.

Subsequent to the balance sheet date of 31 December 2004, the Company has issued 500,000,000 new shares of the Company at HK\$0.2 each as the share consideration for the Grandview Acquisition, and the Company had granted 800,000,000 Warrants conferring rights to subscribe up to HK\$200,000,000 in aggregate in cash for 800,000,000 new shares at an initial subscription price of HK\$0.25 per share to Sure Expert Limited.

Contingent Liability

As at 31 December 2004, the Group had no material contingent liability

Foreign exchange and interest rate exposure

As the Group's sales are mostly base on United States dollar ("USD"), having considered the exchange rate of USD is fairly stable, no foreign exchange and interest rate risk management or related hedges were made at present. Proper policy will be in place when the Board considers appropriate.

**GRAHAM H.Y. CHAN & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

HONG KONG

Unit 1,15/F., The Center
99 Queen's Road Central
Hong Kong

29 April 2005

The Board of Directors
Golden Resorts Group Limited

Dear Sirs,

We set out below our report on the unaudited pro forma financial information of the Remaining Group (the Group (as defined herein), excluding Starway Management Limited and its subsidiaries (collectively the "Starway Group")) set out in Appendix II to the circular dated 29 April 2005 (the "Circular") issued by Golden Resorts Group Limited (the "Company") and together with its subsidiaries (referred to as the "Group") in connection with the proposed disposal of interest in Starway Management Limited (the "Disposal"). The unaudited pro forma financial information has been prepared by the Directors of the Company, for illustrative purposes only, to provide information about how the Disposal might have affected the financial information of the Group.

Responsibility

It is the responsibility solely of the Directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

It is our responsibility to form an opinion, as required by the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practice Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the

unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors of the Company.

Our work does not constitute an audit or review made in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information is for illustrative purpose only, based on the Directors' judgements and assumptions, and because of its nature, it may not give true picture of the Company's financial position or results, and it may not be indicative of:

- the financial position of the Remaining Group at 31 December 2004 or any future date had the Disposal completed on 31 December 2004; or
- the result and cash flows of the Remaining Group for the year ended 31 December 2004 or any future period had the Disposal been completed at the commencement of the year ended 31 December 2004

Opinion

In our opinion:

- a. the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29 (1) of Chapter 4 of the Listing Rules.

Yours faithfully,
Graham H.Y. Chan & Co.
Certified Public Accountants (Practising)
Hong Kong

PRO FORMA CONSOLIDATED BALANCE SHEET OF THE REMAINING GROUP

The following is the pro forma consolidated balance sheet of the Remaining Group as at 31 December 2004 which has been prepared for the purpose of illustration as if the Disposal had been completed on 31 December 2004.

The pro forma consolidated balance sheet of the Remaining Group is based on the audited consolidated balance sheet of the Group as at 31 December 2004 as extracted from the Accountants' Report in Appendix I of this circular, after giving effect to the pro forma adjustments described in the notes thereto.

The pro forma consolidated balance sheet has not given effect to the following events which were completed subsequent to 31 December 2004.

- the acquisition of Grandview Hotel announced on 14 December 2004 which was completed on 31 March 2005; and
- the acquisition of Hang Huo Hotel Company Limited announced on 19 January 2005 which will be completed on or before 31 May 2005 subject to approval by the Company's shareholders on 17 May 2005 and the approval of the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

This statement has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Remaining Group following completion of the Disposal.

APPENDIX II

PRO FORMA FINANCIAL INFORMATION ON
THE REMAINING GROUP

	Audited consolidated balance sheet of the Group as at 31 December 2004 HK\$'000	Pro forma adjustments HK\$'000	Note	Unaudited pro forma consolidated balance sheet of Remaining Group HK\$'000
Non-current assets				
Fixed assets	24,714			24,714
Investment in associates	50,000	(50,000)	1	–
Deferred tax assets	49			49
	<u>74,763</u>			<u>24,763</u>
Current assets				
Inventories	9,943			9,943
Trade receivables	13,753			13,753
Prepayments, deposits and other receivables	50,544			50,544
Other investments	4,194			4,194
Cash and bank balances	643,157	52,000 (650)	2 4	694,507
	<u>721,591</u>			<u>772,941</u>
Current liabilities				
Trade payables	21,062			21,062
Other payable and accruals	22,239			22,239
Tax payable	436			436
Obligations under finance leases – due within one year	138			138
Bank loans - secured	8,879			8,879
	<u>52,754</u>			<u>52,754</u>
Net current assets	<u>668,837</u>			<u>720,187</u>
Total assets less current liabilities	<u>743,600</u>			<u>744,950</u>
Non-current liabilities				
Convertible debts	20,000			20,000
	<u>723,600</u>	<u>1,350</u>		<u>724,950</u>
Capital	95,265			95,265
Reserves	628,335	2,000 (650)	3 4	629,685
	<u>723,600</u>	<u>1,350</u>		<u>724,950</u>

Notes:

1. This adjustment reflects the disposal of Starway Group. Details of Starway refer to note 16 to the Accountants' Report set out in Appendix I.
2. The Disposal consideration is to be settled fully in cash of HK\$52,000,000.
3. It represents the gain on disposal of Starway Group.
4. It represents the estimated expenses paid in connection with the Disposal.

**PRO FORMA CONSOLIDATED PROFIT AND LOSS STATEMENT OF THE
REMAINING GROUP**

The following is the pro forma consolidated profit and loss statement for the year ended 31 December 2004 which has been prepared for the purpose of illustration as if the Disposal had been completed at the commencement of the year ended 31 December 2004.

The pro forma consolidated profit and loss statement is prepared based on the audited consolidated profit and loss account of the Group for the year ended 31 December 2004 as extracted from the Accountants' Report in Appendix I of this circular, after giving effect to the pro forma adjustments described in the notes thereto.

The pro forma consolidated profit and loss statement is prepared for illustrative purposes only and because of its nature, it may not give a true picture of the results of the Remaining Group for the year ended 31 December 2004 or any future periods.

APPENDIX II

PRO FORMA FINANCIAL INFORMATION ON
THE REMAINING GROUP

	Audited consolidated profit and loss statement of the Group for the year ended 31 December 2004 <i>HK\$'000</i>	Pro forma adjustments <i>HK\$'000</i>	<i>Note</i>	Unaudited pro forma consolidated profit and loss statement of the Remaining Group <i>HK\$'000</i>
Turnover	141,655			141,655
Cost of sales	<u>(135,949)</u>			<u>(135,949)</u>
Gross profit	5,706			5,706
Other revenues	136			136
Distribution costs	(1,589)			(1,589)
Administrative and general expenses	(14,555)	(650)	2	(15,205)
Other operating expenses	(109)			(109)
Other gains	<u>266</u>			<u>266</u>
Loss from operating activities	(10,145)			(10,795)
Finance costs	(943)			(943)
Gain on disposal of associates	<u> </u>	<u>2,000</u>	1	<u>2,000</u>
Loss before taxation	(11,088)	1,350		(9,738)
Taxation	<u>(4)</u>	<u> </u>		<u>(4)</u>
Loss attributable to shareholders	<u><u>(11,092)</u></u>	<u><u>1,350</u></u>		<u><u>(9,742)</u></u>
Dividends	<u><u> -</u></u>			<u><u> -</u></u>

Notes:

1. It represents the gain on disposal of Starway Group which is the difference between consideration of HK\$52,000,000 and investment cost of HK\$50,000,000 as 31 December 2004.
2. It represents the estimated expenses in connection with the Disposal.

PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE REMAINING GROUP

The following table is a pro forma consolidated cash flow statement of the Remaining Group for the year ended 31 December 2004 which has been prepared for the purpose of illustration as if the Disposal had been completed at the commencement of the year ended 31 December 2004.

The pro forma consolidated cash flow statement is based on the audited consolidated cash flow statement of the Group for the year ended 31 December 2004 as extracted from the Accountants' Report in Appendix I of this circular, after giving effect to the pro forma adjustments described in the notes thereto.

The pro forma consolidated cash flow statement is prepared to provide the pro forma financial information on the Remaining Group as a result of the completion of the Disposal. As it has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Remaining Group at any future date.

APPENDIX II

PRO FORMA FINANCIAL INFORMATION ON
THE REMAINING GROUP

	Audited consolidated cash flow statement of the Group for the year ended 31 December 2004 HK\$'000	Pro forma adjustments HK\$'000	Note	Unaudited pro forma cash flow statement of the Remaining Group HK\$'000
Loss before taxation	(11,088)	1,350	1	(9,738)
Adjustments for:				
Revaluation surplus in respect of leasehold land and buildings	(685)			(685)
Unrealised loss on other investments	419			419
Depreciation of fixed assets	1,402			1,402
Convertible debts issuing expenses	500			500
Gain on disposal of associates	<u> </u>	(2,000)	2	<u> </u>
Operating loss before working capital changes	(9,452)			(10,102)
Decrease in inventories	2,394			2,394
Increase in trade receivables, prepayments, deposits and other receivables	(48,123)			(48,123)
Increase in trade payables, other payables and accruals, including amounts due to directors and a substantial shareholder	<u>7,621</u>			<u>7,621</u>
Cash used in operations	(47,560)			(48,210)
Hong Kong profits tax paid	<u>(880)</u>			<u>(880)</u>
Net cash used in operating activities	<u><u>(48,440)</u></u>	<u><u>(650)</u></u>		<u><u>(49,090)</u></u>

APPENDIX II

PRO FORMA FINANCIAL INFORMATION ON
THE REMAINING GROUP

	Audited consolidated cash flow statement of the Group for the year ended 31 December 2004 HK\$'000	Pro forma adjustments HK\$'000	Note	Unaudited pro forma cash flow statement of the Remaining Group HK\$'000
Net cash used in operating activities	(48,440)	(650)		(49,090)
Investing activities				
Purchase of fixed assets	(2,386)			(2,386)
Decrease of other investments	3,296			3,296
Acquisition of associates	(50,000)			(50,000)
Proceeds from disposal of interests in associates		52,000	3	52,000
Net cash used in investing activities	(49,090)			2,910
Financing activities				
Issue of shares	741,977			741,977
Share issuing expenses	(21,008)			(21,008)
Issue of convertible debts	20,000			20,000
Convertible debt issuing expenses	(500)			(500)
Other loans raised	2,000			2,000
Repayment of bank loan	(3,176)			(3,176)
Repayment of other loans	(1,600)			(1,600)
Payment of capital element of finance leases	(69)			(69)
Net cash from financing activities	737,624			737,624
Net increase in cash and cash equivalents	640,094			691,444
Cash and cash equivalents at 1 January	3,063			3,063
Cash and cash equivalents at 31 December	643,157	51,350		694,507

Note:

1. It represents the net effect between the gain recognised on the Disposal of HK\$2,000,000 (the difference between consideration of HK\$52,000,000 and investment cost of HK\$50,000,000 as 31 December 2004) and other estimated expenses of HK\$650,000 paid in connection with the Disposal
2. It represents the gain on the Disposal.
3. This represents cash to be received for the Disposal.

**AA Property Services Ltd.****環亞物業顧問有限公司**

Valuation . Agency . Auction . Investment Consultancy . Project & Building Management

29th April, 2005

The Board of Directors
Golden Resorts Group Limited
Suite 2809, 28th Floor
One International Finance Centre
One Harbour View Street
Central
Hong Kong

Dear Sirs,

In accordance with the instruction for us to value the property interests in which the Golden Resorts Group Limited and/or its subsidiaries (together referred to as "the Group") has an interest and located in Shenzhen in the Guangdong Province in The People's Republic of China, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31st March, 2005.

Our valuation is our opinion of the Market Value which is intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Our valuation has been made on the assumption that the property interests are sold on the open market in their existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to increase the value of such property interests.

We have valued the property interests on open market basis assuming sale with the benefit of vacant possession with reference to comparable market transactions. In valuing the property interests, we have assumed that the property interests are capable of being freely disposable and transferable in the open market to both local and overseas purchasers for the residue of the term granted under the land use rights in respect of the property interests. We have further assumed that the owners have proper legal title to the property interests and all fees or payments payable in respect of the land use rights had been fully paid.

We have relied to a very considerable extent on the information provided by Starway Management Ltd. and have accepted advice given to us by Starway Management Ltd. on

such matters as planning approvals or statutory notices, easements, tenure, site and floor areas and all other relevant matters affecting values.

We have not carried on-site measurements to verify the site and floor areas of the property under consideration. We have assumed that the site and floor areas supplied to us by the Group or as shown on the documents handed to us are correct. We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

We have been provided with copies of legal documents regarding the title of the property interests. However, we have not caused searches to be made in respect of the title of the property interests and have not scrutinised the original documents to verify ownership or to verify any title amendments which may not appear on the copies handed to us. We have relied on the opinion furnished by the legal adviser, Guangdong Pengdu Law Firm (廣東鵬都律師事務所), on the law of the People's Republic of China as regards the legal title of the property interests. All documents and title documents have been used as reference only and all dimensions, measurements and areas are approximate.

We have inspected the exterior and, where possible, the interior of the property included in the attached valuation certificate, in respect of which we have been provided with such information as we have required for the purpose of our valuation. No structural survey has been made. However, in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

In accordance with the Chapter 5 and Practice Note 12 under the Listing Rules issued by the Hong Kong Stock Exchange, in preparing the valuation of the property interests, we have regard to the requirements contained in Hong Kong Guidance Notes on the Valuation of Property Assets published by The Royal Institution of Chartered Surveyors (Hong Kong Branch) and the Hong Kong Institution of Surveyors.

The translation of Hong Kong Dollars (HK\$) into Renminbi (Rmb) is based on the approximate rate of HK\$1.00 to Rmb1.05 prevailing on 31st March, 2005.

Our summary of valuation and valuation certificate are attached.

Yours faithfully,
For and on behalf of
A A PROPERTY SERVICES LIMITED
PATRICK W.C. LAI
MRICS, MHKIS, MCI Arb., RPS
Executive Director

Note: Patrick W.C. Lai is a Chartered Valuation Surveyor of the Royal Institution of Chartered Surveyors and a Registered Professional Surveyor and a Real Estate Appraiser of China. He has 18 years of experience in the valuation of property located in Hong Kong, Beijing, Shanghai, Tianjin and other major cities in the People's Republic of China and has issued valuation certificates for and on behalf of A A Property Services Limited for over 10 years.

SUMMARY OF VALUATION

Property	Capital value in existing state as at 31st March, 2005
1. Flat F on 31st Floor, Block B, Tonge Notable Garden, or known as Block 5, Xiangmicun Three, Futian District, Shenzhen, Guangdong Province, The People's Republic of China	HK\$905,000 (Rmb950,000)
2. Flat C on 29th Floor, North Block, Jing Yuan Building, Hou Hoi Avenue Junction, Gongye Seventh Avenue, Nanshan District, Bao'An, Shenzhen, Guangdong Province, The People's Republic of China	HK\$952,000 (Rmb1,000,000)

Property	Description and Tenure	Particulars of Occupancy	Capital value in existing state as at 31st March, 2005
1. Flat F on 31st Floor, Block B, Tonge Notable Garden, or known as Block 5, Xiangmicun Three, Futian District, Shenzhen, Guangdong Province, The People's Republic of China	<p>The property comprises an apartment unit on the 31st floor of an apartment block within a residential estate.</p> <p>The apartment building was completed in 1996.</p> <p>The property contained a gross floor area of 139 square metres.</p> <p>The land use right of the property was granted for a term of 50 years commencing on 7th April, 1999 and expiring on 6th April, 2049.</p>	The property is at present occupied by the owner for office use.	HK\$905,000 (Rmb950,000)

Notes:

1. Pursuant to the Building Ownership Certificate issued by The Shenzhen Municipal Planning and Land Bureau and registered on 14th October, 1999, the legal title of the property was vested in “深圳市寶博實業發展有限公司” (which was later renamed as “深圳德勤實業發展有限公司”). The property was permitted for commercial and residential uses. The land use right was granted for a term of 50 years commencing on 7th April, 1999 and expiring on 6th April, 2049.
2. Pursuant to the Certificate of Approval for Establishment of Enterprises with Foreign Investment in The People's Republic of China 外經貿粵深外資証字2003 1376 號 issued on 22nd December, 2003 by The People's Government of Shenzhen Municipality, “深圳德勤實業發展有限公司” was permitted to be established by Starway Management Ltd., in which the Group has an interest, with the registered capital of Rmb10,000,000. The full amount of capital Rmb10,000,000 was paid by Starway Management Ltd. and 深圳德勤實業發展有限公司 is wholly-owned by Starway Management Ltd. The permitted duration of operation was 10 years commencing from 2003. The scope of business permitted was the manufacturing and sales of electricity savings devices.
3. Pursuant to the Business Licence Certificate 企獨粵深總字第312131號 issued by the Shenzhen Municipal Commercial and Administrative Bureau on 25th December, 2003, “深圳德勤實業發展有限公司” was established on 20th November, 1996. The registered capital of the company was Rmb10,000,000. The company was a foreign investment enterprise. The scope of business permitted was manufacturing and sales of electricity savings devices. The permitted operation period commenced on 20th November, 1996 and expired on 25th December, 2013.
4. Pursuant to the Notice of Change issued by the Shenzhen Municipal Commercial and Administrative Bureau on 21st April, 2003, “深圳市德勤實業發展有限公司” was formerly known as “深圳市寶博實業發展有限公司”.
5. In accordance with the opinion of the legal adviser on the law of the People's Republic of China:—
 - a. “深圳市德勤實業發展有限公司” is a company authorised to be established and the business licence is valid for the period as stated.
 - b. The building ownership certificate in the possession of “深圳市寶博實業發展有限公司” is valid.
 - c. The term of the Land Use Right in respect of the property interest is valid.

- d. The owner, 深圳市德勤實業發展有限公司, is in possession of a proper title to the property interest and has full and uninterrupted right to transfer the property interest for the residue of the term of the land use right at no extra premium or other payments of an onerous nature.
- e. The property can be freely disposed by 深圳市德勤實業發展有限公司 in the open market to any third parties.
6. The status of the title and licence in accordance with the information provided by the Group and the aforesaid legal opinion are as follows:-

Document	Status
Certificate for Building Ownership	Yes
Business Licence	Yes

Property	Description and Tenure	Particulars of Occupancy	Capital value in existing state as at 31st March, 2005
2. Flat C on 29th Floor, North Block, Jing Yuan Building, Hou Hoi Avenue Junction, Gongye Seventh Avenue, Nanshan District, Bao'An, Shenzhen, Guangdong Province, The People's Republic of China	<p>The property comprises an apartment unit on the 29th floor of an apartment block within a residential estate.</p> <p>The apartment building was completed in 1997.</p> <p>The property contained a gross floor area of 179 square metres.</p> <p>The land use right of the property was granted for a term of 70 years commencing on 22nd July, 1992 and expiring on 22nd July, 2062.</p>	The property is at present occupied by a director of the owner company as his residence.	HK\$952,000 (Rmb1,000,000)

Notes:

1. Pursuant to the Building Ownership Certificate issued by The Shenzhen Municipal Planning and Land Bureau and registered on 29th January, 1998, the legal title of the property was vested in “深圳市寶博實業發展有限公司” (which was later renamed as “深圳德勤實業發展有限公司”). The property was permitted for commercial and residential uses. The land use right was granted for a term of 70 years commencing on 22nd July, 1992 and expiring on 22nd July, 2062.
2. Pursuant to the Certificate of Approval for Establishment of Enterprises with Foreign Investment in The People's Republic of China 外經貿粵深外資証字2003 1376 號 issued on 22nd December, 2003 by The People's Government of Shenzhen Municipality, “深圳德勤實業發展有限公司” was permitted to be established by Starway Management Ltd., in which the Group has an interest, with the registered capital of Rmb10,000,000. The full amount of capital Rmb10,000,000 was paid by Starway Management Ltd. and 深圳德勤實業發展有限公司 is wholly-owned by Starway Management Ltd. The permitted duration of operation was 10 years commencing from 2003. The scope of business permitted was the manufacturing and sales of electricity savings devices.
3. Pursuant to the Business Licence Certificate 企獨粵深總字第312131號 issued by the Shenzhen Municipal Commercial and Administrative Bureau on 25th December, 2003, “深圳德勤實業發展有限公司” was established on 20th November, 1996. The registered capital of the company was Rmb10,000,000. The company was a foreign investment enterprise. The scope of business permitted was manufacturing and sales of electricity savings devices. The permitted operation period commenced on 20th November, 1996 and expired on 25th December, 2013.
4. Pursuant to the Notice of Change issued by the Shenzhen Municipal Commercial and Administrative Bureau on 21st April, 2003, “深圳市德勤實業發展有限公司” was formerly known as “深圳市寶博實業發展有限公司”.
5. In accordance with the opinion of the legal adviser on the law of the People's Republic of China:—
 - a. “深圳市德勤實業發展有限公司” is a company authorised to be established and the business licence is valid for the period as stated.
 - b. The building ownership certificate in the possession of “深圳市寶博實業發展有限公司” is valid.
 - c. The term of the Land Use Right in respect of the property is valid.

- d. The owner, 深圳市德勤實業發展有限公司, is in possession of a proper title to the property interest and has full and uninterrupted right to transfer the property interest for the residue of the term of the land use right at no extra premium or other payments of an onerous nature.
- e. The property can be freely disposed by 深圳市德勤實業發展有限公司 in the open market to any third parties.
6. The status of the title and licence in accordance with the information provided by the Group and the aforesaid legal opinion are as follows:-

Document	Status
Certificate for Building Ownership	Yes
Business Licence	Yes

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

<i>Authorised:</i>		<i>HK\$</i>
30,000,000,000	Shares	300,000,000
<i>Issued and fully paid or credited as fully paid:</i>		
<u>11,026,510,980</u>	Shares	<u>110,265,110</u>

Based on the issued share capital as at the Latest Practicable Date and assuming realisation of the possible dilutive events as at the Latest Practicable Date, the issued share capital will be as follows:

		<i>HK\$</i>
11,026,510,980	Shares as at the Latest Practicable Date	110,265,110
1,100,000,000	Shares to be issued, subject to conditions, by the Company as part of the consideration for the Acquisition	11,000,000
661,000,000	Shares to be issued upon full exercise of Share Options	6,610,000
800,000,000	Shares to be issued on full exercise of the subscription rights attaching to the Warrants (based on a subscription price of HK\$0.25 per Share)	8,000,000
<hr/> <u>13,587,510,980</u>		<hr/> <u>135,875,110</u>

All of the above Shares shall rank *pari passu* in all aspects, including all rights as to dividend, voting and interests in capital, among themselves and with all other Shares in issue on the date of issue.

No part of the share capital of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares to be listed or dealt in on any other stock exchange.

3. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Directors had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company or the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be

notified to the Company and the Stock Exchange pursuant to the requirements of the Model Code for Securities Transactions by Directors of Listed Companies:

Name of Directors	Capacity	Nature of Interests	Number of Shares	Number of underlying Shares	Approximate percentage of existing issued share capital of the Company
Mr. Lee (Note a)	Interest of a controlled corporation/ Interest of a spouse	Corporate	400,010,007 ^(L) (Note b)	–	3.63
Mrs. Chu (Note c)	Interest of controlled corporations	Corporate	1,253,143,340 ^(L)	800,000,000 ^(L)	18.62
Cheung Yu Shum, Jenkin (Note d)	Interest of a controlled corporation	Corporate	2,856,300,000 ^(L) (Note e)	–	25.90
Wong King Shiu, Daniel (Note f)	Beneficial owner	Personal	28,333,333 ^(L)	–	0.26

(L) denotes the long position held in the Shares.

Notes:

- (a) Mr. Lee, the non-executive Director, is the beneficial owner of Choose Right Limited.
- (b) 400,000,000 Shares were held by Choose Right Limited which is wholly owned by Mr. Lee and 10,007 Shares were held by Mr. Lee's spouse through Kingston Securities Ltd. By virtue of the SFO, Mr. Lee is deemed to be interested in all such Shares held by Choose Right Limited and his spouse respectively.
- (c) Mrs. Chu holds (i) 53,133,333 Shares through Kingston Capital Limited; (ii) 10,007 Shares through Kingston Securities Limited; and (iii) 1,200,000,000 Shares through Sure Expert Limited as at the Latest Practicable Date. Kingston Capital Limited and Kingston Securities Limited are controlled by Mrs. Chu and Sure Expert Limited is wholly owned by Mrs. Chu. In addition, as at the Latest Practicable Date, Mrs. Chu, through Sure Expert Limited, is holding 800,000,000 Warrants, therefore, Mrs. Chu is deemed to be interested in 2,053,143,340 Shares in aggregate, representing 18.62% of the existing issued Shares.
- (d) Mr. Cheung Yu Shum, Jenkin, the chairman of the Board and executive Director, is the beneficial owner of Perfect View.
- (e) These Shares were held by Perfect View. By virtue of the SFO, Mr. Cheung Yu Shum, Jenkin is deemed to be interested in all such Shares held by Perfect View.
- (f) Mr. Wong King Shiu, Daniel is an independent non-executive Director.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive nor their respective associates had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company or the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the requirements of the Model Code for Securities Transactions by Directors of Listed Companies.

(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any member of the Group:

Name of Shareholders	Number of Shares	Approximate percentage of existing issued share capital of the Company
Perfect View (<i>Note 1</i>)	2,856,300,000 ^(L)	25.90
Sure Expert Limited (<i>Note 2</i>)	2,000,000,000 ^(L)	18.14

(L) denotes the long position held in the Shares.

Notes:

- These Shares were held by Perfect View which is an investment holding company incorporated in the British Virgin Islands with limited liabilities and is wholly and beneficially owned by Mr. Cheung Yu Shum, Jenkin, the chairman of the Board and an executive Director.

By virtue of the SFO, Mr. Cheung Yu Shum, Jenkin is deemed to be interested in all such Shares held by Perfect View.

- Sure Expert Limited is wholly and beneficially owned by Mrs. Chu and held 1,200,000,000 Shares and was granted 800,000,000 Warrants by the Company upon completion of the acquisition of Grandview Hotel, details of which are set out in the announcement of the Company dated 14 December 2004.

Save as disclosed above and so far as is known to the Directors or chief executive of the Company, there is no person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meeting of any other member of the Group.

(c) Share Options

Details of the outstanding Share Options granted under the share option scheme of the Company as at the Latest Practicable Date are as follows:

Category of Grantee	Number of Shares	Date of Grant	Exercise Period	Exercise Price per Share HK\$
Consultants	<u>661,000,000</u>	12.11.2004	15.11.2004-14.11.2006	0.151
Total:	<u><u>661,000,000</u></u>			

Notes:

1. The above consultants are not connected persons (as defined under the Listing Rules) of the Company.
2. The exercise prices of the Share Options are subject to adjustments in the case of rights or bonus issues, or other similar changes in the Company's share capital.

As at the Latest Practicable Date, save for the above Share Options and Warrants, there were no outstanding convertible debts, options or warrants of the Company.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

5. LITIGATION

As at the Latest Practicable Date, none of the Company or any of its subsidiaries were engaged in any litigation or arbitration of material importance and no other litigation or claim of material importance was known to the Directors to be pending or threatened against either the Company or any of its subsidiaries.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or was proposing to enter into any service contract with the Company or its subsidiaries or associated companies which is not determinable within one year without payment of any compensation (other than statutory compensation).

7. CORPORATE INFORMATION**Registered Office**

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

Suite 2809, 28th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Principal Registrar

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Hong Kong Branch Registrar and Transfer Office

Abacus Share Registrars Limited
G/F., Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Legal Advisers on Hong Kong Law

Preston Gates & Ellis
35th Floor Two International Finance Centre
8 Finance Street
Central
Hong Kong

Legal Advisers on Bermuda Law

Conyers Dill & Pearman
2901, One Exchange Square
8 Connaught Place
Central
Hong Kong

Auditors

Graham H Y Chan & Co
 Unit 1, 15th Floor, The Center
 99 Queen's Road Central
 Hong Kong

Principal Banks

Liu Chong Hing Bank Limited
 Wing Hang Bank, Ltd.

Authorised Representatives

Chu Yuk Kuen
 Suite 2809, 28th Floor
 One International Finance Centre
 1 Harbour View Street
 Central
 Hong Kong

Wong Hin Shek, Hans
 Suite 2809, 28th Floor
 One International Finance Centre
 1 Harbour View Street
 Central
 Hong Kong

8. CONSENT

Each of AA Property Services Ltd. and Graham H.Y. Chan & Co. has given and has not withdrawn its consent to the issue of this circular with the inclusion herein of its letter(s) of advice or report and/or valuation certificate and/or opinion and/or references to its names in the form and context and on the dates in which they respectively appear.

9. QUALIFICATION OF EXPERTS

The following is the qualification of the professional advisers who have given their opinion or advice or report which is contained in this circular:

Name	Qualification
Graham H.Y. Chan & Co.	Certified Public Accountants
AA Property Services Ltd.	Chartered Valuation Surveyors

10. DISCLOSURE OF INTERESTS OF ADVISERS

- (1) As at the Latest Practicable Date, each of AA Property Services Ltd. and Graham H.Y. Chan & Co. did not have any shareholding directly or indirectly in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group.
- (2) As at the Latest Practicable Date, each of AA Property Services Ltd. and Graham H.Y. Chan & Co. did not have any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 December 2004, the date to which the latest published audited consolidated accounts of the Group were made up to.

11. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within the two years immediately preceding the date of this circular and are, or may be, material:

- (a) the formal sale and purchase agreement dated 19 February 2005 entered into by Next Champion Limited and the Vendors pursuant to the terms and conditions of the Provisional Sale and Purchase Agreement for the Acquisition;
- (b) the provisional sale and purchase agreement (the "Provisional Sale and Purchase Agreement") dated 6 January 2005 entered into by Next Champion Limited, a wholly owned subsidiary of the Company, and the Vendors, pursuant to which Next Champion Limited has agreed to acquire from the Vendors 100% shareholding interest in Hang Huo Hotel Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, and Hang Huo Hotel Company Limited, a company incorporated in Macau with limited liability, at a consideration of HK\$1,250,000,000;
- (c) the Disposal Agreement;
- (d) the formal sale and purchase agreement dated 8 March 2005, pursuant to which Futuremind Holdings Limited ("Futuremind"), a wholly subsidiary of the Company, agree to acquire from Grandview Hotel Investment S.A. the Grandview Hotel at the consideration of HK\$500,000,000;
- (e) the agreement entered into between the Company and Mrs. Chu on 24 November 2004 pursuant to which Mrs. Chu agreed to acquire Futuremind in the event that the Company cannot complete the the acquisition by Futuremind from Grandview Hotel Investment S.A. of Grandview Hotel pursuant to the Previous Provisional Sale and Purchase Agreement;

- (f) the agreement entered into between Futuremind and Sociedade de Jogos de Macau, S.A., a company incorporated under the laws of Macau and being one of the three gaming concessionaires which have been granted a concession by the Macau Government to operate casinos in Macau, on 1 December 2004 for the operations of Grandview Casino in Grandview Hotel;
- (g) the provisional sale and purchase agreement dated 24 November 2004, pursuant to which Futuremind agreed to acquire from Grandview Hotel Investment S.A. the Grandview Hotel at the consideration of HK\$500,000,000 (the "Previous Provisional Sale and Purchase Agreement");
- (h) the subscription agreement between Perfect View and the Company dated 17 December 2004 in relation to the subscription of 1,587,700,000 new Shares by Perfect View at a subscription price of HK\$0.34 per Share;
- (i) the subscription agreement between Perfect View and the Company dated 18 November 2004 in relation to the subscription of 330,800,000 new Shares by Perfect View at a subscription price of HK\$0.175 per Share;
- (j) the subscription agreement between Perfect View and the Company dated 11 November 2004 in relation to the subscription of 992,300,000 new Shares by Perfect View at a subscription price of HK\$0.095 per Share;
- (k) the conditional sale and purchase agreement dated 9 June 2004 pursuant to which Win Matching Limited, a wholly owned subsidiary of the Company, has agreed to acquire from Eurofaith Holdings Inc. a 35% interests in Starway at a cash consideration of HK\$50,000,000 (the "Sale and Purchase Agreement");
- (l) the supplemental agreement to the Sale and Purchase Agreement dated 31 July 2004 entered into between Win Matching Limited, a wholly owned subsidiary of the Company, and Eurofaith Holdings Inc., pursuant to which the parties have agreed to extend the date of completion of the Sale and Purchase Agreement to a date on or before 31 August 2004;
- (m) a conditional placing agreement dated 9 June 2004 entered into between the Company and Kingston Securities Limited in relation to placing at par the convertible notes (the "Convertible Notes") with an aggregate principal amount of HK\$20,000,000 ("the Placing Agreement");
- (n) the supplemental placing agreement to the Placing Agreement dated 31 July 2004 entered into between the Company and Kingston Securities Limited pursuant to which the parties have agreed to extend the date of completion of the placing of the Convertible Notes;
- (o) the subscription agreement dated 24 December 2003 entered into between the Company and the Subscriber in relation to the subscription of the 5,000,000,000 Shares by Perfect View at a subscription price of HK\$0.01 per Share;

- (p) the placing agreement dated 9 June 2003 entered into between the Company and Kingston Securities Limited in respect of the placing of an aggregate of 807,854,000 new Shares to independent investors at a placing price of HK\$0.01 per Share; and

Save for the aforesaid material contracts, no contract had been entered into by the Company and its subsidiaries (not being contracts entered into in the ordinary course of business) within two years immediately from the Latest Practicable Date which are or may be material.

12. MISCELLANEOUS

- (1) So far as is known to the Directors, as at the Latest Practicable Date, there was (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholders, whereby he/she/it has or may have temporarily or permanently passed control over the exercise of the voting rights in respect of his/her/its Shares to a third party, either generally or on a case-by-case basis.
- (2) So far as is known to the Directors, as at the Latest Practicable Date, there was no discrepancy between any Shareholder's beneficial shareholding interest in the Company as disclosed in this circular and the number of Shares in respect of which it will control or will be entitled to exercise control over the voting rights at the SGM.
- (3) Save for the disclosure in the sections headed "Disclosure of Interests" and "Material Contracts" in this appendix, there is no contract or arrangement subsisting as at the Latest Practicable Date in which any Director is materially interested and which is significant in relation to the business of the Group.
- (4) As at the Latest Practicable Date, none of the Directors had, any direct or indirect interest in any assets which have been acquired, disposed of or leased to, or which are proposed to be acquired, disposed of or leased to, the Company or any of its subsidiaries since 31 December 2004, the date to which the latest published audited accounts of the Group were made up.
- (5) The company secretary of the Company is Mr. Cheung Man Yau, Timothy, who is a member of The Hong Kong Society of Accountants.
- (6) The qualified accountant of the Group is Mr. Cheung Yu Shum, Jenkin, who is a member of The American Institute of Certified Public Accountants.
- (7) The English text of this circular and of the enclosed proxy forms shall prevail over the Chinese text thereof.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except Saturdays and public holidays) at the head office and principal place of business of the Company in Hong Kong at Suite 2809, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and Bye-laws of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2004 and 2003;
- (c) the Company's circular dated 18 January 2005 regarding refreshment of general mandate;
- (d) the Company's circular dated 22 February 2005 regarding the acquisition of Grandview Hotel;
- (e) the Company's circular dated 18 April 2005 regarding the Acquisition;
- (f) the letters of consent from each of Graham H.Y. Chan & Co. and AA Property Services Ltd. referred to in paragraph 8 of this Appendix;
- (g) the material contracts referred to in paragraph 11 of this Appendix, if applicable;
- (h) the valuation report prepared by AA Property Services Limited, the text of which is set out in Appendix III to this circular;
- (i) the accountants' report on the Group prepared by Graham H.Y. Chan & Co., the text of which is set out in Appendix I of this circular;
- (j) the comfort letter on the pro forma financial information of the Remaining Group as set out in Appendix II of this circular; and
- (k) this circular.

NOTICE OF SGM



Golden Resorts Group Limited
黃金集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1031)

NOTICE IS HEREBY GIVEN that a special general meeting of Golden Resorts Group Limited (the “**Company**”) will be held at Suite 2809, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong, on Tuesday, 17 May 2005 at 10:30 a.m. (or any adjournment thereof) for the purposes of considering and, if thought fit, passing with or without amendment or modification, of the following resolution:

ORDINARY RESOLUTION

1. “THAT:

- (a) the agreement dated 10 January 2005 entered into by Sky Beyond Investments Limited (the “**Purchaser**”), as purchaser and Win Matching Limited, a wholly owned subsidiary of the Company, as vendor (the “**Vendor**”) pursuant to which the Purchaser has agreed to acquire from the Vendor 35% shareholding interest in Starway Management Limited (the “**Disposal**”) (a copy of which has been produced to the meeting marked “**B**” and initialed for the purposes of identification by the chairman of the meeting) be and it is hereby approved, confirmed and ratified, and that the Disposal and the consummation thereof be and they are hereby approved; and
- (b) any one director of the Company be and he is hereby generally and unconditionally authorised to do all such acts and things, to sign and execute all such further documents for and on behalf of the Company by hand, or in case of execution of documents under seal, to do so jointly with any of a second director, a duly authorised representative of the director or the secretary of the Company and to take such steps as he may in his absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Disposal

* For identification purposes only

NOTICE OF SGM

or any of the transactions contemplated thereunder and contemplated in paragraph (a) above.”

By order of the Board of
Golden Resorts Group Limited
Cheung Yu Shum, Jenkin
Chairman

Hong Kong, 29 April 2005

As at the date hereof, the executive Directors are Mr. Cheung Yu Shum, Jenkin, Mrs. Chu Yuet Wah, Mr. Chu Yuk Kuen and Mr. Wong Hin Shek, Hans; the non-executive Director is Mr. Lee Wai Man; and the independent non-executive Directors are Mr. Chan Chi Yuen, Mr. Shum Ka Hei and Mr. Wong King Shiu, Daniel.

Head office and principal place of business in Hong Kong:
Uuite 2809, 28th Floor
One International Finance Centre
1 Harbour View Street
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more than one proxy to attend and to vote in his stead. A proxy need not be a member of the Company.
2. A form of proxy for use at the meeting is enclosed herewith. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing. If the appointer is a corporation, the form of a proxy must be under its common seal or under the hand of an officer, attorney or other person authorised to sign the proxy.
3. To be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Abacus Share Registrars Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Completion and return of the form of proxy shall not preclude members from attending and voting in person at the meeting or at any adjourned meeting (as the case may be) should they wish, and in such event, the form of proxy shall be deemed to be revoked.
5. Where there are joint holders of any shares of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the name stands first on the register of members of the Company in respect of the joint holding.