NOTES ON THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

1. CORPORATE INFORMATION

Goldwiz Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in Bermuda on 2 November 1989 under the Companies Act 1981 of Bermuda and its shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 July 1990. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

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

2. BASIS OF PREPARATION

a) Going concern basis

In preparing the financial statements, the directors have given careful consideration to the future liquidity of the Company. Notwithstanding that:

— the Group and the Company have significant accumulated losses;

— as at 31 March 2006, the Group had net current liabilities;

— as at 31 March 2006, the Company had net current liabilities and net liabilities;

— there is litigation against the Group for payment of the alleged indebtedness amounting to HK$132,855,000 and interest thereon (note 41);

— as at the date of authorisation for issue of the financial statements, the note payable of HK$129,000,000 and interest thereon included under current liabilities were overdue and remain unsettled and the holder of the note payable has issued a letter informing the Company that it will proceed to issue a winding up petition against the Company (note 43(a)); and

— subsequent to balance sheet date, the charged assets of the Group have been put under receivership (note 43(a)); and

2. BASIS OF PREPARATION *(Continued)*

a) Going concern basis *(Continued)*

The directors of the Company believe that the Company is able to continue as a going concern and to meet in full its financial obligations as they fall due for the foreseeable future having regard to the following assumptions:

— the attainment of future profitable and positive cash flow operations;

— the legal opinion of the Company's lawyer that the Group has no obligation for the payment of the alleged bank loans amounting to HK$132,855,000 and interest thereon;

— the Company is able to extend the repayment schedule in respect of the note payable of HK$129,000,000 and the interest thereon; and

— the availability of additional external funding.

According to the above assumptions, the directors believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements and, accordingly, the financial statements have been prepared on a going concern basis.

Should the going concern basis not be appropriate, adjustments would have to be made to reduce the value of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify non-current assets as current assets. The effects of these potential adjustments have not been reflected in the financial statements.

b) Subsidiaries not consolidated

i) Notwithstanding that the Group has held more than 51% of the equity interests of Goldwiz Shenzhen and Goldwiz Tongling, two former subsidiaries (notes 2(b)(ii) and (iii)), they were no longer regarded as subsidiaries of the Group since all the assets of these two subsidiaries have been seized as a consequence of the civil judgement (民事裁定書) dated 12 January 2006 issued by the Intermediate People's Court of Jin Hua, Zhejiang Province, the PRC (浙江省金華市中級人民法院) ("Jin Hua Court"). The directors are of the opinion that controls of these two subsidiaries have been lost with effect from 12 January 2006.

Since they had significant staff and management turnover, the directors were unable to access their complete set of underlying books and records together with the supporting documents.

The results, cash flows, assets and liabilities of these two companies before they ceased to be subsidiaries of the Group have not been consolidated in the financial statements of the Group.

2. BASIS OF PREPARATION *(Continued)*

b) Subsidiaries not consolidated *(Continued)*

ii) Goldwiz Shenzhen

For the reason stated in note 2(b)(i) above, the results of Goldwiz Shenzhen were not consolidated in the income statement for the year from 1 April 2005 to 11 January 2006 being the immediate date before loss of control, and were deconsolidated from the consolidated financial statements and accounted for as available-for-sale securities with effect from 1 April 2005. Accordingly, the consolidated income statement included a loss of approximately HK$103,965,000 arising on deconsolidation and the consolidated balance sheet included the initial measurement of the available-for-sale securities at nil.

iii) Goldwiz Tongling

At 31 March 2005, the Group held 33.36% of the equity interest in Goldwiz Tongling which was therefore accounted for as an associate of the Group. On 8 April 2005 upon acquiring 100% equity interests in Pencester Limited ("Pencester") and Best News International Limited ("Best News"), the Group effectively held 80.36% equity interest in Goldwiz Tongling. In June 2005, the equity interest in Goldwiz Tongling was further increased to 81.48% through additional capital injection by Pencester.

For the reason stated in note 2(b)(i) above, the results for the period from 1 April 2005 to 7 April 2005, being the immediate date before Goldwiz Tongling became a subsidiary of the Group, have not been accounted for using the equity method, and its results for the period from 8 April 2005, being the date it became a subsidiary of the Group, have not been consolidated in the financial statements. Goldwiz Tongling was reclassified from interest in an associate to available-for-sale securities with initial measurement at HK$57,898,000 with effect from 1 April 2005. The consolidated income statement included a loss from such a reclassification of Goldwiz Tongling at nil.

iv) Pencester and Best News

Pencester and Best News hold 25.64% and 22.48% respectively in Goldwiz Tongling, which are their major assets. Due to unable to access the complete set of underlying books and records together with the supporting documents of Goldwiz Tongling, the directors concluded that the investments in Pencester and Best News should be accounted for as available-for-sale securities, and the results, cash flows, assets and liabilities of Pencester and Best News were not consolidated into the financial statements of the Group.

v) In the opinion of the directors, save as the information set out in note 40(a) to the financial statements, the Group has no other material obligations or commitments in these subsidiaries that require either adjustments to or disclosure in these financial statements.

2. BASIS OF PREPARATION *(Continued)*

b) Subsidiaries not consolidated *(Continued)*

v) (Continued)

Details of these subsidiaries not consolidated are as follows:

Name of company	Place of incorporation/ operation	Particulars of registered capital	Proportion of equity interest Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
科維華瑞(深圳)電子材料有限公司 (前稱: 科維電氣(深圳)有限公司) Goldwiz Huarui (Shenzhen) Electronic Material Co. Ltd. # (formerly known as Goldwiz Electric (Shenzhen) Limited) ("Goldwiz Shenzhen") *	The PRC	HK$100,000,000 (of which HK$80,000,000 being paid up)	100%	—	100%	Design, development and distribution of hi-tech electronic products but activity has been suspended
科維華瑞(銅陵) 電子材料有限公司 Goldwiz Huarui (Tongling) Electronic Material Co., Ltd. # ("Goldwiz Tongling") *	The PRC	US$12,453,800	81.48%	—	81.48%	Manufacture and distribution of electronic products related materials but activity has been suspended
Pencester Limited ("Pencester")	BVI	1 share of US$1	100%	—	100%	Investment holding
Best News International Limited ("Best News")	BVI	1 share of US$1	100%	—	100%	Investment holding

\# company name for identification purpose only

* wholly foreign-owned enterprises established in the PRC

2. BASIS OF PREPARATION *(Continued)*

c) Limited financial information available concerning a former associate

Although the directors have used their best endeavours to relocate all the financial and business records of the Group as most of the former directors of the Company, former senior management and former accounting personnel of the Group have left the Group, the current directors were unable to locate sufficient documentary information to satisfy themselves regarding the treatment of various balances of the Group as at 31 March 2006 and for the year then ended.

i) Share of losses of associates

During the year the Group disposed of its 27.66% equity interest in The Quaypoint Corporation Limited ("Quaypoint"), formerly known as Techwayson Holdings Limited, and the transaction was completed on 24 January 2006. After that date, the Group no longer had significant influence over the management of Quaypoint, and the Group was unable to obtain the financial information for the period from 1 January 2006 to 23 January 2006 being the immediate date before the disposal of Quaypoint. Accordingly, the financial statements of the Group for the year ended 31 March 2006 have consolidated the results of Quaypoint from 1 April 2005 to 31 December 2005, based on the unaudited financial statements for the six months ended 31 December 2005 included in the interim report dated 27 March 2006 issued by Quaypoint. The results of Quaypoint for the period from 1 January 2006 to 23 January 2006 being the immediate date before the disposal of Quaypoint have not been accounted for in the consolidated income statement using the equity method. The directors were unable to obtain evidence to ascertain the share of losses of associates HK$7,657,000 were fairly stated in the financial statements.

ii) Loss on disposal of an associate

Due to the same reason stated in point 2(c)(i) above, the directors were unable to determine the net loss of HK$8,136,000 on disposal was fairly stated in the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs for the current and prior accounting periods reflected in these financial statements is provided in note 4.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) Basis of preparation of the financial statements

The financial statements are presented in Hong Kong Dollar, rounded to the nearest thousand. The measurements basis used in the preparation of the financial statements is the historical cost modified by the revaluation of hotel property as explained in the accounting policies set out below.

The consolidated financial statements for the year ended 31 March 2006 comprise the Company and its subsidiaries except for non-controlled subsidiaries (see note 2(b)) and the Group's interest in associates.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 5.

c) Subsidiaries

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group or Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

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

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

c) Subsidiaries *(Continued)*

Where losses attributable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses attributable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 3(k)), unless the investment is classified as held for sale.

d) Associates

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any amortisation on goodwill relating to the investment in associates recognised for the year (see notes 3(e) and (k)).

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of future losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

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

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses (see note 3(k)).

e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3(k)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

e) Goodwill *(Continued)*

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit and loss.

On disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

f) Other investments in equity securities

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

Investments in securities held for trading are classified as current assets and are initially stated at fair value. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 3(k)).

Other investments in securities are classified as available-for-sale securities and are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except for impairment losses (see note 3(k)) and, in the case of monetary items, foreign exchange gains and losses which are recognised directly in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments are recognised/derecognised on the date of the Group and/or the Company commits to purchase/sell the investments or they expire.

g) Hotel property

Hotel property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as hotel property when the rest of the definition of hotel property is met. The operating lease is accounted for as if it were a finance lease.

On initial recognition, hotel property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, hotel property is measured using the fair value model. Gains or losses arising from changes in the fair value of hotel property are included in profit or loss for the year in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

g) Hotel property *(Continued)*

A hotel property is derecognised upon disposal or when the hotel property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Gains or losses arising from the retirement or disposal of hotel property are determined as the difference the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period of retirement or disposal.

h) Other properties, plant and equipment

Other properties, plant and equipment are carried in the balance sheet at cost less accumulated depreciation and impairment losses (see note 3(k)).

Depreciation is calculated to write off the cost of items of properties, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

—	Leasehold improvements	Over the remaining term of the leases
—	Plant and machinery	5 to 10 years
—	Furniture, fixtures and equipment	4 to 5 years
—	Motor vehicles and others	3 to 5 years

Where parts of an item of properties, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

i) Intangible assets (other than goodwill)

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

Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and impairment losses (see note 3(k)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred. Both the period and method of amortisation and any conclusion that the useful life of an intangible asset is indefinite are reviewed annually.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

j) Leased assets

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

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

(iii) Operating lease charges

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

k) Impairment of assets

i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment or when there is objective evidence that impairment loss occurs. If any such evidence exists, any impairment loss is determined and recognised as follows:

— For unquoted equity securities and current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for current receivables are reversed if in a subsequent period the amount of the impairment loss decreases. Impairment losses for equity securities are not reversed.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

k) Impairment of assets *(Continued)*

i) Impairment of investments in debt and equity securities and other receivables (Continued)

— For financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale securities, the cumulative loss that had been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

ii) Impairment of other assets

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

— properties, plant and equipment;

— intangible assets;

— investments in subsidiaries and associates; and

— goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

k) Impairment of assets *(Continued)*

ii) Impairment of other assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

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

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating unit are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 3(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 3(k)).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

m) Convertible note

Convertible note that can be converted into share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. At initial recognition the liability component of the convertible note is calculated as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the convertible note reserve, together with the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible note reserve is released directly to retained profits.

n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

o) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

p) Inventories

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

q) Cash and cash equivalents

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

r) Employee benefits

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

(ii) Contributions to the Mandatory Provident Funds are required under the Hong Kong Mandatory Provident Fund Scheme Ordinance and mandatory central pension schemes organised by the PRC government are recognised as an expense in the income statement as incurred.

s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

s) Income tax *(Continued)*

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

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

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

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

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

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settled simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

t) Provisions and contingent liabilities

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

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

u) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) Revenue from hotel operations

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

(ii) Sales of goods

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

(iii) Interest income

Interest income is recognized as it accrues using the effective interest method.

v) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the presentation currency of the Group and the functional currency of the Company.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

v) Translation of foreign currencies *(Continued)*

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximately the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 April 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity. Goodwill arising on consolidation of a foreign operation acquired before 1 April 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

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

w) Borrowing costs

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

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

x) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

y) Segment reporting

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

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

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

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

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

4. CHANGE IN ACCOUNTING POLICIES

The following new and revised HKFRSs are relevant for the Group's financial statements and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 26	Accounting and Reporting by Retirement Benefit Plans

4. CHANGE IN ACCOUNTING POLICIES *(Continued)*

HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

The adoption of HKASs 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 21, 26, 27, 28, 31, 33, 36, 37, and 38, and HKFRS 5 has had no material impact on the Group's accounting policies and the methods of computation, presentation and disclosures in the Group's consolidated financial statements. The major effects on adoption of the other HKFRSs are summarised as follows:

a) Changes in presentation (HKAS 1 — Presentation of Financial Statements)

i) Comparative information on movements in fixed assets (HKAS 1 — Presentation of Financial Statements)

HKAS 1 requires the new disclosures to be made in these financial statements. Accordingly, the Group is no longer permitted not to disclose comparative information on movements in fixed assets.

ii) Disclosure of judgements and key assumptions (HKAS 1 — Presentation of Financial Statements)

HKAS 1 requires the disclosure of judgements (apart from those involving estimations) and key assumptions concerning the future and other sources of estimation uncertainty. These disclosures are detailed in note 5 to the financial statements.

iii) Presentation of shares of associates' taxation (HKAS 1 — Presentation of Financial Statements)

In prior years, the Group's share of taxation of associates accounted for using the equity method was included as part of the Group's income tax in the consolidated income statement. With effect from 1 April 2005, in accordance with the implementation guidance in HKAS 1, the Group has changed the presentation and includes the share of taxation of associates accounted for using the equity method in the shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax. These changes in presentation have been applied retrospectively.

4. CHANGE IN ACCOUNTING POLICIES *(Continued)*

b) Hotel property (HKAS 40 — Investment Property)

In prior years, the Group's hotel property was stated at its open market value based on an annual professional valuation and no depreciation was provided on hotel property held on lease of more than 20 years as they were maintained in a continuous state of proper repair and improvements thereto from time to time. Movements in the fair value of hotel property were recognized directly in reserves, except when the reserve was insufficient to cover a deficit, or when a deficit previously recognised in the income statement had reversed. In these circumstances, movements in the fair value were recognized in the income statement.

Upon adoption of HKAS 40 as from 1 April 2005, all changes in the fair value of hotel property are recognised directly in the income statement in accordance with the fair value model in HKAS 40. Further details of new policy for hotel property are set out in note 3(g).

In prior years, where a decrease previously been charged to the income statement and a revaluation surplus subsequently arose, that increase was credited to the income statement. Accordingly, there is no material effect as a result of the adoption of HKAS 40.

c) Amortisation of positive and negative goodwill (HKFRS 3 — Business combinations and HKAS 36 — Impairment of assets)

In prior periods:

— positive or negative goodwill which arose prior to 1 January 2001 was taken directly to reserves at the time it arose, and was not recognised in the income statement until disposal or impairment of the acquired business;

— positive goodwill which arose on or after 1 January 2001 was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment; and

— negative goodwill which arose on or after 1 January 2001 was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the income statement as those expected losses were incurred.

With effect from 1 April 2005, in order to comply with HKFRS 3 and HKAS 36, the Group has changed its accounting policies relating to goodwill. Under the new policy, the Group no longer amortises positive goodwill but tests it at least annually for impairment. Also with effect from 1 April 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in profit or loss as it arises. Further details of these new policies are set out in note 3(e).

The new policy in respect of the amortisation of positive goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. The effects of changes in the accounting policies described above on the results for the current and prior year are set out in note 4(f).

4. CHANGE IN ACCOUNTING POLICIES *(Continued)*

d) Financial instruments (HKAS 32 — Financial instruments: Disclosure and presentation, and HKAS 39 — Financial instruments: Recognition and measurement)

With effect from 1 April 2005, in order to comply with HKAS 32 and HKAS 39, the Group has changed its accounting policies relating to financial instruments to those as set out in notes 3(f), (k) and (l) to (o). Further details of the changes are as follows:

i) *Investments in equity securities*

In prior years, equity investments held on a continuing basis for an identifiable long-term purpose were classified as investment securities and stated at cost less provision. Other investments in securities (including those held for trading and for non-trading purposes) were stated at fair value with changes in fair value recognised in profit or loss, with the exception of dated debt securities being held to maturity.

With effect from 1 April 2005, and in accordance with HKAS 39, all investments, with the exception of securities held for trading purposes, dated debt securities being held to maturity are classified as available-for-sale securities and carried at fair value. Changes in the fair value of available-for-sale securities are recognised in equity, unless there is objective evidence that an individual investment has been impaired. There are no material adjustments arising from the adoption of the new policies for securities held for trading purposes. Further details of the new polices are set out in note 3(f).

ii) *Convertible note*

In prior years, the accounting policies for convertible note issued were stated at its face value.

With effect from 1 April 2005, and in accordance with HKAS 32 and HKAS 39, convertible note issued are split into their liability and equity components at initial recognition by recognising the liability component at its fair value and attributing to the equity component the difference between the proceeds from the issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the convertible note reserve until the note is either converted (in which case it is transferred to share premium) or the note is redeemed (in which case it is released directly to retained profits). Further details of the new policy are set out in note 3(m).

Comparative amounts have not been restated as this is prohibited by the transitional arrangements in HKAS 39.

4. CHANGE IN ACCOUNTING POLICIES *(Continued)*

e) Definition of related parties (HKAS 24 — related party disclosures)

As a result of the adoption of HKAS 24, Related party disclosures, the definition of related parties as disclosed in note 3(x) has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had Statement of Standard Accounting Practice 20, related party disclosures, still been in effect.

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

	2006	2005
	HK$'000	*HK$'000*
The adoption of HKFRS 3 and HKAS 38 resulted in:		
Increase in goodwill	**6,989**	—
Decrease in other operating expenses	**6,989**	—
Decrease in loss per share	**0.65 cents**	—

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3, management has made the following judgments that have significant effect on the amounts recognised in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Impairment of fixed assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test. The Group determines whether an asset is impaired at least on an annual basis or where an indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(Continued)

Impairment of goodwill

In determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

Impairment of receivables

The policy for impairment on receivables of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

Valuation of investment in securities

When the fair value of unlisted equity securities cannot be reliably measured because (i) the variability in the range of reasonable fair value estimates is significant for that investment or (ii) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

In determining whether an asset is impaired, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may affect the asset value; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

The main factors which management considers are included (i) the likelihood and expected timing of future cash flows on the securities. These cash flow are usually governed by the terms of the securities, although management judgement may be required in situations where the ability of the counterparty to service the securities in accordance with the contractual terms is in doubt; and (ii) an appropriate discount rate for the securities. Management determines this rate, based on its assessment of the appropriate spread of the rate for the securities over the risk-free rate. When valuing securities by reference to comparable instruments, management takes into account the maturity, structure and rating of the instrument with which the position held is being compared.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(Continued)

Taxation

Deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred taxation and related financial models and budgets are reviewed at each balance sheet date.

6. TURNOVER

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

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

	2006 ***HK$'000***	2005 *HK$'000*
Revenue from hotel operations	**55,968**	50,951
Sales of electronic products related materials	**78,041**	58,594
Sales of hi-tech electronic products	**—**	173,258
	134,009	282,803

7. OTHER REVENUE

	2006 ***HK$'000***	2005 *HK$'000*
Other revenue		
Interest income from banks	**527**	400
Other interest income	**108**	278
Management fee income	**488**	532
Others	**104**	39
	1,227	1,249

8. LOSS FROM OPERATIONS

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

	2006	2005
	HK$'000	*HK$'000*
Amortisation of intangible assets	**—**	11,280
Amortisation of positive goodwill (included in other operating expenses)	**—**	6,989
Auditors' remuneration	**512**	662
Cost of inventories sold and services rendered	**95,334**	206,471
Depreciation of property, plant and equipment		
— owned assets	**2,533**	4,815
— an asset under a finance lease	**133**	132
Direct operating expenses of hotel property	**20,248**	21,315
Impairment loss of interest in associates (included in other operating expenses)	**—**	37,060
Loss on disposal of fixed assets	**240**	371
Operating lease charges		
— properties	**1,091**	1,778
— office equipment	**8**	7
Impairment loss for bad and doubtful debts	**12,404**	14
Research and development costs	**—**	4,751
Staff costs (including directors' remuneration)		
— contributions to defined contribution plans	**653**	849
— other staff salaries, wages and other benefits	**16,560**	21,681
	17,213	22,530
Net exchange loss/(gain)	**258**	(55)
Impairment loss on loan to an investee company	**66**	—
Loss on transfer of interest in jointly controlled asset	**1,329**	—
Loss on deconsolidation of a subsidiary	**103,965**	—
Loss on disposal of an associate	**8,136**	—
Impairment loss of amounts due from investee companies	**1,113**	—
Impairment loss of available-for-sales of securities	**77,730**	—
Impairment loss of amount due from deconsolidated subsidiary	**990**	—
Impairment loss of goodwill	**53,442**	—

9. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**293**	7,785
Interest on other loans	**1,157**	2,757
Interest on promissory note	**1,099**	3,411
Interest on convertible note	**—**	1,893
Interest on note payable	**7,648**	3,081
Finance charges on obligations under a finance lease	**3**	12
Other borrowings costs	**3,691**	2,170
Total finance costs	**13,891**	21,109

10. SHARE OF LOSSES OF ASSOCIATES

	2006	2005
	HK$'000	*HK$'000*
Share of losses of associates	**(7,657)**	(1,929)
Amortisation of positive goodwill	**—**	(2,831)
	(7,657)	(4,760)

11. TAXATION

a) Taxation in the consolidated income statement represents:

	2006	2005
	HK$'000	*HK$'000*
Provision for Hong Kong profits tax for the year	**—**	165

For the year ended 31 March 2006 no provision for Hong Kong profits tax has been made in the financial statements as the Group has no estimated assessable profits. For the year ended 31 March 2005, Hong Kong profits tax has been provided for at 17.5% on the estimated assessable profits for that year.

Taxes on profits assessable elsewhere have been calculated at the applicable rates of prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during the year.

11. TAXATION *(Continued)*

b) Reconciliation between tax expenses and accounting loss at applicable tax rates:

	2006	2005
		(restated)
	HK$'000	*HK$'000*
Loss before tax	**(152,665)**	(41,649)
Notional tax on loss before tax, calculated at the applicable rate of 17.5%	**(26,716)**	(7,289)
Tax effect of non-deductible expenses	**50,544**	12,241
Tax effect of non-taxable income	**(19,999)**	(52)
Effect of tax holidays granted to a PRC subsidiary	**—**	(1,865)
Utilisation of tax losses not previously recognised	**(7,168)**	(5,030)
Tax effect of unused tax losses not recognised	**—**	113
Effect of different tax rates of companies of the Group	**3,339**	2,047
Tax expenses	**—**	165

12. DIRECTORS' REMUNERATION

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

	2006	2005
	HK$'000	*HK$'000*
Fees	**361**	300
Salaries, allowances and benefits in kind	**489**	186
Retirement benefits scheme contributions	**—**	6
	850	492

12. DIRECTORS' REMUNERATION *(Continued)*

Year ended 31 March 2006

Name	Fee	Salaries, allowances and benefits-in-kind	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Liu Xue Lin	—	—	—	—
Yao Keming	—	—	—	—
Ni Ling	—	—	—	—
Sun Yuming	—	—	—	—
Shi Hao, Simon	—	—	—	—
Zhang Fang Hong	—	—	—	—
Chang Kuan Hsi	—	166	—	166
Lin Chia Chin	—	155	—	155
Peng Sheng Bo	—	144	—	144
Chen Simo	—	12	—	12
Qiu Jing	—	12	—	12
	—	489	—	489
Independent non-executive directors				
Lai Ka Chu	111	—	—	111
Chow Siu Tong	120	—	—	120
Liu Kwok Fai, Alvan	110	—	—	110
Wong Tam Yee	10	—	—	10
Ip Man Tin David	10	—	—	10
	361	—	—	361
Total in 2006	361	489	—	850

12. DIRECTORS' REMUNERATION *(Continued)*

Year ended 31 March 2005

Name	Fee	Salaries, allowances and benefits-in-kind	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Liu Xue Lin	—	—	—	—
Yao Keming	—	88	4	92
Chen Ying Feng	—	44	1	45
Shi Hao, Simon	—	—	—	—
Zhang Fang Hong	—	54	1	55
Lim Ka Thiam	—	—	—	—
	—	186	6	192
Non-executive directors				
Chow Siu Tong	120	—	—	120
Lai Ka Chu	60	—	—	60
Liu Kwok Fai, Alvan	120	—	—	120
	300	—	—	300
Total in 2005	300	186	6	492

There was no amount paid during the years ended 31 March 2006 and 2005 to the directors in connection with their retirement from employment with the Group or inducement to join. There was no any arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 March 2006 and 2005.

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the years ended 31 March 2006 and 2005, of the five individuals with the highest emoluments, no one is director. The aggregate of the emoluments in respect of five (2005: five) individuals are as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries and other emoluments	**2,373**	2,402
Retirement benefits scheme contributions	**49**	60
	2,422	2,462

The emoluments of the five (2005: five) individuals with the highest emoluments are within HK$Nil — HK$1,000,000 band.

There was no amount paid during the years ended 31 March 2006 and 2005 to the five highest paid employees in connection with their retirement from employment with the Group, or inducement to join.

14. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company includes a loss of HK$339,344,000 (2005: HK$127,421,000) which has been dealt with in the financial statements of the Company.

15. LOSS PER SHARE

a) Basic loss per share

The calculation of basic loss per share is based on a loss attributable to shareholders of HK$152,665,000 (2005: HK$41,814,000) and the weighted average of 1,061,628,000 shares (2005: 1,061,628,000 shares) in issue during the year.

b) Diluted loss per share

As there were no diluted potential ordinary shares outstanding during the year ended 31 March 2006, the diluted loss per share for the year ended 31 March 2006 is the same as the basic loss per share.

Diluted loss per share for the year ended 31 March 2005 is not presented because the existence of the potential shares outstanding during that year has an anti-dilutive effect on the calculation of diluted loss per share.

16. SEGMENT REPORTING

Segment reporting

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

Business segments

The Group comprises the following main business segments:

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

16. SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

	2006					
	Strategic investments *HK$'000*	Hotel operations *HK$'000*	Hi-tech electronic products *HK$'000*	Electronic materials *HK$'000*	Inter-segment elimination *HK$'000*	Consolidated *HK$'000*
Revenue from external customers	—	55,968	—	78,041	—	134,009
Segment results before impairment loss on interest in an associate	28,932	18,282	—	(11,202)	—	36,012
Impairment loss on interest in an associate	—	—	—	—	—	—
Segment results after impairment loss on interest in an associate	28,932	18,282	—	(11,202)	—	36,012
Unallocated operating expenses						(179,678)
Loss from operations						(143,666)
Increase in fair value of hotel property						3,240
Waiver of amount due to a shareholder						114,264
Loss on deconsolidation of a subsidiary						(103,965)
Impairment loss on amount due from a deconsolidated subsidiary						(990)
Finance costs						(13,891)
Share of losses of associates	(7,657)					(7,657)
Taxation						—
Loss attributable to shareholders						(152,665)
Depreciation and amortisation for the year	—	2,503	—	—		2,503
Unallocated depreciation and amortisation						163
						2,666
Segment assets before impairment of goodwill	—	330,915	53,442	10,005	(3,120)	391,242
Impairment of goodwill	—	—	(53,442)	—	—	(53,442)
Segment assets after impairment of goodwill	—	330,915	—	10,005	(3,120)	337,800
Unallocated assets						4,775
Total assets						342,575
Segment liabilities	—	293,064	—	23,966	(281,596)	35,434
Unallocated liabilities						241,346
						276,780
Capital expenditure incurred during the year	—	460	—	—	14	474

16. SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

	2005					
	Strategic investments *HK$'000*	Hotel operations *HK$'000*	Hi-tech electronic products *HK$'000*	Electronic materials *HK$'000*	Inter-segment elimination *HK$'000*	Consolidated *HK$'000*
Revenue from external customers	—	52,738	173,258	58,594	(1,787)	282,803
Segment results before impairment loss on interest in an associate	262	13,096	15,243	(619)	(1,375)	26,607
Impairment loss on interest in an associate	(37,060)	—	—	—	—	(37,060)
Segment results after impairment loss on interest in an associate	(36,798)	13,096	15,243	(619)	(1,375)	(10,453)
Unallocated operating expenses						(5,756)
Loss from operations						(16,209)
Increase in fair value of hotel property						429
Waiver of amount due to a shareholder						—
Loss on deconsolidation of a subsidiary						—
Impairment loss on amount due from a deconsolidated subsidiary						—
Finance costs						(21,109)
Share of losses of associates	(2,111)	—	—	(2,649)	—	(4,760)
Taxation						(165)
Loss attributable to shareholders						(41,814)
Depreciation and amortisation for the year	—	2,412	13,598	—	—	16,010
Unallocated depreciation and amortisation						217
						16,227
Segment assets before impairment of goodwill	37,085	344,203	304,067	77,535	(30,253)	732,637
Impairment of goodwill	—	—	—	—	—	—
Segment assets after impairment of goodwill	37,085	344,203	304,067	77,535	(30,253)	732,637
Unallocated assets						5,984
Total assets						738,621
Segment liabilities	211,498	331,531	315,556	16,333	(585,365)	289,553
Unallocated liabilities						234,905
						524,458
Capital expenditure incurred during the year	—	868	401	—	—	1,269

16. SEGMENT REPORTING *(Continued)*

Geographical segments

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

	2006	2005
	HK$'000	*HK$'000*
Revenue from external customers		
PRC (including Hong Kong)	**134,009**	109,851
India	**—**	516
Korea	**—**	98,098
Italy	**—**	391
Malaysia	**—**	73,947
	134,009	282,803

All segment assets and capital expenditures are in the PRC (including Hong Kong) for the years ended 31 March 2006 and 2005.

17. FIXED ASSETS

The Group

		Other properties, plant and equipment					
	Hotel property	**Leasehold improvements**	**Plant and machinery**	**Furniture, fixtures and equipment**	**Motor vehicles and others**	**Sub-total**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or fair value							
At 1/4/2004	244,693	2,127	34,823	25,808	6,103	68,861	313,554
Additions	242	392	5	630	—	1,027	1,269
Disposals	(1,060)	—	(379)	(282)	—	(661)	(1,721)
Surplus on revaluation	429	—	—	—	—	—	429
At 31/3/2005 and 1/4/2005	244,304	2,519	34,449	26,156	6,103	69,227	313,531
Exchange adjustments	3,023	51	733	543	121	1,448	4,471
Additions	144	—	—	330	—	330	474
Disposals							
— through deconsolidation of subsidiaries	—	(2,449)	(2,923)	(351)	(181)	(5,904)	(5,904)
— others	(202)	—	(19)	(225)	—	(244)	(446)
Surplus on revaluation	3,240	—	—	—	—	—	3,240
At 31/3/2006	250,509	121	32,240	26,453	6,043	64,857	315,366

17. FIXED ASSETS *(Continued)*

The Group *(Continued)*

	Other properties, plant and equipment						
	Hotel property HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles and others HK$'000	Sub-total HK$'000	Total HK$'000
Representing:							
Cost — 2005	—	2,519	34,449	26,156	6,103	69,227	69,227
Fair value — 2005	244,304	—	—	—	—	—	244,304
At 31/3/2005	244,304	2,519	34,449	26,156	6,103	69,227	313,531
Cost — 2006	—	121	32,240	26,453	6,043	64,857	64,857
Fair value — 2006	250,509	—	—	—	—	—	250,509
At 31/3/2006	250,509	121	32,240	26,453	6,043	64,857	315,366
Accumulated amortisation and depreciation							
At 1/4/2004	—	455	15,523	21,471	5,327	42,776	42,776
Charge for the year	—	1,664	1,942	1,061	280	4,947	4,947
Written back on disposals	—	—	(77)	(257)	—	(334)	(334)
At 31/3/2005 and 1/4/2005	—	2,119	17,388	22,275	5,607	47,389	47,389
Exchange adjustments	—	43	370	461	113	987	987
Charge for the year	—	—	1,978	543	145	2,666	2,666
Written back on disposals							
— through deconsolidation of subsidiaries	—	(2,041)	(1,543)	(178)	(136)	(3,898)	(3,898)
— others	—	—	(11)	(195)	—	(206)	(206)
At 31/3/2006	—	121	18,182	22,906	5,729	46,938	46,938
Net book value							
At 31/3/2006	250,509	—	14,058	3,547	314	17,919	268,428
At 31/3/2005	244,304	400	17,061	3,881	496	21,838	266,142

17. FIXED ASSETS *(Continued)*

The Company

	Motor vehicles *HK$'000*
Cost	
At 1/4/2004, 31/3/2005 and 31/3/2006	438
Accumulated amortisation and depreciation	
At 1/4/2004	175
Charge for the year	132
At 31/3/2005 and 1/4/2005	307
Charge for the year	131
At 31/3/2006	438
Net book value	
At 31/3/2006	—
At 31/3/2005	131

a) Hotel property of the Group is held outside Hong Kong on medium-term leases.

b) Hotel properties of the Group situated in the PRC were revalued at 31 March 2006 by Vigers Appraisal & Consulting Limited, registered professional surveyor, a firm of professional valuers in Hong Kong on the basis of a combination of the market and depreciated replacement cost approaches in assessing the land portions of the property and the buildings and structures standing on the land respectively.

c) In January 2006, the Shenzhen Municipality Intermediate People's Court, Guangdong Province, the PRC (廣東省深圳市中級人民法院) (the "Shenzhen Court") had granted an Asset Preservation Order (the "Order") to freeze (i) the entire equity interest of the Group in Harbour Plaza Kunming Co., Ltd., and (ii) certain fixed assets, with a carrying amount of approximately HK$267,840,000 as at 31 March 2006, of Harbour Plaza Kunming Co., Ltd. for the purposes of protecting the interests of an alleged lender of a sum of RMB50 million to Goldwiz Shenzhen. The Order was withdrawn in July 2006.

d) During the year, the Group and the Company lease a motor vehicle under a finance lease. At the end of the lease term the Group and the Company have the option to purchase the motor vehicle at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals.

The net book value of the motor vehicle held under the finance lease of the Group and the Company as at 31 March 2006 was nil (2005: HK$131,000).

18. INTANGIBLE ASSETS

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Cost		
At 1 April	**20,680**	20,680
Exchange adjustments	**440**	—
Disposals through deconsolidation of a subsidiary	**(21,120)**	—
At 31 March	**—**	20,680
Accumulated amortisation		
At 1 April	**20,680**	9,400
Exchange adjustments	**440**	—
Charge for the year	**—**	11,280
Disposals through deconsolidation of a subsidiary	**(21,120)**	—
At 31 March	**—**	20,680
Carrying amount		
At 31 March	**—**	—

Intangible assets comprise technical know-how in respect of mobile phones and are recognised as an expense on a straight-line basis over the assets' estimated useful lives of not more than two years. The amortisation charge for the year ended in 31 March 2005 was included in "other operating expenses" in the consolidated income statement.

19. GOODWILL

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Cost		
At 1 April, as previously reported	**97,387**	97,387
Opening balance adjustment to eliminate accumulated amortisation	**(15,226)**	—
At 1 April, as restated, and 31 March	**82,161**	97,387
Accumulated amortisation and impairment		
At 1 April, as previously reported	**15,226**	8,237
Eliminated against cost at 1 April 2005	**(15,226)**	—
At 1 April, as restated	**—**	8,237
Amortisation for the year	**—**	6,989
Impairment loss	**53,442**	—
At 31 March	**53,442**	15,226
Carrying amount		
At 31 March	**28,719**	82,161

In the year ended 31 March 2005, goodwill was recognized as an expense on a straight-line basis over its useful life with the period not exceeding twenty years. The amortisation of positive goodwill for the year ended 31 March 2005 was included in "other operating expenses" in the consolidated income statement.

As explained further in note 4(c) to the financial statements, with effect from 1 April 2005, the Group no longer amortises goodwill. In accordance with the transitional provisions, set out in HKFRS 3, the accumulated amortisation of goodwill as at 1 April 2005 has been eliminated against the cost of goodwill as at that date.

19. GOODWILL *(Continued)*

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to business segment as follows:

	2006	2005
	HK$'000	*HK$'000*
Hotel operations	**28,719**	28,719
Hi-tech electronic products	**—**	53,442
	28,719	82,161

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections, based on a discount rate of 42% and certain key assumptions. The recoverable amount has been determined based on past performance and management's expectations for the market development.

20. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	**1**	1

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

20. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ operation	Particulars of issued and paid-up capital/ registered capital	Proportion of equity interest Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
Goldwiz Management Limited ("Goldwiz Management")	Hong Kong	2 shares of HK$1 each	100%	100%	—	Provision for management services for inter-group companies
Goldwiz Technology Limited ("Goldwiz Technology")	British Virgin Islands	1 share of US$1	100%	100%	—	Investment holding
Goldwiz Communication Limited ("Goldwiz Communication")	British Virgin Islands	1 share of US$1	100%	100%	—	Investment holding
Goldwiz Huarui (H.K.) Limited ("Goldwiz Huarui")	Hong Kong	1,000 shares of HK$1 each	100%	—	100%	Trading of electronic products related materials, but has been inactive
Smart Idea Enterprises Limited ("Smart Idea")	British Virgin Islands	1,000 shares of US$1 each	100%	—	100%	Investment holding
Goldwiz Electric Trading Limited ("Goldwiz Electric Trading")	Hong Kong	10,000 shares of HK$1 each	100%	—	100%	Trading of electronic product, but has been inactive
Goldwiz Property Limited ("Goldwiz Property")	Hong Kong	2 shares of HK$1 each	100%	100%	—	Investment holding
Pacific Peace Investments Limited ("Pacific Peace")	British Virgin Islands	100 shares of US$1 each	100%	—	100%	Investment holding
Risdon Limited ("Risdon")	British Virgin Islands	1 share of US$1 each	100%	—	100%	Investment holding
昆明海逸酒店有限公司 Harbour Plaza Kunming Co., Ltd. ("Harbour Plaza") *	The PRC	RMB140,772,056	100%	—	100%	Hotel ownership and operation
Ever First Enterprises Limited ("Ever First")	British Virgin Islands	100 shares of US$1 each	100%	—	100%	Investment holding
Goldwiz Media Company Limited (Formerly known as: Holitek International Limited) ("Goldwiz Media")	Hong Kong	2 shares of HK$1 each	100%	100%	—	Media business during the year, but has been inactive after the balance sheet date

* Harbour Plaza is wholly foreign-owned enterprise established in the PRC.

21. INTEREST IN ASSOCIATES

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Share of net assets of associates *(note a)*		
Listed in Hong Kong *(note b)*	—	49,728
Unlisted *(note c)*	—	34,563
	—	84,291
Impairment loss *(note 8)*	—	(12,934)
Goodwill on acquisition of associates less amortisation and impairment *(note d)*	—	23,335
	—	94,692
Market price of listed equity securities	**N/A**	36,794

a) Movements of the share of net assets of associates during the year are as follows:

	2006	2005
	HK$'000	*HK$'000*
At 1 April	**84,291**	86,220
Share of net assets of associates		
Listed in Hong Kong	**(7,657)**	(836)
Unlisted	—	(1,093)
	(7,657)	(1,929)
Disposal *(note b)*	**(42,071)**	—
Reclassified as available-for-sale securities *(note c)*	**(34,563)**	—
At 31 March	—	84,291

21. INTEREST IN ASSOCIATES *(Continued)*

b) Disposal of interests in The Quaypoint Corporation Limited, formerly known as Techwayson Holdings Limited ("Quaypoint")

Quaypoint's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. At 31 March 2005, the Group held 27.66% of the equity interest in Quaypoint and accounted for Quaypoint as an associate of the Group. During the year, the Group disposed of its 27.66% equity interest in Quaypoint and the transaction was completed on 24 January 2006. After the date of disposal, the Group no longer had significant influence over the management of Quaypoint, and the Group was not able to access the updated underlying books and records with the supporting documents of Quaypoint. The existing management of the Company was also unable to obtain financial information of Quaypoint from the former management. Accordingly, the financial statements of the Group for the year ended 31 March 2006 have consolidated the results of Quaypoint from 1 April 2005 to 31 December 2005, based on the unaudited financial statements for the six months ended 31 December 2005 included in the interim report dated 27 March 2006 issued by Quaypoint.

c) Reclassification of the investment in Goldwiz Huarui (Tongling) Electronic Material Co., Ltd. ("Goldwiz Tongling") from an associate to available-for-sale securities

Goldwiz Tongling is a wholly foreign-owned enterprise established in the PRC. At 31 March 2005, the Group held 33.36% of the equity interest in Goldwiz Tongling which was therefore accounted as an associate of the Group. In April 2005 upon completion of the acquisition transactions of 100% equity interest in Pencester Limited ("Pencester") and Best News International Limited ("Best News"), the Group held additional 47% and effectively 80.36% equity interest in Goldwiz Tongling. In June 2005, the Group acquired a further 1.12% of the equity interest in Golwiz Tongling through additional capital injection by Pencester. The Group effectively held 81.48% equity interest in Goldwiz Tongling.

As explained in notes 2(b)(ii) and 23(b) to the financial statements after this transaction. The results of Goldwiz Tongling, when it was associate of the Group have not been accounted for under equity method as stipulated by Hong Kong Accounting Standard 28 "Investments in Associates" issued by the Hong Kong Institute of Certified Public Accountants.

21. INTEREST IN ASSOCIATES *(Continued)*

d) Movements of the goodwill during the year are as follows:

	2006	2005
	HK$'000	*HK$'000*
Cost		
At 1 April, as previously reported	**51,176**	51,176
Opening balance adjustment to eliminate accumulated amortisation	**(27,841)**	—
At 1 April, as restated	**23,335**	51,176
Disposals	**(23,335)**	—
At 31 March	**—**	51,176
Accumulated amortisation and impairment		
At 1 April, as previously reported	**27,841**	884
Eliminated against cost at 1 April 2005	**(27,841)**	—
At 1 April, as restated	**—**	884
Amortisation for the year	**—**	2,831
Impairment loss	**—**	24,126
At 31 March	**—**	27,841
Carrying amount		
At 31 March	**—**	23,335

Until 31 March 2005, positive goodwill is recognised as an expense on a straight-line basis over its useful life with the period not exceeding twenty years. The amortisation of goodwill for the year and the impairment loss are included in "share of losses of associates" and "other operating expenses", respectively, in the consolidated income statement.

e) In 2005, the Group assessed the recoverable amount of the interest in Quaypoint. Based on this assessment, the carrying amount of interest in Quaypoint was written down by HK$37,060,000, which was included in "other operating expenses". The estimates of recoverable amount were based on the net selling price from the sale of the interest in Quaypoint.

21. INTEREST IN ASSOCIATES *(Continued)*

f) Additional financial information in respect of Quaypoint is given as follows:

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

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

	2005
	HK$'000
Turnover	184,195
Profit before taxation	413
Loss after taxation	(3,021)
Attributable share of an associate's loss after taxation	(836)

(ii) Consolidated balance sheet of Quaypoint and its subsidiaries for the year ended 31 March 2005

	2005
	HK$'000
Non-current assets	106,744
Current assets	205,804
Current liabilities	(124,877)
Non-current liabilities	(7,890)
Net assets	179,781
Attributable share of an associate's net assets	49,728

21. INTEREST IN ASSOCIATES *(Continued)*

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

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

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

	2005
	HK$'000
Turnover	104,124
Loss before taxation	(2,657)
Loss after taxation	(3,277)
Attributable share of an associate's loss after taxation	(1,093)

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

	2005
	HK$'000
Non-current assets	85,360
Current assets	141,746
Current liabilities	(123,500)
Net assets	103,606
Attributable share of an associate's net assets	34,563

22. DEPOSITS FOR ACQUISITION OF SUBSIDIARIES

In September 2003, the Group entered into sale and purchase agreements with independent third parties to acquire 100% equity interest in Pencester Limited ("Pencester") and in Best News International Limited ("Best News"). Pencester and Best News then held 24.52% and 22.48% respectively of the equity interest in Goldwiz Tongling. Upon completion of these transactions in April 2005, the Group held 100% equity interest in Pencester and Best News.

23. AVAILABLE-FOR-SALE SECURITIES

	The Group		**The Company**	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted equity securities				
At cost	**77,730**	39	**39**	39
Impairment loss	**(77,730)**	—	**(39)**	—
	—	39	**—**	39

a) Carrying amount of available-for-sale securities as at 31 March 2006 is analyzed as follows:

The Group

	Before impairment	**Impairment**	**After impairment**
	HK$'000	*HK$'000*	*HK$'000*
Goldwiz Tongling	57,925	(57,925)	—
Goldwiz Shenzhen	—	—	—
Pencester	10,312	(10,312)	—
Best News	9,454	(9,454)	—
Better Management	39	(39)	—
	77,730	(77,730)	—

The Company

	Before impairment	**Impairment**	**After impairment**
	HK$'000	*HK$'000*	*HK$'000*
Better Management	39	(39)	—

During the year, the management of the Group reviewed the investments in available-for-sale securities to determine whether there was objective evidence of impairment. Based on the fact that certain major assets and production facilities of Goldwiz Tongling were frozen by the Jin Hua Court (as explained in note 23(b) below) and certain key assumptions, the directors concluded that the available-for-sale securities regarding Goldwiz Tongling, Pencester and Best News should be fully impaired.

23. AVAILABLE-FOR-SALE SECURITIES *(Continued)*

b) Goldwiz Shenzhen and Goldwiz Tongling

Goldwiz Shenzhen and Goldwiz Tongling were former subsidiaries of the Group in which the Group have held respective effective interests of 100% and 81.4%.

Pursuant to the civil judgement (民事裁定書) dated 12 January 2006 issued by the Intermediate People's Court of Jin Hua, Zhejiang Province, the PRC (浙江省金華市中級人民法院) ("Jin Hua Court"), certain assets and production facilities of these two companies were frozen. The operations of Goldwiz Shenzhen and Goldwiz Tongling were thus suspended. The directors considered that Goldwiz Shenzhen and Goldwiz Tongling unable to resume operations in the foreseeable future and the Group lost its control over Goldwiz Shenzhen and Goldwiz Tongling since 12 January 2006. Goldwiz Shenzhen and Goldwiz Tongling were also not regarded as associates of the Group because the Group had no significant influence over their operating and financing activities. Accordingly, Goldwiz Shenzhen and Goldwiz Tongling are accounted for as available-for-sale securities.

Goldwiz Shenzhen which financial statements have been consolidated in the financial statements of the Group prior to the year ended 31 March 2006 are deconsolidated resulting in a loss on deconsolidation of approximately HK$103,965,000 and the initial measurement of the available-for-sale securities was at nil.

Goldwiz Tongling which was classified as associate in the consolidated financial statements for the years prior to 31 March 2006 are derecognised and was reclassified as available for sales securities with initial measurement of HK$57,898,000.

In the opinion of the directors, save as the information set out in note 40(a) to the financial statements, the Group has no other material obligations or commitments in Goldwiz Shenzhen and Goldwiz Tongling that require either adjustments to or disclosure in these financial statements.

c) Amounts due from/to investee companies

As at 31 March 2006, the amounts due from /to the above investee companies were disclosed in notes 25(b), 25(c), 25(d) and 27(b).

24. INVENTORIES

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Food and beverage and others	**4,175**	4,464
Goods held for re-sales	**—**	37,344
	4,175	41,808

25. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Due from subsidiaries *(note a)*	**—**	—	**—**	368,070
Loans to an investee company *(note b)*	**—**	4,442	**—**	4,442
Due from investee companies *(note c)*	**—**	—	**—**	—
Due from a deconsolidated subsidiary *(note d)*	**—**	—	**—**	—
Trade receivables *(note e)*	**8,911**	110,880	**—**	—
Deposits, prepayments and other receivables *(note f)*	**4,616**	86,339	**3,420**	12
	13,527	201,661	**3,420**	372,524

a) An analysis of the amounts due from subsidiaries is listed below:

	The Company	
	2006	2005
	HK$'000	*HK$'000*
Amounts due from subsidiaries	**549,094**	584,249
Less: Impairment	**(549,094)**	(216,179)
	—	368,070

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

b) An analysis of the loans to an investee company is listed below:

	The Group and the Company	
	2006	2005
	HK$'000	*HK$'000*
Loans	**66**	4,442
Less: Impairment	**(66)**	—
	—	4,442

At 31 March 2006, the loans were unsecured, interest bearing at the Hong Kong prime rate quoted by Standard Chartered Bank and repayable on demand.

25. TRADE AND OTHER RECEIVABLES *(Continued)*

c) An analysis of amounts due from investee companies is listed below:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Amounts due from		
Pencester	**1,107**	—
Best News	**6**	—
	1,113	—
Less: Impairment	**(1,113)**	—
	—	—

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

d) An analysis of the amount due from a deconsolidated subsidiary is listed below:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Amount due from Goldwiz Shenzhen	**990**	—
Less: Impairment	**(990)**	—
	—	—

The amount is unsecured, non-interest bearing and has no fixed terms of repayment.

25. TRADE AND OTHER RECEIVABLES *(Continued)*

e) The age analysis of trade receivables, net of impairment HK$12,379,000 (2005: HK$14,000), at 31 March, is listed below:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Within 1 month	**1,317**	7,818
More than 1 month but less than 3 months	**329**	53,685
More than 3 months but less than 6 months	**4,274**	49,317
More than 6 months but less than 12 months	**2,951**	—
More than 12 months	**40**	60
	8,911	110,880

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

f) Included in deposits, prepayments and other receivables as at 31 March 2006 was the partial consideration receivable of HK$3,420,000 with respect to the transfer of the interest in jointly controlled asset.

In August 2005, the Company and an independent third party (the "JV Partner") entered into an agreement that the Company and the JV Partner invested in a jointly controlled asset of a right in producing and distributing a television serial in the PRC. In accordance with the terms of the agreement, the Company prepaid approximately a sum of HK$4,329,000 as contribution to the jointly controlled asset.

In March 2006, the Company and another independent third parity (the "JV Purchaser") entered in an agreement that the Company transferred its interest in the jointly controlled asset to the JV Purchaser for a consideration of HK$3,800,000. Accordingly, the Company recorded a net loss of HK$1,329,000 in the said transaction for the year ended 31 March 2006.

Included in deposits, prepayments and other receivables as at 31 March 2005 was the advance to a supplier amounting to HK$45,479,000 for acquisition of hi-tech electronics products related materials. During the year ended 31 March 2005, a former subsidiary of the Company and a supplier had entered into agreements that the subsidiary would purchase hi-tech electronics products related materials from the supplier amounting to US$8,640,000 (equivalent to approximately HK$67,392,000). The former subsidiary advanced to the supplier amounting to approximately HK$45,479,000 as deposits agreed by the former subsidiary and the supplier. Eventually, the supplier was unable to provide the materials with the quality to the former subsidiary's satisfaction. The former subsidiary and the supplier reached an agreement that the above mentioned agreements were terminated and the supplier refunded the full amount of HK$45,479,000 in May 2005.

25. TRADE AND OTHER RECEIVABLES *(Continued)*

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

h) Included in trade and other receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2006	2005	**2006**	2005
	'000	'000	**'000**	'000
Renminbi	**2,505**	194,084	**—**	—

26. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank	**27,526**	46,069	**12**	680
Cash on hand	**200**	280	**—**	12
Cash and cash equivalents in the balance sheet and the consolidated cash flow statement	**27,726**	46,349	**12**	692

Bank balances of approximately HK$26,771,000 (2005: HK$43,592,000) are placed with banks in the Chinese Mainland. The remittance of these funds out of the Chinese Mainland is subject to exchange control restrictions imposed by the PRC government.

Included in cash and cash equivalents in the balance sheet are the following amounts denominated in a currency other than the functional currency of the entity to which they related:

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Renminbi	**27,531**	39,363	**—**	—
United States dollars	**31**	802	**—**	—

27. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Due to subsidiaries *(note a)*	**—**	—	**324**	34,682
Due to a deconsolidated subsidiary *(note b)*	**32,090**	—	**30,017**	—
Trade payables *(note c)*	**25,695**	16,817	**—**	—
Receipts in advance	**660**	441	**—**	—
Interest payables	**10,748**	5,597	**10,748**	5,231
Due to Mr. Suen Cho Hung *(note d)*	**67,594**	—	**62,871**	—
Accruals and other payables	**10,828**	14,607	**1,609**	739
	147,615	37,462	**105,569**	40,652

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

b) The amount due to Goldwiz Shenzhen is unsecured, non-interest bearing and have no fixed terms of repayment.

c) The age analysis of the trade payables at 31 March is listed below:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Due within 1 month or on demand	**1,604**	8,343
Due after 1 month but within 3 months	**107**	4,579
Due after 3 months but within 6 months	**10,890**	3,895
Due after 6 months but within 12 months	**13,094**	—
	25,695	16,817

d) During the year, Open Mission Assets Limited ("Open Mission"), a shareholder of the Company, assigned the amounts of HK$67,594,000 and HK$62,871,000 due by the Group and the Company, respectively, to Mr. Suen Cho Hung. The amount was unsecured, non-interest bearing and had no fixed terms of repayment. The amount was repaid in full after the balance sheet date. Further details are set out in note 33 to the financial statements.

27. TRADE AND OTHER PAYABLES *(Continued)*

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

f) Included in trade and other payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2006	2005	**2006**	2005
	'000	*'000*	***'000***	*'000*
Renminbi	**10,493**	15,863	**—**	—

28. BANK LOANS

At 31 March 2005, bank loans RMB150,000,000 (equivalent to approximately HK$141,000,000) borrowed by a former subsidiary of the Company were repayable within one year. A bank loan of RMB100,000,000 (equivalent to approximately HK$94,000,000) bore interest at 6.696% per annum and was guaranteed by the Company, another subsidiary of the Company and Mr. Liu Xue Lin ("Mr. Liu"), the former director of the Company. A bank loan of RMB50,000,000 (equivalent to approximately HK$47,000,000) bore interest at 5.31% per annum and was guaranteed by the Company.

29. OTHER LOAN, SECURED

At 31 March 2005, the loan was secured by (i) a share mortgage over all the issued shares in Goldwiz Technology Limited, a wholly-owned subsidiary of the Company (ii) an assignment of the shareholder's loan owing by the Group to Open Mission, (iii) a first floating charge over all undertaking assets and property of the Company, (iv) a first floating charge over all undertaking assets and property of Goldwiz Technology Limited and (v) guarantees by two independent third parties and Mr. Liu. The loan bore interest at 1.75% per month. During the year ended 31 March 2006, the loan was repaid in full.

30. PROMISSORY NOTE, SECURED

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

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

The promissory note was repaid in full during the year ended 31 March 2006.

31. NOTE PAYABLE, SECURED

The convertible note ("Convertible Note") was issued to HIL on 8 November 2002 and was expired on the date being the second anniversary of the date of issue of the Convertible Note (the "Maturity Date"). The holder of the Convertible Note has the right to convert in whole or any part of the principal amount outstanding under the Convertible Note into the shares of the Company at an initial conversion price of HK$0.76 per share, subject to adjustment, at any time before 8 November 2004 (the "Conversion Period"). The Convertible Note is secured by (i) a share mortgage over all the issued shares in Risdon, incorporating an assignment of the shareholder's loan due from Risdon. As at 31 March 2006, the carrying amount of the collateral was approximately HK$270 million (2005: approximately HK$310 million); and (ii) a mortgage over 100% of Risdon's equity interest in the Harbour Plaza. As at 31 March 2006, the carrying amount of the collateral was approximately HK$150 million (2005: approximately HK$150 million). The Convertible Note bears interest at 2% per annum until the repayment of all obligations of the Company in full under the Convertible Note. The Company shall not be obliged to make any redemption of the outstanding principal amount of the Convertible Note until the Company has received the certificate of the Convertible Note on the Maturity Date. Further details of the issue of the Convertible Note are set out in the announcement dated 26 July 2002 issued by the Company.

During the Conversion Period, the holder of the Convertible Note did not exercise its right to convert any part of the Convertible Note into new shares of the Company. On 8 November 2004 being the Maturity Date, the Convertible Note was immediately due for repayment and classified as a note payable (the "Note"). At 31 March 2006 and 2005, the Note bore interest at 5% per annum on a monthly basis.

On 1 June 2006, receivers were appointed by Hutchsion Hotels Holdings (International) Limited ("HHHIL") with regards to the assets charged by Pacific Peace Investments Limited ("Pacific Peace") in favor of HHHIL, pursuant to the share mortgage deed dated 8 November 2002 entered into between Pacific Peace and HHHIL ("Share Mortgage").

On 28 July 2006, the Company received a statutory demand from HHHIL demanding payment of approximately HK$141,439,000 together with interest due from the Company to HHHIL within 21 days after the date of service of the statutory demand on the Company.

On 21 August 2006 after the expiry of the 21 day period prescribed in the statutory demand, Hutchison International Limited ("HIL") issued a letter to the Company that HIL has instructed its lawyer to proceed with the issuance of a winding up petition against the Company. On the same date, the receivers issued a letter to the Company that the receivers would sell the assets charged under the Share Mortgage by way of tender and the preparation work for the tender exercise was in the final stage and it was expected to commence in the near future.

Further details are set out in the announcements dated 8 June 2006, 27 July 2006, 31 July 2006 and 28 August 2006 issued by the Company.

32. TAXATION PAYABLE

Taxation in the consolidated balance sheet represents provision for Hong Kong profits tax. There is no movement of the balance for the year ended 31 March 2006.

33. DUE TO A MAJOR SHAREHOLDER

At 31 March 2005, amounts due to Open Mission Assets Limited ("Open Mission"), the former major shareholder, were unsecured. Of the total amounts due to Open Mission at 31 March 2005, the amounts of HK$34,380,000 due by the Group and HK$29,943,000 due by the Company bore interest at 2% per annum over the Hong Kong prime rate. Subsequent to 31 March 2005, Open Mission has agreed to waive charging the interest against the Group and the Company for the year. Open Mission has also agreed not to demand the Group and the Company for repayment until they are financially capable to do so.

In February 2006, Open Mission waived an amount of HK$114,264,000 due by the Group to Open Mission.

In February 2006, Open Mission assigned the amounts of HK$67,594,000 and HK$62,871,000 due by the Group and the Company, respectively, to Mr. Suen Cho Hung. Accordingly, the Group and the Company reclassified the amounts due to Open Mission as other payables in the financial statements. Further details are set out in announcement dated 8 June 2006 issued by the Company.

Immediate before the said waiver and assignment, the amounts due to Open Mission were HK$181,858,000 by the Group and HK$62,871,000 by the Company respectively, of which the amounts of HK$68,470,000 due by the Group and HK$62,871,000 due by the Company bore interest at 2% per annum over the Hong Kong prime rate quoted by Standard Chartered Bank. The amounts were unsecured and had in fixed terms of repayment. During the year ended 31 March 2006, Open Mission waived charging the interest against the Group and the Company for the year.

34. SHARE CAPITAL

	The Group and the Company			
	2006		2005	
	Number of shares		Number of shares	
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of $0.10 each	**5,000,000**	**500,000**	5,000,000	500,000
Issued and fully paid:				
At 1 April and 31 March	**1,061,628**	**106,163**	1,061,628	106,163

There was no movement in the share capital of the Company during the two years ended 31 March 2006 and 2005.

35. (DEFICIT)/RESERVES

	Share premium	Capital redemption reserve	Contributed surplus	Exchange translation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The Group						
At 1 April 2004	436,670	68	—	—	(286,924)	149,814
Net profit for the year	—	—	—	—	(41,814)	(41,814)
At 31 March 2005 and 1 April 2005	436,670	68	—	—	(328,738)	108,000
Exchange differences on translation of financial statements of foreign entities	—	—	—	6,509	—	6,509
Released upon deconsolidation of a subsidiary	—	—	—	(2,212)	—	(2,212)
Net loss for the year	—	—	—	—	(152,665)	(152,665)
At 31 March 2006	436,670	68	—	4,297	(481,403)	(40,368)
The Company						
At 1 April 2004	436,670	68	61,324	—	(368,596)	129,466
Net loss for the year	—	—	—	—	(127,421)	(127,421)
At 31 March 2005 and 1 April 2005	436,670	68	61,324	—	(496,017)	2,045
Net loss for the year	—	—	—	—	(339,344)	(339,344)
At 31 March 2006	436,670	68	61,324	—	(835,361)	(337,299)

35. (DEFICIT)/RESERVES *(Continued)*

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

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

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

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

b) At 31 March 2006 and 2005, the Group and the Company had no distributable reserves available for distribution to equity holders of the Company for the Group and the Company suffered deficiencies in the aggregate of the relevant reserves.

c) Included in the accumulated losses as at 31 March 2005 of the Group is an amount of HK$216,000 being the retained profits attributable to associates.

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

a) Deconsolidation of a subsidiary

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Net assets disposed of		
Fixed assets	**2,006**	—
Intangible assets	**—**	—
Inventories	**38,138**	—
Trade and other receivables	**183,976**	—
Cash at bank and on hand	**247**	—
Trade and other payables	**(4,751)**	—
Bank loans	**(144,000)**	—
Net amounts due from the Group	**30,561**	—
	106,177	—
Loss on deconsolidation of a subsidiary	**(103,965)**	—
Translation reserve released upon deconsolidation	**(2,212)**	—
	—	—
Analysis of net outflow of cash and cash equivalents arising from deconsolidation of a subsidiary		
Cash of subsidiary deconsolidated	**247**	—

b) Major non-cash transactions

In February 2006, Open Mission waived a sum of HK$114,264,000 owing by the Group to OMA.

37. DEFERRED TAXATION NOT RECOGNISED

The Group has not recognised deferred tax assets in respect of the tax losses of approximately HK$15 million (2005: HK$24 million) as it is not probable that taxable profit will be available against which the tax losses can be utilised.

At 31 March 2006, the Group's tax losses of approximately HK$15 million (2005: HK$15 million) do not expire under current tax legislation and of nil (2005: HK$9 million) will expire in five years from the year in which they were incurred.

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

38. RETIREMENT BENEFITS SCHEMES

Hong Kong

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

PRC, other than Hong Kong

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

The Group does not have any other pension schemes for its employees in respect of its subsidiaries outside Hong Kong and other parts of the PRC. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 31 March 2006 to the retirement benefits of its employees.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The directors of the Company meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 3 months from the date of billing. Debtors with balances that are more than 3 months from the date of billing are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

a) Credit risk *(Continued)*

Cash and cash equivalents are normally placed with licensed banks that have a credit rating equal to or better than the Group. Given their high credit ratings, management does not expect any licensed bank to fail to meet its obligations.

The Group does not have a significant concentration of credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Company also monitors closely the cash flows of its subsidiaries. Generally, the Company's subsidiaries are required to obtain the Company's approval for activities such as investment of surplus cash, raising of loans and fixed assets acquisitions beyond certain limits.

c) Interest rate risk

The interest rates and other terms of the note payable of the Group are disclosed in note 31.

d) Foreign currency risk

The Group's monetary assets and transactions are principally denominated in Hong Kong dollars and Renminbi ("RMB"). The Group believes its exposure to foreign exchange rate risk is normal. At present, the Group does not intend to seek to hedge its exposure to foreign exchange risk profile, and will consider appropriate hedging measures in future as may be necessary.

(e) Fair value

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of HKAS 32 and HKAS 39. Fair value estimates, methods and assumptions, set forth below for the Group's financial instruments, are made to comply with the requirements of HKAS 32 and HKAS 39, and should be read in conjunction with the Group's financial statements and related notes. The estimated fair value amounts have been determined by the Group using market information and valuation methodologies considered appropriate. However, considerable judgement is required to interpret market data to develop the estimates of fair values. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The carrying values of the Group's current financial assets and liabilities are estimated to approximate to their fair values based on the nature or short-term maturity of these instruments.

40. COMMITMENTS

a) Capital commitments outstanding at 31 March 2006 not provided for in the financial statements were as follows:

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Contracted for				
— capital injection in Goldwiz Shenzhen	**20,319**	20,000	**—**	—

b) At 31 March 2006, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

Properties

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within 1 year	**1,152**	638	**1,103**	302
After 1 year but within 5 years	**668**	71	**644**	—
	1,820	709	**1,747**	302

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

Others

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within 1 year	**7**	7	**—**	—
After 1 year but within 5 years	**14**	21	**—**	—
	21	28	**—**	—

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

41. CONTINGENT LIABILITIES

As at 31 March 2006

The contingent liabilities of the Group and the Company as at 31 March 2006 amounted to approximately HK132,855,000 in connection with banking facilities granted to Goldwiz Shenzhen for payment, as guarantor, of the facilities of RMB150,000,000 utilized by Goldwiz Shenzhen.

The Group and the Company was alleged to have provided guarantees to the bankers of Goldwiz Shenzhen to secure banking facilities to the extent of RMB150,000,000 granted to Goldwiz Shenzhen. During the year, two bankers of Goldwiz Shenzhen served writs of summons on the Company and Goldwiz Eclectic Trading as detailed below.

a) On 16 January 2006, a writ of summons was served by a bank ("Creditor A") on the Company, Goldwiz Electric Trading, 科維置業(上海)有限公司 ("Goldwiz Real Estate"), which is the subsidiary of an investee company of the Company, Mr. Liu and Goldwiz Shenzhen in relation to the indebtedness of RMB88,081,903 (equivalent to approximately HK$84,558,000) owed to the BOC Creditor by Goldwiz Shenzhen.

   Pursuant to the writ of summons, (i) Goldwiz Shenzhen was the borrower of the RMB100 million bank indebtedness (and together with interest, the "Indebtedness A") from the Creditor A, and (ii) the Company, Goldwiz Electric Trading, Goldwiz Real Estate and Mr. Liu have given joint and several guarantees to the Bank Creditor in respect of the repayment of the full amount of the Indebtedness A. Goldwiz Shenzhen, the Company, Goldwiz Electric Trading, Goldwiz Real Estate and Mr. Liu are alleged to pay the Creditor A the principal of RMB87,613,595 (equivalent to approximately HK$84,109,000) together with outstanding interest thereon (up to 9 January 2006 RMB468,308 equivalent to approximately HK$449,000) and thereafter until payment.

b) On 16 January 2006, a writ of summons was issued by another bank ("Creditor B") on the Company in relation to the indebtedness of RMB50,309,429 (equivalent to approximately HK$48,297,000) together with interest thereon owing to the Creditor B by Goldwiz Shenzhen.

   Pursuant to the writ of summons, (i) Goldwiz Shenzhen was the borrower of the RMB50 million bank indebtedness (and together with interest, the "Indebtedness B") from the Creditor B and (ii) the Company has given guarantees to the Creditor B in respect of the repayment of the full amount of the Indebtedness B. The Company is alleged to pay the Creditor B the principal of RMB49,978,426 (equivalent to approximately HK$47,979,000) together with interest thereon (up to 5 January 2006 RMB331,023 equivalent to approximately HK$318,000) and thereafter until payment.

With the advices from a legal adviser, the directors are of the opinion that the Company has no legal obligation to pay the alleged loan and the alleged interest. Accordingly, no provision in respect thereof has been made in the financial statements.

As at 31 March 2005

As at 31 March 2005, the Company provided guarantees to financial institutions in respect of loans granted to certain subsidiaries amounting to HK$162,000,000.

42. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions.

a) Advance from a shareholder

During the year ended 31 March 2006, Open Mission Assets Limited ("Open Mission"), a shareholder of the Company, advanced to the Group and the Company amounted to HK$52,218,000 (2005: HK$11,220,000) and HK$32,928,000 (2005: HK$4,588,000) respectively. To show its continuous financial support, Open Mission has waived the Group HK$4,921,000 (2005: HK$2,161,000) and the Company HK$4,508,000 (2005: HK$2,039,000) interest accruing on the indebtedness due to Open Mission.

During the year ended 31 March 2006, Open Mission waived a sum of HK$114,264,000 (2005: Nil) due from the Group.

During the year ended 31 March 2006, the Group repaid Open Mission amounting to HK$407,000 (2005: HK$7,493,000).

b) Purchases of materials from Goldwiz Tongling

Goldwiz Tongling supplies Goldwiz Huarui with the electronic products related materials under similar terms as it trades with other customers. Purchases from Goldwiz Tongling amounted to HK$62,318,000 during the year ended 31 March 2006 (2005: HK$56,795,000). At the balance sheet date, amount due to Goldwiz Tongling amounted to HK$20,938,000 (2005: HK$14,653,000) and was included under trade payables in the consolidated balance sheet.

c) Sale of materials to Goldwiz Tongling

Goldwiz Tongling purchases electronic products related materials from Goldwiz Huarui under similar terms as it trades with other suppliers. Sales to Goldwiz Tongling amount to HK$15,151,000 during the year ended 31 March 2006 (2005: Nil). At the balance sheet date, the amount before impairment due from Goldwiz Tongling was HK$2,391,000 (2005: Nil) and was included under trade receivables in the consolidated balance sheet. The amount of HK$2,391,000 (2005: Nil) was impaired during the year.

d) Sale to Goldwiz Shenzhen

Goldwiz Shenzhen purchases hotel accommodation and other services from Harbour Plaza under similar terms as it trades with other service suppliers. During the year ended 31 March 2006, Harbour Plaza sold to Goldwiz Shenzhen amounted to HK$471,000.

e) Management fee paid to Goldwiz Shenzhen

During the year ended 31 March 2006, Goldwiz Electric Trading paid management fee to Goldwiz Shenzhen amounted to HK$310,000 (2005: Nil) for human resources management services.

f) Advance to Goldwiz Shenzhen

During the year ended 31 March 2006, Goldwiz Shenzhen advanced to the Group and the Company amounted to HK$4,329,000 and HK$4,329,000 respectively. During the year ended 31 March 2006, the Group and the Company repaid Goldwiz Shenzhen amounting to HK$2,392,000 and HK$2,212,000 respectively.

42. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

g) Repayment of advance to Goldwiz Shenzhen

During the year ended 31 March 2006, the Company paid HK$2,052,000 to Quaypoint on behalf Goldwiz Shenzhen for settling the advances given by a subsidiary of Quaypoint to Goldwiz Shenzhen.

h) Purchase of property, plant and equipment from a subsidiary of Quaypoint

During the year ended 31 March 2005, a subsidiary of the Company purchased fixed asset from a subsidiary of Quaypoint amounting to HK$312,000.

i) Advance to subsidiaries of Quaypoint

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

j) Advance from subsidiaries of Quaypoint

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

k) Management fee income from a subsidiary of Quaypoint

In September 2005, the Group and Quaypoint entered into an agreement for the provision of administrative services to Quaypoint at HK$40,000 per month with effect from 1 October 2005. The service fee was increased to HK$64,000 since 1 November 2005 without written agreement. During the year, the Group received management fee income from a subsidiary of Quaypoint amounting to HK$488,000 (2005: HK$240,000).

l) Interest income from an investee company of the Group

During the year, the Group and the Company received interest income from Better Management Industrial Company Limited ("Better Management"), an investee company of the Group, amounting to approximately HK$108,000 (2005: HK$196,000) respectively for the loan to Better Management. The interest rate is at the Hong Kong prime rate quoted by Standard Chartered Bank.

m) Guarantees given by the Company

During the year ended 31 March 2006, the Company gave corporate guarantees

- — to the extent of HK$1,176,000 in favour of two landlords with whom a subsidiary of the Company entered into tenancy agreements for premises; and
- — to the extent of HK$10,000,000 in favour of a bank for the banking facilities granted to a subsidiary of the Company.

42. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

n) Guarantees given by Mr. Liu, the former director of the Company, against loan facilities granted to the Group

At 31 March 2005, Mr. Liu has given personal guarantees to financial institutions for securing loans of HK$115,200,000 borrowed by subsidiaries of the Company.

o) Guarantees given by Mr. Liu against a loan facility granted to the Group

During the year ended 31 March 2005, Goldwiz Technology borrowed a loan of HK$21,200,000 from a financial institution and Open Mission assigned to the financial institution its shareholder's loan owing by the Group for securing the loan borrowed by the subsidiary.

p) Repayment of trade payables

On 31 March 2006, Goldwiz Huarui, a subsidiary of the Company, Goldwiz Tongling and 銅陵經濟技術開發區(集團)總公司 ("開發區總公司"), an ex-shareholder of Goldwiz Tongling, entered into an agreement that Goldwiz Huarui will settle the trade payables owing to Goldwiz Tongling ("Trade Payables") once Goldwiz Huarui receives the settlement of trade receivables ("Trade Receivables") from the trade debtors of Goldwiz Huarui ("Trade Debtors"). Any amounts of Trade Receivables directly paid to 開發區總公司 by Trade Debtors will be set-off against the Trade Payables.

43. POST BALANCE SHEET EVENTS

a) Winding up petition and appointment of receivers

On 1 June 2006, receivers were appointed by Hutchsion Hotels Holdings (International) Limited ("HHHIL") with regards to the assets charged by Pacific Peace in favour of HHHIL that included but not limited to (i) a share mortgage over all the issued shares in Risdon, incorporating an assignment of the shareholder's loan due from Risdon and (ii) a mortgage over 100% of Risdon's equity interest in the Harbour Plaza, pursuant to the share mortgage deed dated 8 November 2002 entered into between Pacific Peace and HHHIL ("Share Mortgage').

On 28 July 2006, the Company received a statutory demand from HHHIL demanding payment of approximately HK$141,439,000 together with interest due from the Company to HHHIL within 21 days after the date of service of the statutory demand on the Company.

On 21 August 2006 after the expiry of the 21 day period prescribed in the statutory demand, Hutchison International Limited ("HIL") issued a letter to the Company that HIL has instructed its lawyer to proceed with the issuance of a winding up petition against the Company. On the same date, the receivers issued a letter to the Company that the receivers would sell the assets charged under the Share Mortgage by way of tender and the preparation work for the tender exercise was in the final stage and it was expected to commence in the near future.

Further details are set out in the announcements dated 8 June 2006, 27 July 2006, 31 July 2006 and 28 August 2006 issued by the Company.

43. POST BALANCE SHEET EVENTS *(Continued)*

b) On 12 June 2006, the Company and Cupac Finance Limited ("Cupac") entered into an agreement that Cupac granted Goldwiz a loan facility of HK$75,000,000 (the "Loan"). The Loan is secured by, inter alia, the following:

i) a share charge over all the issued shares held by the Group in Goldwiz Technology, Goldwiz Media, Goldwiz Management, Goldwiz Communication, Goldwiz Property, Ever First, Pacific Peace, Goldwiz Huarui, Smart Idea, Goldwiz Electric Trading, Pencester, Best News and Better Management;

ii) the undertakings by the Company that (1) all the equity interest holders of Goldwiz Tongling to, within 30 business days of 12 June 2006, execute and deliver to Cupac a charge over the entire equity interest in Goldwiz Tongling, (2) Risdon will execute and deliver Cupac a charge over the entire equity interest in Harbour Plaza within 30 business days within the discharge of the receivership to which Risdon is subject to, and (3) Harbour Plaza will execute and deliver Cupac a mortgage over the hotel held by Harbour Plaza within 30 days within the discharge of the receivership to which Risdon in subject to; and

iii) a joint and several guarantee executed by Mr. Chung Wilson ("Mr. Chung"), Ms. Lo Oi Kwok Sheree ("Ms Lo") and Mr. Yeung Ming Kwong ("Mr. Yeung"). Mr. Chung and Mr. Yeung are the directors of the Company until 15 June 2006. Ms. Lo is a director of the Company.

c) On 15 June 2006, the landlord of the Company's previous principal office in Hong Kong (the "Landlord") served a writ of summons on the Company demanding payment of two months rental for the months of May and June 2006, air-conditioning charges and service charges amounting to a total of approximately HK$224,000 and the return of possession of the property mesne profits. The Landlord has obtained a judgement against the Company on 19 July 2006 for the recovery of the premises and payment of approximately HK224,000, being the outstanding rental payable, mesne profits at the rate of approximately HK$115,000 per month form 1 July 2006 until the delivery up of the premises, and costs of HK$1,550.

Further details are set out in the announcement dated 27 July 2006 issued by the Company.

d) On 16 June 2006, the Company entered into a letter of intent with Sunderland Properties Limited ("Sunderland'), an independent third party, in relation to the grant of an exclusive right to Sunderland for a period of 3 months to arrange and procure two additional underwriters to underwrite a rights issue exercise for the Company to raise funds in the approximate amount of HK$318 million before expenses and to assist the Company in negotiating the settlement plan with the creditors of the Company ("Exclusive Right") in consideration of payment of a non-interest bearing refundable deposit HK$10,000,000 in cash by Sunderland to the Company in June 2006. The Exclusive Right granted was expired on 16 September 2006. Sunderland has issued a letter on 6 November 2006, which was accepted by the Company, to confirm the extend of the Exclusive Right to 31 December 2006. Further details are set out in the announcement dated 27 July 2006 issued by the Company.

44. COMPARATIVE FIGURES

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

45. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING YEAR ENDED 31 MARCH 2006

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ended 31 March 2006 and which have not been adopted in these financial statements:

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial statements:

		Effective for accounting periods beginning on or after
HK(IFRIC) - Int 4	Determining whether an arrangement contains a lease	1 January 2006
Amendment to HKAS 19	Employee benefits — actuarial gains and losses, group plans and disclosures	1 January 2006
Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:		
HKAS 1	Presentation of financial Statements	1 January 2006
HKAS 27	Consolidated and separate financial statements	1 January 2006
HKFRS 3	Business combinations	1 January 2006
HKFRS 7	Financial instruments: disclosures	1 January 2007
Amendments to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1 December 2005 and would be first applicable to the Group's financial statements for the period beginning 1 April 2006.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them may result in new or amended disclosures, it is unlikely to have a significant impact on the Group's results of operations and financial position.