MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group's audited consolidated loss attributable to shareholders for the financial year ended 31 March 2005 amounted to approximately HK$41.8 million (2004: profit about HK$5.5 million). Loss per share for the year was 3.94 cents as compared with profit per share of 0.52 cents of the preceding year. The audited consolidated turnover has increased by 57.4% to approximately HK$282.8 million (2004: about HK$179.7 million).

During the year, the management has tried hard to tighten the cost control. As a result, the administration expenses have been decreased by 19.5%. The main reasons for the said loss were due to the significant increase of finance cost, amortisation of intangible assets and goodwill and the provision of impairment on our investment in an associate.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 March 2005 (2004: Nil).

BUSINESS REVIEW

Hi-tech electronic

The turnover of the hi-tech electronic business during the year has been up-surged by 113.9% to approximately HK$173.3 million (2004: about HK$81 million). Profit from its operation for the year increased by 74.7% to HK$15.2 million (2004: about HK$8.7 million). The business mainly involved the trading of mobile terminal products and the provision of mobile phone software. According to the Ministry of Information Industry, total number of mobile users in China has reached 344 million in February 2005 and China has become the largest mobile market in year 2005 and still has potential growth in the future. Nevertheless, the company shall continue to face competition and the management shall prudently look for opportunities to diversify its business.

Electronic materials

Turnover of electronic materials trading during the year was increased by about 20% to approximately HK$58.6 million (2004: about HK$48.8 million) due to the rising demand on electronic products related materials and increased selling price.

For the 12 months ended 31 December 2004, Tongling Huarui Electronic Material Co. Ltd (renamed as Goldwiz Huarui (Tongling) Electronic Material Co. Ltd.) ("Goldwiz Tongling"), an associated company of the Company, recorded a net profit of RMB5.6 million (about HK$5.28 million) as compared with RMB5.57 million (about HK$5.25 million) of the preceding year. Upon our review of its financial performance up to the financial year ended 31 March 2005, the Company has for prudent purpose made certain provisions and consequently the Company shared a loss after tax for about HK$1 million for the year. Immediately subsequent to the balance sheet date, the Company has completed further acquisition of Goldwiz Tongling which is now a non wholly-owned subsidiary of the Company. The management of the Group will strive to strengthen the overall operational management and production.

Hotel operations

Turnover of Harbour Plaza Kunming (the "Hotel") during the year was increased by 5.2% to approximately HK$52.7 million (2004: about HK$50.1 million) which represented 18.6% (2004: 27.9%) of the Group's total turnover. Profit from operation of the Hotel for the year increased by 89.9% to approximately HK$13.1 million (2004: about HK$6.9 million). The Hotel shall continue to face keen competition within Kunming. However, according to the local government report, hotel room supply among the competitive sector shall remain unchanged over the next three years and no significant change in competition is expected. The Hotel shall continue to focus on key feeder-market cities such as Beijing, Shanghai, Guangzhou, Hong Kong and overseas markets to identify and to establish a strong corporate client base. The Hotel is still managed by Harbour Plaza Hotel Management Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

Strategic investment

For the six months ended 31 December 2004, Techwayson Holdings Limited ("Techwayson") recorded an unaudited consolidated turnover of RMB99.5 million (about HK$93.9 million) as compared with RMB197.3 million (about HK$186.1 million) of the corresponding period of year 2003. The drop in turnover was mainly due to the PRC government's control measure on the infrastructure and fixed assets investments since the second half of year 2004. As a result, the Company shared of loss after tax for approximately HK$0.8 million from Techwayson for the financial year ended 31 March 2005. In view of the downtrend of Techwayson's business performance, the Group has made a provision of impairment for approximately HK$37.1 million (2004: Nil) during the year. Techwayson shall place continuous emphasis on the specialized controllers market and boost the product development and marketing of value-added OEM application and automation application software and strengthening its sales force.

Property investment/development

With the explosive growth in the commercial and residential property sectors in year 2004, Shanghai has become one of China's hottest property markets. Pre-sale activities of the 科維大廈 in Shanghai for 9th to 30th floor have been completed and the total floor area sold represented more than 50% of the total saleable area. The remaining saleable units will be kept by the development company strategically which shall sell them to the market in the future when it is thought fit. Interior work for the sold units is under progress and expected to be completed in mid 2006. With the satisfactory result of the pre-sale activities, the Company expects to receive the repayment of shareholder's loan from the investee company before the financial year end of 2006.

FINANCIAL REVIEW

Liquidity and financial resources

At 31 March 2005, the Group had cash balance of approximately HK$46.3 million (2004: about HK$79.7 million). The gearing of the Group was 244.8% (2004: 195.9%) which was calculated based on the total liabilities over shareholders' fund. At 31 March 2005, the current ratio of the Group was 0.73, as compared with 0.64 as at 31 March 2004.

At 31 March 2005, the total borrowings of the Group were approximately HK$162.2 million (2004: about HK$94 million). The borrowings consist of bank loans of RMB150 million (about HK$141 million) (2004: about HK$94 million) and a renewed six-month term loan of HK$21.2 million (2004: nil). All the borrowings are secured by corporate guarantee given by the Company and/or a subsidiary and the term-loan is also secured by the pledging of certain assets of the Group. The loans were primarily borrowed to finance the operation of the hi-tech electronic business and the general working capital of the Group.

At 31 March 2005, the current liabilities of the Group included an outstanding amount of HK$39.5 million in respect of the secured promissory note and the principal amount of HK$155 million for the redemption of the secured convertible note which was expired on 8 November 2004. Details of these liabilities were set out in notes 32 and 33 to these financial statements.

During the year, the Company's major shareholder, Open Mission Assets Limited, continued to give financial support to the Group and has undertaken to give continuous financial support to the Group in the future. The management believes that the Group shall be able to meet its working capital.

Charge on assets

At 31 March 2005, the entire equity interests of the Group in Risdon Limited (together with the shareholder's loan due from Risdon Limited) and Harbour Plaza Kunming Co. Ltd., the wholly-owned subsidiary of Risdon Limited, were pledged to secure against the Company's obligations under the non-transferable promissory note dated 24 July 2002 and the convertible note dated 8 November 2002 in relation to the acquisition of the entire equity interest in Risdon Limited by the Company from Hutchison Hotel Holdings (International) Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

At 31 March 2005, (i) first floating charges over all undertaking assets and property of the Company and one of its subsidiaries, (ii) share mortgage over all the issued shares in that subsidiary, (iii) assignment of shareholders' loan owed by the Group and (iv) personal guarantee from a director of the Company were continuously made to secure the renewed 6-month term loan advanced to the subsidiary during the year.

Exposure to fluctuations

As the Group's earnings and borrowings are primarily denominated in Hong Kong dollars, United States dollars or Renminbi, it has no significant exposure to foreign exchange rate fluctuation.

Contingent Liabilities

As at 31 March 2005, the Company had contingent liabilities amounting to HK$162.2 million (2004: about HK$94 million) due to the provision of corporate guarantee in connection with the borrowings granted to its subsidiaries.

OUTLOOK

During the year under review, the Company has taken prudent steps to maintain a healthy operational margin, and at the same time to control the administrative cost. The year ahead will be a challenging year for the Group due to the fact that: 1) the competition level from both domestic and international players will be accelerated as part of the WTO obligation for China; 2) the uncertainty of RMB currency exchange is mounting globally; 3) the energy price (oil and gas) is surging globally; and 4) the PRC government determined to control the over-heated property market and to cool down the overall economy..

One of the significant equity investments of the Group made over the past 15 months was the additional share acquisition of Goldwiz Tongling. The management of the Company believes that the share acquisition in the long run can position the Group in the top tier of the global CCL (copper clad laminate) manufactures.

In light of the aforementioned competitive landscape in China, the Group needs to keep a tight rein on its operational and financial control, and to strengthen its work force. The Group will further control its operational and financial costs to maintain a stabilized profit margin. Implementation of a successful human resources strategy will be another key factor in which more resources will have to be allocated to the training of personnel and to the continual recruitment of quality work force.

In addition to cost reduction, a systematic corporate governance practice will be introduced and enforced within the Group. The practice will not only improve the efficiency of the Company, but also be fully in compliance with regulatory rules and ordinances.

Barring unforeseen circumstances, the Company is convinced that it is moving steadily into the right direction and expects that the business in these selected industries will be able to generate reasonable return. However, the Company will always be open to taken in investment opportunities that will bring in healthy return.

EMPLOYEES

As at 31 March 2005, the Group employed about 493 employees, of which 422 are the employees of the Harbour Plaza Kunming Co. Ltd. (the "Hotel Company") under the management of Harbour Plaza Hotel Management Limited. The employees of the Hotel Company are rewarded on a performance related basis within the general framework of the hotel's salary and bonus system which is reviewed annually. The remuneration policy and package including basic salaries, medical coverage, insurance plan and discretionary bonus are subject to periodical review of the respective management. In addition, training and development programs are provided on an ongoing basis to employees of the Group to raise productivity and to maintain a high standard of service for the hotel. The Group does not have any share option scheme.