1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong ("HK GAAP") 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 ("Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

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

Notwithstanding that the Group had net current liabilities at 31 March 2004, including the promissory note of HK$77,500,000 (note 27) which is overdue and remains outstanding as at the date of authorisation for issue of the financial statements, these financial statements have been prepared on a going concern basis as the directors of the Company are of the opinion that the Company and the Group are able to continue as a going concern and to meet their obligations as and when they fall due having regard to the following:

(i) that the Company is able to extend the repayment schedule in respect of the promissory note of HK$77,500,000 made available to the Company from the holder of the promissory note (the "Noteholder"), and that the Noteholder will not take any action against the Company; and

(ii) continuing financial support from the major shareholder.

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

(c) Subsidiaries

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

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

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries *(Continued)*

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

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

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

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(k)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

(d) Associates

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case it is stated at fair value with changes in fair value recognised in the consolidated income statement as they arise. The consolidated income statement reflects the Group's share of the post-acquisition results of the associates for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(e). When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

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

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 1(k)). Positive goodwill is amortised and charged to the consolidated income statement on a straight-line basis over its estimated useful life.

In respect of acquisitions of associates, positive goodwill is amortised and charged to the consolidated income statement on a straight-line basis over its estimated useful life. The cost of positive goodwill less any accumulated amortisation and any impairment losses (see note 1(k)) is included in the carrying amount of the interest in associates.

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

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

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

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

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

(f) Other investments in securities

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

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

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Other investments in securities *(Continued)*

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

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

(g) Property, plant and equipment

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

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

– other property, plant and equipment are stated at cost less accumulated depreciation (see note 1(j)) and impairment losses (see note 1(k)).

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

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

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leased assets

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

(i) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the lease 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 to 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 Group will obtain ownership of the asset, the life of the asset, as set out in note 1(j). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(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.

(ii) Operating lease charges

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

(i) Intangible assets (other than goodwill)

(i) Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the group has sufficient resources and intention to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Capitalised development costs are stated at cost less accumulated amortisation (see note 1(j)) and impairment losses (see note 1(k)). Other development expenditure is recognised as an expense in the period in which it is incurred.

(ii) Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (see note 1(j)) and impairment losses (see note 1(k)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

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

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Amortisation and depreciation

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

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

– leasehold improvements are depreciated on a straight-line basis over the remaining unexpired terms of the leases;

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

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

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

(k) Impairment of assets

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

– fixed assets;

– investments in subsidiaries and associates (except for those accounted for at fair value under notes 1(c) and (d)); and

– positive goodwill.

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

(i) Calculation of recoverable amount

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

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets *(Continued)*

(ii) Reversals of impairment losses

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

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

(l) 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.

(m) Cash equivalents

Cash and cash equivalents comprise cash at bank and in 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.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Employee benefits

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

(ii) The Group's employees in the People's Republic of China (the "PRC") are members of the state-sponsored retirement benefit scheme organised by the PRC government. The subsidiaries are required to contribute, based on a certain percentage of the basic payroll, to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme. Such contributions are charged to the income statement when incurred.

(iii) Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance in respect of employees in Hong Kong are charged to the income statement when incurred.

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

(o) Income tax

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

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

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax *(Continued)*

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

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

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary difference arising from goodwill deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of 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 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.

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax *(Continued)*

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

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

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

  – the same taxable entity; or

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

(p) Provisions and contingent liabilities

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

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

(q) Revenue recognition

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

(i) Revenue from hotel operations

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

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Revenue recognition *(Continued)*

(ii) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to the point of time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue is stated after deduction of any trade discounts and goods returns.

(iii) Interest income

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

(r) Translation of foreign currencies

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

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

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

(s) Borrowing costs

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

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

(t) Related parties

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

1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Segment reporting

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

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

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

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

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

2. CHANGES IN ACCOUNTING POLICIES

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. With effect from 1 April 2003, in order to comply with Statement of Standard Accounting Practice 12 (Revised) "Income taxes" issued by the Hong Kong Society of Accountants, the Group adopted a new policy for deferred tax as set out in note 1(o). The adoption of this revised accounting policy had no significant effect on the results and net assets for the current and prior years. Accordingly, no prior year adjustment was made.

3. TURNOVER

The Company is an investment holding company. The principal activities of the Group's 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 value of hi-tech electronic products and related materials of electronic products and revenue from hotel operations. The amount of each significant category of revenue recognised as turnover during the year is as follows:

	2004	2003
	HK$'000	*HK$'000*
Sales of hi-tech electronic products	**81,020**	–
Sales of electronic products related materials	**48,843**	8,945
Revenue from hotel operations	**49,813**	18,148
	179,676	27,093

4. OTHER REVENUE AND OTHER NET INCOME

	2004	2003
	HK$'000	*HK$'000*
Other revenue		
Interest income from banks	**187**	101
Other interest income	**2,144**	–
Compensation received	**–**	2,700
Others	**60**	1
	2,391	2,802
Other net income		
Gain on disposal of investment properties	**1,651**	11,416
	4,042	14,218

5. PROFIT/(LOSS) FROM OPERATIONS

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

	2004	2003
	HK$'000	*HK$'000*
(a) Staff costs (including directors' remuneration)		
– contributions to defined contribution plan	**580**	141
– other staff salaries, wages and other benefits	**22,609**	10,118
	23,189	10,259
(b) Other items		
Cost of inventories	**113,342**	16,351
Auditors' remuneration		
– current year	**557**	281
– under/(over)-provision in prior years	**210**	(20)
Depreciation of property, plant and equipment		
– owned assets	**9,421**	4,122
– an asset held under a finance lease	**131**	44
Loss on disposal of property, plant and equipment	**214**	44
Amortisation of intangible assets	**9,400**	–
Amortisation of positive goodwill	**6,548**	1,689
Operating lease rentals in respect of rented premises	**1,978**	1,050
Research and development costs	**5,383**	–
Provision for doubtful debts	**630**	43
Bad debts written off	**–**	9
Provision for permanent diminution in value of investment securities	**–**	70,316
Net exchange gain	**(244)**	(81)

6. NON-OPERATING INCOME, NET

	2004	2003
	HK$'000	*HK$'000*
Gain on disposal of subsidiaries	**–**	6,838
Surplus/(deficits) on revaluation of hotel properties	**2,428**	(4,903)
	2,428	1,935

7. FINANCE COSTS

	2004	2003
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**521**	–
Interest on promissory note	**3,533**	3,069
Interest on convertible note	**3,105**	1,226
Finance charges on obligations under a finance lease	**21**	9
Total finance costs	**7,180**	4,304

8. SHARE OF PROFITS OF ASSOCIATES

	2004	2003
	HK$'000	*HK$'000*
Share of profits of associates	**2,712**	–
Amortisation of positive goodwill	**(884)**	–
	1,828	–

9. TAXATION

(a) Taxation in the consolidated income statement represents:

	2004	2003
	HK$'000	*HK$'000*
Share of associates' taxation	**567**	–

No provision for Hong Kong profits tax has been made in the financial statements as the Group has no estimated assessable profits derived in Hong Kong for the year. Taxation for the PRC operations is charged at appropriate current rates of taxation ruling in the PRC.

9. TAXATION *(Continued)*

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

	2004	2003
	HK$'000	*HK$'000*
Profit/(loss) before tax	**6,104**	(71,219)
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	**4,907**	(12,139)
Tax effect of non-deductible expenses	**9,293**	15,547
Tax effect of non-taxable revenue	**(5,822)**	(2,259)
Tax effect of unused tax losses not recognised	**184**	126
Tax effect of HKGAAP adjustments	**(7,995)**	(1,275)
Actual tax expense	**567**	–

10. DIRECTORS' REMUNERATION

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

	2004	2003
	HK$'000	*HK$'000*
Fees	**240**	216
Salaries and other emoluments	**1,359**	1,657
Retirement scheme contributions	**24**	25
	1,623	1,898

The remuneration of the directors is within the following bands:

	Number of directors	
	2004	2003
HK$Nil – HK$1,000,000	**9**	12

Included in the directors' remuneration were fees of HK$240,000 (2003: HK$216,000) paid to the two (2003: two) independent non-executive directors during the year. The above number of directors also include the directors who were resigned during the year.

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2003: two) are directors whose emoluments have been disclosed in note 10. The aggregate of the emoluments in respect of the other three (2003: three) individuals are as follows:

	2004	2003
	HK$'000	*HK$'000*
Salaries and other emoluments	**1,283**	2,449
Retirement scheme contributions	**31**	41
	1,314	2,490

The emoluments of the three (2003: three) individuals with the highest emoluments are within HK$Nil – HK$1,000,000 band.

12. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit/(loss) attributable to shareholders includes a net loss of HK$9,446,000 (2003: HK$80,755,000) which has been dealt with in the financial statements of the Company.

13. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to shareholders of HK$5,537,000 (2003: a loss of HK$71,219,000) and the weighted average of 1,061,627,920 shares (2003: 1,061,627,920 shares) in issue during the year.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share for the years ended 31 March 2004 and 2003 are not presented as the existence of the potential shares outstanding during these two years has anti-dilutive effect on the calculation of diluted profit/(loss) per share.

14. 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:

Continuing operations

Strategic investments	:	The investments in investment securities, which engage in (i) design and integration of automation and control system, (ii) manufacture and distribution of electronic products related materials, and (iii) development of landed property in Shanghai, the PRC, to generate dividend income and gain from appreciation in the investment value in the long term.
Property investment	:	The leasing of office premises and shopping arcades in Guangzhou, the PRC to generate rental income.
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	:	Trading of electronic products related materials.

Discontinued operations

Toys business	:	The manufacture and sale of toys products.

14. SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

	For the year ended 31 March 2004							
	Continuing operations					Discontinued operations		
	Strategic investments	Property investments	Hotel operations	Hi-tech electronics products	Electronic materials	Toys business	Inter-segment elimination	Consolidated
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Revenue from external customers	–	–	50,055	81,020	48,843	–	(242)	179,676
Segment results	(42)	3,784	6,942	8,711	(1,020)	–	–	18,375
Unallocated operating expenses								(9,347)
Profit from operations								9,028
Gain on disposal of subsidiaries								–
Surplus on revaluation of hotel properties								2,428
Finance costs								(7,180)
Share of profits of associates								1,828
Taxation								(567)
Profit attributable to shareholders								5,537
Depreciation and amortisation for the year	–	–	10,133	5,674	–	–		
Segment assets	142,282	2,647	302,280	259,016	28,142	–	(13,422)	720,945
Unallocated assets								36,417
Total assets								757,362
Segment liabilities	207,555	301,194	332,421	275,563	23,184	–	(902,975)	236,942
Unallocated liabilities								264,443
Total liabilities								501,385
Capital expenditure	21,700	–	558	34,415	–	–		

14. SEGMENT REPORTING *(Continued)*

Business segments *(Continued)*

	For the year ended 31 March 2003							
	Continuing operations					Discontinued operations		
	Strategic investments HK$	Property investments HK$	Hotel operations HK$	Hi-tech electronics products HK$	Electronic materials HK$	Toys business HK$	Inter-segment elimination HK$	Consolidated HK$
Revenue from external customers	–	–	18,440	–	8,945	–	(292)	27,093
Segment results	(70,414)	14,091	(1,131)	–	(799)	(193)	–	(58,446)
Unallocated operating expenses								(10,439)
Loss from operations								(68,885)
Gain on dissolution of subsidiaries								6,838
Deficits on revaluation of hotel properties								(4,903)
Finance costs								(4,304)
Taxation								–
Minority interest								35
Loss attributable to shareholders								(71,219)
Depreciation and amortisation for the year	–	1,689	5,667	–	–	–		
Segment assets	175,590	78,561	331,005	–	13,269	–	(9,633)	588,792
Unallocated assets								2,421
Total assets								591,213
Segment liabilities	269,061	380,242	341,227	–	7,273	–	(945,661)	52,142
Unallocated liabilities								287,980
Total liabilities								340,122
Capital expenditure	39	–	316,476	–	–	–		

14. 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.

	2004	2003
	HK$'000	*HK$'000*
Revenue from external customers		
PRC (including Hong Kong)	**168,246**	24,848
India	**846**	1,135
Korea	**10,443**	1,110
Italy	**141**	–
	179,676	27,093

All segment assets and capital expenditures are in the PRC (including Hong Kong).

15. PROPERTY, PLANT AND EQUIPMENT

(a) The movements in property, plant and equipment

	The Group							The Company
	Investment properties	Hotel properties	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles and others	Total	Motor vehicles
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation								
At 1/4/2003	76,000	246,078	121	31,913	25,299	5,926	385,337	438
Additions								
– through acquisition of subsidiary	–	–	–	1,640	156	354	2,150	–
– others	–	175	2,006	1,609	498	–	4,288	–
Disposals	(76,000)	(3,988)	–	(339)	(145)	(177)	(80,649)	–
Surplus on revaluation	–	2,428	–	–	–	–	2,428	–
At 31/3/2004	–	244,693	2,127	34,823	25,808	6,103	313,554	438
Representing:								
Cost	–	–	2,127	34,823	25,808	6,103	68,861	438
Valuation – 2004	–	244,693	–	–	–	–	244,693	–
At 31/3/2004	–	244,693	2,127	34,823	25,808	6,103	313,554	438
Aggregate amortisation and depreciation								
At 1/4/2003	–	–	121	11,652	16,691	4,192	32,656	44
Through acquisition of a subsidiary	–	–	–	705	68	144	917	–
Charge for the year	–	–	334	3,327	4,820	1,071	9,552	–
Written back on disposals	–	–	–	(161)	(108)	(80)	(349)	131
At 31/3/2004	–	–	455	15,523	21,471	5,327	42,776	175
Net book value								
At 31/3/2004	–	244,693	1,672	19,300	4,337	776	270,778	263
At 31/3/2003	76,000	246,078	–	20,261	8,608	1,734	352,681	394

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) The analysis of the net book value of the Group's properties is as follows:

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Investment properties held outside Hong Kong on medium-term leases	**–**	76,000
Hotel properties held outside Hong Kong on Long-term leases	**244,693**	246,078
	244,693	322,078

(c) Hotel properties of the Group situated in the PRC were revalued at 31 March 2004 by an independent firm of surveyors, Chung, Chan & Associates, on an open market value basis. The revaluation surplus of HK$2,427,000 (2003: deficit of HK$4,902,000) has been recognised in the consolidated income statement.

(d) The Group leases a motor vehicle under a finance lease expiring in 3 years. At the end of the lease term the Group has the option to purchase the motor vehicle at a price deemed to be a bargain purchase option.

The net book value of the motor vehicle held under the finance lease of the Group and the Company as at 31 March 2004 was HK$263,000 (2003: HK$394,000).

16. INTANGIBLE ASSETS

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Cost		
Additions and at 31 March	**20,680**	–
Accumulated amortisation		
Charge for the year and at 31 March	**(9,400)**	–
At 31 March	**11,280**	–

Intangible assets comprise technical know-how in respect of mobile phones. The amortisation charge for the year is included in "other operating expenses" in the consolidated income statement.

17. GOODWILL

	Positive goodwill	
	2004	2003
	HK$'000	*HK$'000*
Cost		
At 1 April	**33,787**	–
Addition arising on acquisition of a subsidiary	**63,600**	33,787
At 31 March	**97,387**	33,787
Accumulated amortisation		
At 1 April	**1,689**	–
Amortisation for the year	**6,548**	1,689
At 31 March	**8,237**	1,689
Carrying amount		
At 31 March	**89,150**	32,098

Positive goodwill is recognised as an expense on a straight-line basis over twenty years. The amortisation of positive goodwill for the year is included in "other operating expenses" in the consolidated income statement.

18. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2004	2003
	HK$'000	*HK$'000*
Unlisted shares, at cost	**1**	1

The followings are details of all principal subsidiaries. The class of shares held is ordinary shares.

Name	Country of incorporation	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by the subsidiary	Principal activities
Goldwiz Management Limited	Hong Kong	2 shares of HK$1 each	100%	100%	–	Provision of management services to inter-group companies
Goldwiz Technology Limited	British Virgin Islands	1 share of US$1	100%	100%	–	Investment holding
Goldwiz Communication Limited	British Virgin Islands	1 share of US$1	100%	100%	–	Investment holding
Goldwiz Trading Limited	British Virgin Islands	100 shares of US$1 each	100%	100%	–	Investment holding
Goldwiz Huarui (H.K.) Limited	Hong Kong	1,000 shares of HK$1 each	100%	–	100%	Trading of electronic products related materials
Smart Idea Enterprises Limited	British Virgin Islands	1,000 shares of US$1 each	100%	–	100%	Investment holding
Goldwiz Electric Trading Limited	Hong Kong	1,000 shares of HK$1 each	100%	–	100%	Trading of electronic products
科維電氣(深圳)有限公司 Goldwiz Electric (Shenzhen) Limited*	PRC	HK$80,000,000 Registered Capital	100%	–	100%	Design, development and distribution of hi-tech electronic products
Goldwiz Property Limited	Hong Kong	2 shares of HK$1 each	100%	100%	–	Property investment

18. INVESTMENTS IN SUBSIDIARIES *(Continued)*

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

* *Goldwiz Electric (Shenzhen) Limited and Harbour Plaza Kunming Co., Ltd. are wholly-owned foreign enterprises established in the PRC.*

At 1 April 2003, Goldwiz Communication Limited ("Goldwiz Communication"), a wholly-owned subsidiary of the Company, held 23% equity interest in Smart Idea Enterprises Limited ("Smart Idea"). On 16 April 2003, a further 77% equity interest together with shareholders' loans of approximately HK$7.7 million were acquired at a total consideration of HK$10 million from two independent third parties. The consideration was made by reference to the consolidated net asset value of Smart Idea as at 31 March 2003. The transaction was completed on 1 May 2003.

Smart Idea is a holding company of Goldwiz Electric (Shenzhen) Limited ("GE Shenzhen") and Goldwiz Electric Trading Limited ("GE Trading"). GE Shenzhen is engaged in the design, development, production and distribution of hi-tech electronic products in the PRC market. GE Trading is the trading arm of GE Shenzhen.

Upon completion of the said transaction, Smart Idea, GE Shenzhen and GE Trading became the wholly-owned subsidiaries of the Company.

19. INTERESTS IN ASSOCIATES

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Share of net assets	**86,200**	–
Positive goodwill	**50,292**	–
	136,512	–

Details of associates are as follows:

Name of associate	Place of incorporation	Particulars of issued and paid up or registered capital	Percentage of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activity
Techwayson Holdings Limited ("Techwayson")*	Cayman Islands	350,000,000 shares of HK$0.10 each	27.66%	–	27.66%	Investment holding
銅陵華瑞電子材料有限公司 Tongling Huarui Electronic Materials Co., Ltd. ("Tongling Huarui")**	PRC	US$12,450,000	33.36%	–	33.36%	Manufacture and distribution of electronic products related materials

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

** *Tongling Huarui is a sino-foreign equity joint venture established in the PRC.*

(a) Additional financial information on material associates in respect of Techwayson is as follows:

The financial information of Techwayson and its subsidiaries, which is material in the context of the Group's financial statements, as extracted from the unaudited consolidated financial statements for the period from 1 March 2004 (date of becoming the associate of the Group) to 31 March 2004 is summarised below:

(i) Consolidated operating results of Techwayson and its subsidiaries for the period from 1 March 2004 to 31 March 2004

	HK$'000
Turnover	68,779
Profit before taxation	4,749
Profit after taxation	4,346
Attributable share of an associate's profit after taxation	1,202

19. INTERESTS IN ASSOCIATES *(Continued)*

(a) Additional financial information on material associates in respect of Techwayson is as follows: *(Continued)*

(ii) Consolidated balance sheet of Techwayson and its subsidiaries as at 31 March 2004

	HK$'000
Non-current assets	117,077
Current assets	242,940
Current liabilities	(167,075)
Non-current liabilities	(10,141)
Net assets	182,801
Attributable share of an associate's net assets	50,564

(b) Additional financial information in respect of Tongling Huarui is as follows:

The financial information of Tongling Huarui (accounted for as associate of the Group from 1 October 2003) which is material in the context of the Group's financial statements, as extracted from the unaudited consolidated financial statements for the period from 1 October 2003 to 31 March 2004 is summarised below:

(i) Consolidated operating results of Tongling Huarui for the period from 1 October 2003 to 31 March 2004

	HK$'000
Turnover	70,692
Profit before taxation	4,194
Profit after taxation	2,828
Attributable share of an associate's profit after taxation	943

(ii) Consolidated assets and liabilities of Tongling Huarui as at 31 March 2004

	HK$'000
Non-current assets	92,394
Current assets	131,493
Current liabilities	(101,606)
Non-current liabilities	(15,397)
Net assets	106,884
Attributable share of an associate's net assets	35,656

20. OTHER FINANCIAL ASSETS

	The Group		The Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Investment securities				
Listed equity securities in Hong Kong, at cost	**–**	86,866	**–**	–
Unlisted equity securities, at cost	**39**	176,733	**39**	39
Loan to the investee company	**3,500**	2,306	**3,500**	–
	3,539	265,905	**3,539**	39
Less: Provision for permanent diminution in value	**–**	(90,316)	**–**	–
	3,539	175,589	**3,539**	39
Market value of listed equity securities	**–**	53,169		

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

(b) The loan is unsecured, non-interest bearing and has no fixed terms of repayment.

(c) The underlying value of investment securities is, in the opinion of the Company's directors, not less than the carrying amount as at 31 March 2004.

21. INVENTORIES

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Food and beverage and others, at cost	**4,289**	4,265
Goods held for re-sales, at cost	**47,439**	–
Goods-in-transits, at cost	**960**	–
	52,688	4,265

At 31 March 2004 and 2003, none of the Group's inventories were stated at the estimated net realisable value.

22. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade debtors	**58,698**	6,825	**–**	–
Bills receivable	**90**	1,119	**–**	–
Advances to Suppliers	**45,107**	–	**–**	–
Deposits, prepayments and other receivables	**4,077**	2,092	**14**	266
	107,972	10,036	**14**	266

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

Included in trade and other receivables are trade debtors and bills receivable (net of specific allowances for bad and doubtful debts) with the following ageing analysis:

	The Group	
	2004	2003
	HK$'000	*HK$'000*
Within 1 month	**43,901**	5,582
1 to 3 months	**9,414**	1,862
More than 3 months but less than 12 months	**6,247**	644
	59,562	8,088
Less: General provision for bad & doubtful debts	**(774)**	(144)
	58,788	7,944

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

23. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank	**79,410**	16,343	**3,166**	984
Cash in hand	**264**	201	**–**	–
Cash and cash equivalents in the balance sheets and the consolidated cash flow statement	**79,674**	16,544	**3,166**	984

24. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade creditors	**22,875**	8,064	**–**	–
Deposits received	**1,840**	25,100	**–**	–
Receipts in advance	**3,637**	–	**–**	–
Accruals and other payables	**20,011**	24,352	**4,978**	4,845
	48,363	57,516	**4,978**	4,845

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

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

	The Group		The Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Due within 1 month or on demand	**6,320**	3,914	**–**	–
Due after 1 month but within 3 months	**7,930**	3,552	**–**	–
Due after 3 months but within 6 months	**8,625**	598	**–**	–
	22,875	8,064	**–**	–

25. BANK LOAN

At 31 March 2004, the bank loan of RMB100,000,000 (approximately equivalent to HK$94,000,000) borrowed by a subsidiary was repayable within one year, borne interest at 5.841% per annum and secured by corporate guarantee provided by the Company and another subsidiary of the Company.

26. OBLIGATIONS UNDER A FINANCE LEASE

At 31 March 2004, the Group and the Company had obligations under the finance lease repayable as follows:

	The Group and the Company					
	2004			2003		
	Present value of minimum lease payments	**Interest expense relating to future periods**	**Total minimum lease payments**	Present value of minimum lease payments	Interest expense relating to future periods	Total minimum lease payments
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	**118**	**12**	**130**	109	21	130
After 1 year but within 2 years	**84**	**3**	**87**	118	12	130
After 2 years but within 5 years	**–**	**–**	**–**	84	3	87
	84	**3**	**87**	202	15	217
	202	**15**	**217**	311	36	347

27. PROMISSORY NOTE, SECURED

	The Group and the Company	
	2004	2003
	HK$'000	*HK$'000*
The note was repayable as follows:		
Within 1 year	**77,500**	77,500
After 1 year but within 2 years	**–**	38,750
	77,500	116,250

The non-transferable promissory note (the "Promissory Note") is secured by (i) a share mortgage over all the issued shares in Risdon Limited, a wholly-owned subsidiary of the Company, incorporating an assignment of the shareholder's loan due from Risdon Limited and (ii) a mortgage over 100% of Risdon Limited's equity interest in Harbour Plaza Kunming Co., Ltd. (the "Hotel"), a wholly-owned subsidiary of the Company. The Promissory Note bears interest at Hong Kong Interbank Offering Rate ("HIBOR") plus 2% and is to be settled by three equal installments payable on the expiry of the eight-month, sixteen-month and twenty-four month period after 24 July 2002. The Promissory Note is due to Hutchison International Limited (the "Noteholder"). As at the date of this report, the second and final installments have been overdue and remain outstanding, and the Noteholder has not taken any action against the Company due to the Company's default in the second and final installments of the Promissory Note due on 24 November 2003 and 24 July 2004 respectively; however the Noteholder has the right to exercise the mortgage over 100% of Risdon Limited's equity interest in the Hotel. The Company is negotiating with the Noteholder to extend the repayment schedules. In the opinion of the Company's directors, the Company has confidence to obtain the successful outcome of the negotiation with the noteholder to extend such repayment schedule.

28. CONVERTIBLE NOTE, SECURED

	The Group and the Company	
	2004	2003
	HK$'000	*HK$'000*
The note was repayable as follows:		
Within 1 year	**155,000**	–
After 1 year but within 2 years	**–**	155,000
	155,000	155,000

The convertibles note (the "Note") was issued on 8 November 2002 and will be expired on the date being the second anniversary of the date of issue of the Note. The holder of the Note has the right to convert in whole or any part of the principal amount outstanding under the Note into shares of the Company at an initial conversion price of HK$0.76 per share (subject to adjustment). The Note is secured by (i) a share mortgage over all the issued shares in Risdon Limited, a wholly-owned subsidiary of the Company, incorporating an assignment of the shareholder's loan due from Risdon Limited and (ii) a mortgage over 100% of Risdon Limited's equity interest in the Hotel. The Note bears interest at 2 per cent per annum until the repayment of all obligations of the Company in full under the Note.

29. DUE TO A MAJOR SHAREHOLDER

The amount due to the major shareholder is unsecured and bears interest at 3% per annum over the prime rate quoted by Standard Chartered Bank before 1 June 2001 and thereafter at 2% per annum over the Hong Kong prime rate. Subsequent to the balance sheet date, the major shareholder has agreed to waive charging the interest against the Company for the year. The major shareholder has also agreed not to demand the Group for repayment until it is financially capable to do so.

30. ISSUED CAPITAL

	The Group and the Company			
	2004		2003	
	No. of shares		No. 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 changes in the Company's authorised, issued and fully paid share capital during the two years ended 31 March 2004.

31. RESERVES

	Share premium	Capital redemption reserve	Contributed surplus *(note (a))*	Investment properties revaluation reserve *(note (b))*	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The Group						
At 1 April 2002	436,670	68	–	11,677	(221,242)	227,173
Revaluation deficit	–	–	–	(4,900)	–	(4,900)
Transfer to income statement on disposal of investment properties	–	–	–	(6,126)	–	(6,126)
Net loss for the year	–	–	–	–	(71,219)	(71,219)
At 31 March 2003 and at 1 April 2003	436,670	68	–	651	(292,461)	144,928
Transfer to the income statement on disposal of investment properties	–	–	–	(651)	–	(651)
Net profit for the year	–	–	–	–	5,537	5,537
At 31 March 2004	436,670	68	–	–	(286,924)	149,814
The Company						
At 1 April 2002	436,670	68	61,324	–	(278,395)	219,667
Net loss for the year	–	–	–	–	(80,755)	(80,755)
At 31 March 2003 and at 1 April 2003	436,670	68	61,324	–	(359,150)	138,912
Net loss for the year	–	–	–	–	(9,446)	(9,446)
At 31 March 2004	436,670	68	61,324	–	(368,596)	129,466

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

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

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

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

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

(c) Included in the figure for the accumulated losses of the Group is an amount of HK$2,145,000 (2003: Nil), being the retained profits attributable to associates.

32. DEFERRED TAXATION

No provision has been made for deferred taxation as the Group and the Company did not have any material deductible or taxable temporary differences for the year and at the balance sheet date. At 31 March 2004 and 2003, the Group's and the Company tax losses did not expire under tax legislation.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of a subsidiary

During the year ended 31 March 2004, the Group increased its equity interest in Smart Idea to 100% by acquiring a further 77% equity interest and shareholders' loans of approximately HK$7,720,000 at a consideration of HK$10,000,000.

During the year ended 31 March 2003, the Group acquired 100% interest in Risdon Limited at a consideration of HK$316,110,000 satisfied in cash of HK$44,860,000, promissory note of HK$116,250,000 and convertible note of HK$155,000,000.

	2004	2003
	HK$'000	*HK$'000*
Net assets acquired		
Property, plant and equipment	**1,233**	285,143
Goodwill	**–**	1,122
Inventories	**16**	4,337
Debtors, bills receivables, deposits and prepayments	**9,967**	3,525
Cash at bank and in hand	**71**	17,902
Creditors and accrued charges	**(2,887)**	(28,585)
Shareholders' loans	**(10,026)**	–
Net identifiable assets and liabilities	**(1,626)**	283,444
The carrying amount of investment in Smart Idea	**(59,694)**	–
Shareholders' loans acquired	**7,720**	–
Positive goodwill arising on consolidation	**63,600**	32,666
Total consideration	**10,000**	316,110
Satisfied by:		
Cash consideration	**10,000**	44,860
Promissory note	**–**	116,250
Convertible note	**–**	155,000
	10,000	316,110

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Analysis of the net outflow of cash and cash equivalents in respect of the purchases of subsidiaries

	2004	2003
	HK$'000	*HK$'000*
Cash consideration	**10,000**	44,860
Less: Cash of the subsidiary acquired	**(71)**	(17,902)
Net cash outflow of cash and cash equivalents in respect of the purchases of a subsidiaries	**9,929**	26,958

34. RETIREMENT BENEFITS SCHEMES

Hong Kong

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

PRC, other than Hong Kong

The Company's subsidiaries established in the PRC participates in the central pension fund scheme organised by the relevant local government authority in the PRC. These subsidiaries are required to make contributions to the retirement scheme at a certain percentage of the basic salaries of their employees.

The Group does not have any other pension schemes for its employees in respect of its subsidiaries outside Hong Kong and other part 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 2004 and 2003 in respect of the retirement of its employees.

35. COMMITMENTS

(a) Capital commitments outstanding at 31 March 2004 not provided for in the financial statements were as follows:

	The Group		The Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Contracted for	**20,743**	4,230	**743**	4,230

(b) At 31 March 2004, the total future minimum lease payments in respect of office premises under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**1,702**	604	**517**	604
After 1 year but within 5 years	**588**	–	**302**	–
	2,290	604	**819**	604

36. CONTINGENT LIABILITIES

At 31 March 2004, there were contingent liabilities in respect of bank loan facilities utilised by a wholly-owned subsidiary and guaranteed by the Company amounting to RMB100,000,000 (approximately equivalent to HK$94,000,000) (2003: Nil).

37. MATERIAL RELATED PARTY TRANSACTIONS

(a) During the year, the Company advanced approximately HK$115.3 million (2003: repaid HK$33.2 million to Open Mission Assets Limited) from Open Mission Assets Limited, the major shareholder of the Company. To show its continuous financial support, Open Mission Assets Limited has agreed to waive interest of approximately HK$3.28 million (2003: HK1.24 million) accruing on the shareholder's loan due by the Company for the year.

(b) An associate of the Company supplied a subsidiary with the electronic products related materials under similar terms as it traded with other customers. Purchases from this associate amounted to approximately HK$37.3 million during the year ended 31 March 2004 (2003: Nil). At the balance sheet date, the amount due to the associate amounted to approximately HK$18.5 million (2003: Nil) and was included under trade payables in the consolidated balance sheet.