

Notes to the Accounts

1. Principal Activities

The principal activities of the Group are property investment and development, manufacturing and sale of watch components, bonded polyester fabrics and home finishing products, securities investments and trading, and the provision of information technology services.

2. Principal Accounting Policies

The accounts have been prepared under the historical cost convention, as modified by the revaluation of investment properties and certain investments, and in conformity with Hong Kong Financial Reporting Standards.

During the year, the Group adopted the revised Statement of Standard Accounting Practice (“SSAP”) No. 12 “Income taxes” issued by the Hong Kong Society of Accountants. As a result, the Group has changed its accounting policy for deferred taxation as detailed in note 2(1) below.

The principal accounting policies adopted in the preparation of the accounts are set out below.

(a) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March and include the Group’s attributable share of post-acquisition results and reserves of associated companies.

Results attributable to subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the date on which the control is transferred to the Group or to the date that control ceases, as applicable.

All significant inter-company transactions and balances between group companies are eliminated.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

2. Principal Accounting Policies (Continued)

(b) Goodwill and negative goodwill

Goodwill represents the difference between the cost of an acquisition over the fair values ascribed to the Group's share of the net assets of the acquired subsidiaries and associated companies at the effective date of acquisition. Goodwill on acquisitions that occurred on or after 1st April, 2001 is included in the balance sheet as a separate asset and amortised using the straight line method over its estimated useful life of not more than twenty years. Where the fair values ascribed to the net assets exceed the purchase consideration, such differences are recognised as income in the year of acquisition or over the weighted average useful life of the acquired non-monetary assets.

Goodwill and negative goodwill on acquisition that occurred prior to 1st April, 2001 were taken directly to reserves.

The carrying amount of goodwill, including those previously taken directly to reserves, is reviewed annually and provision is only made where, in the opinion of the Directors, there is impairment in value other than temporary in nature.

The profit or loss on disposal of subsidiaries and associated companies is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill and negative goodwill which remains unamortised, including goodwill and negative goodwill previously taken directly to reserves.

(c) Subsidiaries

Subsidiaries are companies in which the Group has the power to exercise control governing the financial and operating policies of the company. In the Company's balance sheet, investments in subsidiaries are stated at or below cost. Provision is made when, in the opinion of the Directors, there is impairment in value other than temporary in nature. The results of subsidiaries are accounted for by the Company to the extent of dividend income.

(d) Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management. Associated companies are accounted for under the equity method whereby the Group's share of the results is included in the consolidated profit and loss account and the Group's share of the net assets, together with any unamortised goodwill or negative goodwill, is included in the consolidated balance sheet.

Notes to the Accounts

2. Principal Accounting Policies (Continued)

(e) **Fixed assets and depreciation**

Fixed assets are stated at cost or valuation less accumulated depreciation and provision for significant permanent impairment in values.

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length. Investment properties are carried at open market value based on valuations by professional valuers at the balance sheet date and separate values are not attributed to land and buildings. Decreases in valuation are charged to the profit and loss account; increases in valuation are first credited to the profit and loss account to the extent of earlier deficits on a portfolio basis and thereafter are credited to the investment properties revaluation reserve. Upon disposal of an investment property, the relevant revaluation reserve realised is transferred to the profit and loss account.

No depreciation is provided on investment properties held on leases with unexpired periods of more than twenty years. Depreciation of other fixed assets is calculated to write off the cost of the assets over their estimated useful lives or if shorter, the relevant finance lease periods, on a straight line basis at the following annual rates:

Leasehold land	Remaining term of lease
Buildings	2%
Plant and machinery	10 to 20%
Other fixed assets	10 to 30%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group. The carrying amounts of assets are reviewed regularly. Where the estimated recoverable amounts have declined permanently below their carrying amounts, the carrying amounts are written down to their estimated recoverable amounts.

Profit and loss on disposal is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the profit and loss account.

2. Principal Accounting Policies (Continued)

(f) Investments

Investments intended to be held for the long-term are included in the balance sheet under non-current assets and are carried at or below cost. The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below their carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment is reduced to its fair value. The impairment is recognised as an expense in the profit and loss account. The impairment is written back to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Investments, which are acquired principally for the purpose of generating a profit from short-term fluctuation in price, are included in the balance sheet under current assets and carried at fair values. The net unrealised gains or losses arising from the changes in fair values, including exchange differences, are recognised in the profit and loss account.

Profit or losses on disposal of investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(g) Leased assets

Assets leased from third parties under agreements that transfer substantially all the risks and rewards incident to ownership of the relevant asset to the Group are classified as finance leases. At the inception of a finance lease, the fair value of the asset or, if lower, the present value of the minimum lease payments, derived by discounting them at the interest rate implicit in the lease, is capitalised as an asset. The corresponding obligations, net of finance charges, are included under long-term borrowings. Assets held under finance leases are depreciated on the basis described in note 2(e) above. Gross rentals payable in respect of finance leases are apportioned between interest charges and a reduction of the lease obligations based on the interest rates implicit in the relevant leases.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Rentals payable under operating leases, net of incentives received from the lessors, are charged to the profit and loss account on a straight line basis over the periods of the respective leases.

Notes to the Accounts

2. Principal Accounting Policies (Continued)

(h) Properties under development

Properties under development are included under non-current assets and are stated at cost less provision. Costs include land cost, development and construction expenditure incurred and any interest and other direct costs attributable to the development.

(i) Properties held for sale

Properties under development for sale are included under current assets and comprise land cost, development and construction expenditure, any interest and other direct costs attributable to the development, less provision for foreseeable losses. Completed properties held for sale are carried at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(j) Inventories

Inventories, which mainly comprise watch components, bonded polyester fabrics and home finishing products, are stated at the lower of cost and net realisable value. Costs, calculated on the first-in first-out basis or weighted average basis, include material cost, direct labour cost and an appropriate proportion of production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(k) Provisions

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

(l) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. The principal temporary differences arise from excess of fair value over historical cost of properties under development, depreciation on fixed assets and tax losses carried forward. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred taxation assets relating to carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

2. Principal Accounting Policies (Continued)

(l) **Deferred taxation** *(Continued)*

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In previous years, deferred taxation was provided at the current tax rates using the liability method in respect of all significant timing differences which were expected to reverse in the foreseeable future. This accounting policy has been changed to conform with the revised SSAP No. 12 and has been applied retrospectively. As a result, capital reserve, retained profit and minority interests of the Group as at 31st March, 2003 have been reduced by HK\$133.5 million, HK\$2.1 million and HK\$104.5 million, respectively. Following the adoption and implementation of the revised accounting standard, certain comparative figures have been restated or reclassified to conform with the current year presentation.

(m) **Revenue recognition**

Sale of completed properties are recognised upon completion of sale and purchase contracts. Sale of properties in advance of their completion are recognised over the course of development with reference to the stage of completion of the development, computed as a proportion of construction costs incurred to estimated total construction costs. Where purchasers fail to pay the balances of the purchase price on completion, sales deposits received in advance of completion are forfeited and credited to profit and loss account. Rental income under operating leases, net of incentives given to lessees, is recognised on a straight line basis over the period of the respective leases. Sale of goods are recognised on the transfer of risks and rewards on ownership, which generally coincides with the time when goods are delivered to the customers and title has passed. Sale of securities are recognised on the transaction dates when the relevant sale and purchase contract is entered into. Service and management income are recognised when the services are rendered. Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable. Dividend income is recognised when the right to receive payment is established.

(n) **Borrowing costs**

Interest and related costs on borrowings directly incurred to finance the construction or acquisition of an asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

Notes to the Accounts

2. Principal Accounting Policies (Continued)

(o) Employee benefits

The Group operates or participates in a number of defined contribution retirement schemes in the countries in which the Group operates. Contributions to these schemes are charged to the profit and loss account in the year to which the contributions relate.

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave or paternity leave are not recognised until the time of leave.

Provisions for bonus entitlements due wholly within twelve months after balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, deposits with banks and financial institutions with maturity within three months from the date of placement, net of bank overdrafts and advances from banks and financial institutions repayable within three months from the date of advance.

(q) Translation of foreign currencies

Transactions in foreign currencies during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities determined in foreign currencies at the balance sheet date are translated at rates of exchange ruling at that date. Exchange differences arising in these cases are dealt with in the profit and loss account.

Profit and loss accounts of subsidiaries and associated companies expressed in foreign currencies are translated at the weighted average exchange rates for the year and balance sheets are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising from the translation of net investments in these subsidiaries and associated companies are taken directly to reserves.

3. Turnover

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of properties	131,258	66,272
Rental and management fees	96,642	105,169
Sale of goods	95,541	111,118
Securities trading	80,352	5,656
Dividend	397	1,060
Services fee	215	375
	<u>404,405</u>	<u>289,650</u>

4. Segment Information

In accordance with the Group's internal financial reporting and operating activities, the primary segment reporting is business segments and the secondary segment reporting is geographical segments. The main business segments of the Group are property investment and development, sale of goods and services, securities trading and information technology. The Group's business operates in three geographical areas of Hong Kong (property investment and development, sale of goods and services, securities trading and information technology), the Mainland (property investment and development, sale of goods and services and information technology), and other countries (property investment and sale of goods and services).

Segment assets consist primarily of fixed assets, properties, investment securities, inventories, debtors and prepayments. Segment liabilities mainly comprise creditors and accruals. Unallocated costs represent corporate expenses. Capital expenditure comprises additions to fixed assets and expenditure for properties under development.

In respect of geographical segment reporting, turnover and segment results are based on the country in which the customer is located. Total assets and capital expenditure are based on where the assets are located.

Notes to the Accounts

4. Segment Information (Continued)

(a) Business segments

	Property investment and development <i>HK\$'000</i>	Sale of goods and services <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Information technology <i>HK\$'000</i>	Corporate and elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
Year ended 31st March, 2004						
Turnover	228,066	95,413	80,749	365	(188)	404,405
Other revenues	–	–	–	–	18,555	18,555
Segment results from operations	63,722	1,043	6,937	(750)	(39,122)	31,830
Revaluation surplus of investment properties	70,040	–	–	–	–	70,040
Write back of provision for properties held for sale	20,000	–	–	–	–	20,000
	<u>153,762</u>	<u>1,043</u>	<u>6,937</u>	<u>(750)</u>	<u>(39,122)</u>	121,870
Finance costs						(27,811)
Share of results of associated companies	(26)	25,826	–	(513)	–	25,287
Profit before taxation						119,346
Taxation						(3,447)
Profit after taxation						115,899
Minority interests	(4,547)	(10,048)	(54)	538	6,007	(8,104)
Profit attributable to shareholders						<u>107,795</u>
Segment assets	3,967,490	91,320	50,293	454	–	4,109,557
Associated companies	31,014	121,958	–	1,612	–	154,584
Unallocated assets						<u>725,757</u>
Total assets						<u>4,989,898</u>
Segment liabilities	1,481,759	11,778	106	237	–	1,493,880
Unallocated liabilities						<u>30,078</u>
Total liabilities						<u>1,523,958</u>
Capital expenditure	16,488	1,187	–	4	6,825	24,504
Depreciation	1,379	2,311	148	71	9,985	13,894

4. Segment Information (Continued)

(a) Business segments (Continued)

	Property investment and development <i>HK\$'000</i>	Sales of goods and services <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Information technology <i>HK\$'000</i>	Corporate and elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
Year ended 31st March, 2003, as restated						
Turnover	171,899	111,020	6,716	494	(479)	289,650
Other revenues	–	–	–	–	26,944	26,944
Segment results from operations	46,318	1,841	(2,915)	(4,180)	(42,192)	(1,128)
Revaluation deficit of investment properties	(176,917)	–	–	–	–	(176,917)
Provision for properties held for sale	(130,000)	–	–	–	–	(130,000)
	<u>(260,599)</u>	<u>1,841</u>	<u>(2,915)</u>	<u>(4,180)</u>	<u>(42,192)</u>	<u>(308,045)</u>
Finance costs						(37,737)
Share of results of associated companies	135	10,664	–	(204)	–	10,595
Loss before taxation						(335,187)
Taxation						(1,665)
Loss after taxation						(336,852)
Minority interests	31,765	(4,258)	166	1,905	5,486	35,064
Loss attributable to shareholders						<u>(301,788)</u>
Segment assets	3,914,916	85,567	12,717	952	–	4,014,152
Associated companies	31,440	56,633	–	2,126	–	90,199
Unallocated assets						802,087
Total assets						<u>4,906,438</u>
Segment liabilities	1,579,009	10,763	147	376	–	1,590,295
Unallocated liabilities						13,634
Total liabilities						<u>1,603,929</u>
Capital expenditure	3,580	609	–	35	21,874	26,098
Depreciation	1,522	2,296	150	319	4,048	8,335

Notes to the Accounts

4. Segment Information (Continued)

(b) Geographical segments

	Turnover	Operating	Total assets	Capital
	<i>HK\$'000</i>	<i>profit/(loss)</i>	<i>HK\$'000</i>	<i>expenditure</i>
		<i>HK\$'000</i>		<i>HK\$'000</i>
Year ended 31st March, 2004				
Hong Kong	327,145	121,116	3,427,445	12,486
The Mainland	1,614	(4,662)	1,257,856	11,713
Other countries	75,646	5,416	304,597	305
	<u>404,405</u>	<u>121,870</u>	<u>4,989,898</u>	<u>24,504</u>
Year ended 31st March, 2003				
Hong Kong	197,644	(291,732)	3,381,050	23,508
The Mainland	2,091	(17,688)	1,226,498	2,399
Other countries	89,915	1,375	298,890	191
	<u>289,650</u>	<u>(308,045)</u>	<u>4,906,438</u>	<u>26,098</u>

5. Other Revenues

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest	6,365	10,459
Dividend from preference shares (<i>note 19</i>)	3,791	5,879
Exchange gains	38	1,114
Sundries	8,361	9,492
	<u>18,555</u>	<u>26,944</u>

6. Operating Profit/(Loss)

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit/(loss) is stated after crediting:		
Dividend income		
Listed	397	160
Unlisted	3,791	6,779
Gain on disposal of fixed assets	177	–
Gross rental income from investment properties	78,032	86,402
Net realised and unrealised gains on other investments	9,282	–
	<u> </u>	<u> </u>
and after charging:		
Cost of properties and inventories sold	197,063	154,904
Depreciation		
Owned fixed assets	13,693	8,047
Leased fixed assets	201	288
Loss on disposal of fixed assets	–	1,504
Loss on disposal of associated companies	–	207
Net realised and unrealised losses on other investments	–	3,900
Operating lease rental on land and buildings	5,073	5,087
Outgoings in respect of investment properties	23,306	26,026
Provision for doubtful debts	2,105	2,046
Provision for inventories	–	1,275
Staff costs, including Directors' emoluments		
Wages and salaries	43,778	47,427
Retirement benefit costs	2,097	2,341
Auditors' remuneration	1,645	1,637
	<u> </u>	<u> </u>

Notes to the Accounts

7. Employee Retirement Benefits

Pursuant to the relevant regulations of the governments in Singapore, Malaysia and the Mainland, the subsidiaries of the Group in these countries participate in respective government retirement benefit schemes whereby the subsidiaries are required to contribute to the schemes to fund the retirement benefits of the eligible employees. Contributions made to the schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums as stipulated under the requirements in the respective countries. The governments of the respective countries are responsible for the entire pension obligations payable to the retired employees. The Group has no other obligations apart from making ongoing contributions under the schemes.

The subsidiaries in Hong Kong operate defined contribution schemes for all eligible employees. Contributions to the schemes are calculated based on certain percentages of the applicable payroll costs or pre-determined fixed sums. The assets of the schemes are held separately from those of the subsidiaries in independently administered funds. Contributions of one of the schemes can be reduced by contributions forfeited by those employees who leave that scheme prior to vesting fully in those contributions.

The retirement benefit costs represent the contributions paid and payable by the Group to the schemes as mentioned above. Contributions totaling HK\$218,000 (2003: HK\$248,000) are payable to the schemes as at 31st March, 2004 and are included in creditors and accruals. Forfeited contributions totaling HK\$205,000 (2003: nil) were utilised in 2004 and no forfeited contributions are available to reduce the Group's future contributions.

8. Finance Costs

	2004	2003
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Interest expense		
Bank loans wholly repayable within five years	21,639	31,150
Bank loans not wholly repayable within five years	6,984	9,146
Other loan wholly repayable within five years	512	1,793
Finance lease obligations wholly payable within five years	61	75
Financing charges	486	369
	<hr/>	<hr/>
	29,682	42,533
Capitalised as costs of properties	(1,871)	(4,796)
	<hr/>	<hr/>
	27,811	37,737
	<hr/> <hr/>	<hr/> <hr/>

9. Share of Results of Associated Companies

The Group's share of results for the year includes the amortisation of negative goodwill in respect of an associated company amounting to HK\$4,543,000 (2003: HK\$1,033,000).

10. Directors' and Management Emoluments

(a) Directors' emoluments

	2004	2003
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Fees	150	150
Salaries, housing and allowances, benefits in kind	8,124	9,600
Retirement scheme contributions	321	381
	<u>8,595</u>	<u>10,131</u>

The emoluments paid to independent non-executive Directors amounted to HK\$180,000 (2003: HK\$180,000). Emoluments of the individual Directors fall within the following bands:

Emoluments bands	Number of Directors	
	2004	2003
Nil – HK\$1,000,000	3	3
HK\$1,000,001 – HK\$1,500,000	2	1
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$2,500,001 – HK\$3,000,000	1	1
HK\$3,000,001 – HK\$3,500,000	1	–
HK\$4,000,001 – HK\$4,500,000	–	1
	<u>7</u>	<u>7</u>

Notes to the Accounts

10. Directors' and Management Emoluments (Continued)

(b) **Management emoluments**

The five highest paid individuals in the Group include three (2003: three) Directors. Details of the aggregate emoluments paid to the two (2003: two) individuals, whose emoluments were the highest in the Group and are not Directors, are set out below:

	2004	2003
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Salaries, housing and allowances, benefits in kind	2,550	3,091
Retirement scheme contributions	<u>156</u>	<u>191</u>
	<u>2,706</u>	<u>3,282</u>

The emoluments of these individuals fall within the following bands:

Emoluments bands	Number of individuals	
	2004	2003
HK\$1,000,001 – HK\$1,500,000	2	–
HK\$1,500,001 – HK\$2,000,000	<u>–</u>	<u>2</u>

During the year, the Group did not pay to the Directors or the five highest paid individuals any inducement to join or upon joining the Group, or as compensation for loss of office. No Directors waived or agreed to waive any emoluments during the year.

11. Taxation

	2004	2003
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Company and subsidiaries		
Current (Hong Kong)	93	–
Current (overseas)	942	1,304
Deferred (<i>note 33</i>)	(14)	(92)
	<u>1,021</u>	<u>1,212</u>
Associated companies		
Current (Hong Kong)	2,135	841
Current (overseas)	448	253
Deferred	(157)	(641)
	<u>3,447</u>	<u>1,665</u>

Provision for Hong Kong profits tax has been made at the rate of 17.5% (2003: 16%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the companies operate.

Notes to the Accounts

11. Taxation (Continued)

The tax of the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) before taxation	<u>119,346</u>	<u>(335,187)</u>
Tax charge/(asset) at the rate of 17.5% (2003: 16%)	20,886	(53,630)
Effect of different taxation rates in other countries	(1,287)	(701)
Income not subject to taxation	(15,306)	(7,132)
Expenses not deductible for taxation purposes	3,370	39,214
Tax losses not recognised	1,892	28,508
Utilisation of previously unrecognised tax losses	(5,722)	(2,090)
Increase in tax rate	112	–
Other items	<u>(498)</u>	<u>(2,504)</u>
Taxation charge	<u>3,447</u>	<u>1,665</u>

12. Profit/(Loss) Attributable to Shareholders

Profit attributable to shareholders for the year includes the profit of the Company of HK\$10,689,000 (2003: loss of HK\$398,555,000).

13. Dividend

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed final of 1.0 HK cent (2003: nil) per share	<u>14,780</u>	<u>–</u>

The Board of Directors declares a final dividend in respect of 2004 of 1.0 HK cent (2003: nil) per share amounting to HK\$14,780,000 (2003: nil). This amount will be accounted for as an appropriation of reserves in the year ending 31st March, 2005.

14. Earnings/(Loss) per Share

The calculation of earnings/(loss) per share is based on the profit attributable to shareholders of HK\$107,795,000 (2003: loss of HK\$301,788,000) and the weighted average number of 1,352,186,483 (2003: 1,328,006,155) shares in issue during the year.

15. Fixed Assets

Group

	Investment properties	Land and buildings	Plant and machinery	Other fixed assets	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost or valuation					
At 31st March, 2003	2,401,825	55,618	38,525	115,448	2,611,416
Change in exchange rates	785	2,388	527	433	4,133
Additions	–	–	841	13,514	14,355
Disposals	–	–	(1,193)	(846)	(2,039)
Revaluation surplus	70,040	–	–	–	70,040
	<u>2,472,650</u>	<u>58,006</u>	<u>38,700</u>	<u>128,549</u>	<u>2,697,905</u>
At 31st March, 2004	<u>2,472,650</u>	<u>58,006</u>	<u>38,700</u>	<u>128,549</u>	<u>2,697,905</u>
Accumulated depreciation					
At 31st March, 2003	–	12,243	34,737	58,220	105,200
Change in exchange rates	–	491	487	280	1,258
Charge for the year	–	989	729	12,176	13,894
Disposals	–	–	(1,193)	(507)	(1,700)
	<u>–</u>	<u>13,723</u>	<u>34,760</u>	<u>70,169</u>	<u>118,652</u>
At 31st March, 2004	<u>–</u>	<u>13,723</u>	<u>34,760</u>	<u>70,169</u>	<u>118,652</u>
Net book value					
At 31st March, 2004	<u>2,472,650</u>	<u>44,283</u>	<u>3,940</u>	<u>58,380</u>	<u>2,579,253</u>
At 31st March, 2003	<u>2,401,825</u>	<u>43,375</u>	<u>3,788</u>	<u>57,228</u>	<u>2,506,216</u>

Notes to the Accounts

15. Fixed Assets (Continued)

- (a) Investment properties and land and buildings are held under the following terms:

	Investment properties		Land and buildings	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
In Hong Kong				
Long-term leases	932,130	903,090	–	–
Medium term leases	1,328,000	1,287,000	–	–
	<u>2,260,130</u>	<u>2,190,090</u>	–	–
Outside Hong Kong				
Freehold	210,120	209,335	8,920	8,920
Long-term leases	2,400	2,400	–	–
Medium term leases	–	–	35,363	34,455
	<u>212,520</u>	<u>211,735</u>	<u>44,283</u>	<u>43,375</u>
	<u>2,472,650</u>	<u>2,401,825</u>	<u>44,283</u>	<u>43,375</u>

- (b) Investment properties in Hong Kong were revalued at 31st March, 2004 on an open market value basis by Vigers Appraisal & Consulting Limited, independent professional property valuer. Investment properties in Malaysia and the Mainland were revalued at 31st March, 2004 on an open market value basis by VPC Alliance (KL) Sendirian Berhad and DTZ Debenham Tie Leung Limited, independent professional property valuers, respectively. All other fixed assets are carried at cost.
- (c) Other fixed assets comprise furniture and fixtures, computer equipment, motor vehicles and yachts.
- (d) Investment properties and land and buildings with aggregate net book value of HK\$2,502,083,000 (2003: HK\$2,430,091,000) were pledged as securities for loan facilities.
- (e) The net book value of fixed assets held under finance leases amounted to HK\$134,000 (2003: HK\$510,000).

16. Properties under Development

	Group	
	2004	2003
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
At the beginning of the year	1,175,064	1,175,056
Property development expenditure	<u>10,149</u>	<u>8</u>
At the end of the year	<u><u>1,185,213</u></u>	<u><u>1,175,064</u></u>
The properties are held outside Hong Kong under:		
Long-term leases	983,081	972,932
Medium term leases	<u>202,132</u>	<u>202,132</u>
	<u><u>1,185,213</u></u>	<u><u>1,175,064</u></u>

17. Subsidiaries

	Company	
	2004	2003
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Unlisted shares, at cost	891,569	891,569
Amounts receivable	2,677,681	2,600,039
Amount payable	(42)	(42)
Provision	<u>(1,427,326)</u>	<u>(1,416,326)</u>
	<u><u>2,141,882</u></u>	<u><u>2,075,240</u></u>

The amounts receivable and payable are unsecured, interest free and have no specific repayment terms. Particulars of principal subsidiaries which, in the opinion of the Directors, materially affect the results or net assets of the Group are set out in note 39 to the accounts.

Notes to the Accounts

18. Associated Companies

	Group	
	2004	2003
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Share of net assets	174,093	66,365
Negative goodwill	(51,693)	(9,293)
Loans and amounts receivable	<u>32,184</u>	<u>33,127</u>
	<u>154,584</u>	<u>90,199</u>
Investments, at cost		
Listed shares in Hong Kong	109,822	61,396
Unlisted shares	<u>81,387</u>	<u>85,278</u>
	<u>191,209</u>	<u>146,674</u>
Market value of listed shares	<u>155,720</u>	<u>36,960</u>

The loans and amounts receivable are unsecured, interest free and have no fixed repayment terms except for an amount of HK\$750,000 (2003: HK\$750,000) which carries interest at prevailing market rates and repayable within three years from date of advance. Particulars of principal associated companies which, in the opinion of the Directors, materially affect the results or net assets of the Group are set out in note 40 to the accounts.

19. Investment Securities

	Group	
	2004	2003
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Listed equity shares, at cost	45,252	–
Unlisted preference shares, at cost	98,500	195,700
Unlisted equity shares, at cost	2,698	2,698
Loans receivable	7,079	9,602
	<u>153,529</u>	<u>208,000</u>
Provision	<u>(1,680)</u>	<u>(1,680)</u>
	<u>151,849</u>	<u>206,320</u>
Market value of listed shares	<u>47,120</u>	<u>–</u>

The unlisted preference shares represent 164,166,668 series B preference shares (2003: 254,166,667 series B preference shares and 72,000,000 series A preference shares) of HK\$0.01 each, which were issued on 14th December, 2001, by Midas International Holdings Limited (“Midas”), an associated company, at an issue price of HK\$0.60 per share. These shares are held by Chuang’s China Investments Limited (“Chuang’s China”) and its subsidiaries (together the “Chuang’s China Group”). Chuang’s China is a listed subsidiary of the Group.

The preference shares are non-voting, redeemable and carry fixed cumulative preferential dividend payable semi-annually at a rate of 2.5% per annum on the issue price of HK\$0.60 per share. Each of the series A preference share was convertible into two ordinary shares of HK\$0.10 each in Midas at the option of the holder at any time during the five-year period from the date of issue. The series B preference shares do not have the right to convert into ordinary shares of Midas and are redeemable at the issue price of HK\$0.60 per share at the option of Midas at any time during the five-year period from the date of issue. Any outstanding preference shares, which have not been previously redeemed or converted on the fifth anniversary from the date of issue, shall be redeemed by Midas in cash at the issue price of HK\$0.60 per share together with any unpaid dividend.

Notes to the Accounts

19. Investment Securities (Continued)

On 22nd May, 2003, the Chuang's China Group entered into an agreement (the "Concession Agreement") with Midas. Pursuant to the Concession Agreement, the then 72,000,000 series A preference shares were converted into 144,000,000 ordinary shares of HK\$0.10 each in Midas, thereby increasing the equity interest of the Chuang's China Group in Midas from 21.5% to 42.7%, Midas redeemed 6,666,667 series B preference shares at an aggregate redemption price of HK\$1.00, and the Chuang's China Group waived its entitlement of the dividend payable on the series A preference shares from January to June 2003. In addition, Midas declared a special dividend of 1.2 HK cents per ordinary share payable to the existing shareholders. All the conditions to the Concession Agreement have been fulfilled and the transactions were completed on 4th July, 2003.

20. Loans Receivable

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mortgage loans	13,397	7,658
Current portion included in other debtors	(903)	(781)
	<u>12,494</u>	<u>6,877</u>

Mortgage loans are provided to purchasers of the Group's properties.

21. Properties held for Sale

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties under development	–	210,217
Completed properties	252,890	73,843
	<u>252,890</u>	<u>284,060</u>

Completed properties amounting to HK\$230,877,000 (2003: HK\$50,613,000) are carried at net realisable value. Completed properties amounting to HK\$204,232,000 (2003: HK\$43,013,000) are also pledged as securities for certain loan facilities granted to the Group.

22. Inventories

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	4,176	4,110
Work in progress	2,145	1,233
Finished goods	15,936	10,280
	<u>22,257</u>	<u>15,623</u>

23. Debtors and Prepayments

	Group		Company	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors	31,676	30,050	–	–
Other debtors	13,578	12,940	77	469
Utility and other deposits	7,843	8,733	139	139
Prepayments	1,504	1,431	–	–
	<u>54,601</u>	<u>53,154</u>	<u>216</u>	<u>608</u>

Rental and management fee are receivable in advance. Credit terms of the Group's sales of goods mainly ranged from 30 days to 90 days. The aging analysis of the Group's trade debtors is as follows:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Below 30 days	8,313	12,008
31 to 60 days	6,541	4,054
61 to 90 days	3,103	1,879
Over 90 days	13,719	12,109
	<u>31,676</u>	<u>30,050</u>

Notes to the Accounts

24. Other Investments

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities, at market value		
Listed in Hong Kong	<u>50,265</u>	<u>12,691</u>

25. Cash and Bank Balances

Cash and bank balances of the Group include HK\$7,271,000 (2003: HK\$12,703,000) which are restricted and can only be used for the payments of development costs of certain development properties, and repayment of loans on these properties.

26. Creditors and Accruals

	Group		Company	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade creditors	26,672	17,102	–	–
Other creditors	23,870	24,594	–	–
Tenant and other deposits	27,861	35,254	–	–
Accrued expenses	<u>17,464</u>	<u>20,687</u>	<u>2,376</u>	<u>2,519</u>
	<u>95,867</u>	<u>97,637</u>	<u>2,376</u>	<u>2,519</u>

The aging analysis of the Group's trade creditors is as follows:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Below 30 days	15,761	6,381
31 to 60 days	1,521	1,654
Over 60 days	<u>9,390</u>	<u>9,067</u>
	<u>26,672</u>	<u>17,102</u>

27. Share Capital

	2004	2003
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
<i>Authorised:</i>		
2,500,000,000 shares of HK\$0.25 each	<u>625,000</u>	<u>625,000</u>
<i>Issued and fully paid:</i>		
1,478,006,155 shares (2003: 1,328,006,155 shares) of HK\$0.25 each	<u>369,502</u>	<u>332,002</u>

On 19th January, 2004 and 1st March, 2004, the Company allotted and issued 100,000,000 and 50,000,000 new shares at HK\$0.33 and HK\$0.55 per share, respectively. All the new shares rank pari passu with the existing shares. The proceeds from the issue of the new shares were used as working capital of the Group.

Under the terms of the Company's share option scheme (the "2002 Scheme") approved by the shareholders on 30th August, 2002, the Directors of the Company may, at their discretion, offer any employees (including any Directors) of the Company or of any of its subsidiaries options to subscribe for shares in the Company subject to the terms and conditions stipulated in the 2002 Scheme. During the year, no option has been granted and there was no outstanding share option as at 31st March, 2004.

Notes to the Accounts

28. Reserves

	Capital							Total HK\$'000
	Share premium HK\$'000	redemption reserve HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Retained profit HK\$'000	
Group								
At 31st March, 2002								
As previously reported	636,247	4,462	13,591	550,504	2,062	(112,491)	1,603,714	2,698,089
Prior year adjustment	-	-	-	(133,448)	-	-	(2,140)	(135,588)
As restated	636,247	4,462	13,591	417,056	2,062	(112,491)	1,601,574	2,562,501
Change in exchange rates	-	-	-	-	-	1,682	-	1,682
Realised on disposal of an associated company	-	-	-	9	-	-	-	9
Loss for the year	-	-	-	-	-	-	(301,788)	(301,788)
Transfer	-	-	-	-	5	-	(5)	-
At 31st March, 2003								
As previously reported	636,247	4,462	13,591	550,513	2,067	(110,809)	1,301,921	2,397,992
Prior year adjustment	-	-	-	(133,448)	-	-	(2,140)	(135,588)
As restated	636,247	4,462	13,591	417,065	2,067	(110,809)	1,299,781	2,262,404
Change in exchange rates	-	-	-	-	-	3,584	-	3,584
Issue of new shares	22,084	-	-	-	-	-	-	22,084
Share of reserve of an associated company	-	-	-	(95)	-	-	-	(95)
Profit for the year	-	-	-	-	-	-	107,795	107,795
Proposed final dividend (note 13)	-	-	(13,591)	-	-	-	(1,189)	(14,780)
At 31st March, 2004								
	658,331	4,462	-	416,970	2,067	(107,225)	1,406,387	2,380,992
Retained by:								
Company and subsidiaries	658,331	4,462	-	416,715	2,067	(107,225)	1,378,913	2,353,263
Associated companies	-	-	-	255	-	-	27,474	27,729
	658,331	4,462	-	416,970	2,067	(107,225)	1,406,387	2,380,992

Statutory reserve represents enterprise expansion fund and general reserve fund set aside by subsidiaries in accordance with the relevant laws and regulations in the Mainland.

28. Reserves (Continued)

	Share premium	Capital redemption reserve	Contributed surplus	Retained profit	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Company					
At 31st March, 2002	636,247	4,462	409,090	1,412,117	2,461,916
Loss for the year	–	–	–	(398,555)	(398,555)
At 31st March, 2003	636,247	4,462	409,090	1,013,562	2,063,361
Issue of new shares	22,084	–	–	–	22,084
Profit for the year	–	–	–	10,689	10,689
Proposed final dividend (note 13)	–	–	(14,780)	–	(14,780)
At 31st March, 2004	<u>658,331</u>	<u>4,462</u>	<u>394,310</u>	<u>1,024,251</u>	<u>2,081,354</u>

Under the Companies Act 1981 of Bermuda and the Bye-laws of the Company, the contributed surplus which arose as a result of a group reorganisation in 1991 is also distributable to shareholders. Total distributable reserves of the Company amounted to HK\$1,433,341,000 (2003: HK\$1,422,652,000) as at 31st March, 2004.

29. Minority Interests

	Group	
	2004	As restated 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity interests	669,062	675,975
Loans payable	41,338	40,226
Amount receivable	(9,734)	(8,098)
	<u>700,666</u>	<u>708,103</u>

The loans payable are unsecured, have no fixed repayment terms and are interest free. The amount receivable is unsecured, has no fixed repayment terms and carries interest at prevailing market rates.

Notes to the Accounts

30. Long-term Borrowings

	Group	
	2004	2003
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Secured bank loans		
Wholly repayable within five years	975,911	972,257
Not wholly repayable within five years	146,617	218,055
	<u>1,122,528</u>	<u>1,190,312</u>
Other secured loan wholly repayable within five years	8,597	26,226
Obligations under finance leases wholly payable		
within five years	294	583
	<u>1,131,419</u>	<u>1,217,121</u>
Current portion included in current liabilities	<u>(80,293)</u>	<u>(135,188)</u>
	<u><u>1,051,126</u></u>	<u><u>1,081,933</u></u>

The bank and other loans are secured by certain investment properties, land and buildings and properties held for sale, of which HK\$922,740,000 (2003: HK\$971,054,000) are also secured by the assignment of rental income. The other loan is also secured by a guarantee from the minority shareholder of a subsidiary amounting to HK\$2,579,000 (2003: HK\$7,868,000). The bank and other loans are repayable in the following periods:

	Bank loans		Other loan	
	2004	2003	2004	2003
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Within one year	71,534	108,684	8,597	26,226
Second year	206,477	149,698	–	–
Third to fifth year	752,360	779,450	–	–
After the fifth year	92,157	152,480	–	–
	<u>1,122,528</u>	<u>1,190,312</u>	<u>8,597</u>	<u>26,226</u>

30. Long-term Borrowings (Continued)

The Group's finance lease obligations are payable in the following periods:

	Minimum payments		Present value	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	181	338	162	278
Second year	136	194	132	173
Third to fifth year	—	136	—	132
	<u>317</u>	<u>668</u>	<u>294</u>	<u>583</u>
Future finance charges	<u>(23)</u>	<u>(85)</u>	<u>—</u>	<u>—</u>
	<u>294</u>	<u>583</u>	<u>294</u>	<u>583</u>

31. Other Non-current Liabilities

	Group	
	2004	As restated 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provisions (note 32)	30,994	30,994
Deferred taxation (note 33)	241,095	241,062
Negative goodwill (note 34)	<u>7,941</u>	<u>—</u>
	<u>280,030</u>	<u>272,056</u>

Notes to the Accounts

32. Provisions

	Group	
	2004	2003
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
At the beginning of the year	37,032	54,244
Provided during the year	–	12,358
Write back	(116)	–
Amount utilised	<u>(3,502)</u>	<u>(29,570)</u>
At the end of the year	33,414	37,032
Current portion included under other creditors	<u>(2,420)</u>	<u>(6,038)</u>
	<u>30,994</u>	<u>30,994</u>

Pursuant to an agreement dated 29th October, 2001, the Chuang's China Group disposed of certain properties in the Mainland to Midas, under which Chuang's China would indemnify Midas for the shortfall of annual rental income from certain of those properties amounting to HK\$3,880,000 for each of the two years after 14th December, 2001 and would also be responsible for 51% of the construction costs for the properties during the period from 14th December, 2001 to completion of the construction. The indemnity on rental income expired on 13th December, 2003 and such provision was fully realised during the year. In addition, Chuang's China also executed a deed of indemnity dated 14th December, 2001 in favour of Midas, pursuant to which Chuang's China would indemnify Midas the portion of land appreciation and enterprise income taxes in the Mainland, that may arise upon subsequent disposal of the properties by Midas, attributable to the excess of the consideration paid by Midas over the carrying value of the properties. The provisions represent the Group's estimated liabilities under the above undertakings and indemnities to Midas.

33. Deferred Taxation

	Fair value gains	Accelerated depreciation allowances	Other items	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31st March, 2002				
As previously reported	–	986	–	986
Prior year adjustment	235,365	2,140	2,622	240,127
	<u>235,365</u>	<u>2,140</u>	<u>2,622</u>	<u>240,127</u>
As restated	235,365	3,126	2,622	241,113
Change in exchange rates	–	41	–	41
Credited to profit and loss account (<i>note 11</i>)	–	(92)	–	(92)
	<u>–</u>	<u>(92)</u>	<u>–</u>	<u>(92)</u>
At 31st March, 2003				
As previously reported	–	935	–	935
Prior year adjustment	235,365	2,140	2,622	240,127
	<u>235,365</u>	<u>2,140</u>	<u>2,622</u>	<u>240,127</u>
As restated	235,365	3,075	2,622	241,062
Change in exchange rates	–	47	–	47
Credited to profit and loss account (<i>note 11</i>)	–	(14)	–	(14)
	<u>–</u>	<u>(14)</u>	<u>–</u>	<u>(14)</u>
At 31st March, 2004	<u>235,365</u>	<u>3,108</u>	<u>2,622</u>	<u>241,095</u>

Deferred taxation liabilities, which are expected to be settled after more than twelve months, have been provided in full on temporary differences under the liability method using the applicable tax rates prevailing in the countries in which the Group operates.

Deferred taxation assets of HK\$212 million (2003: HK\$209 million) arising from unused tax losses of HK\$1,209 million (2003: HK\$1,192 million) have not been recognised in the accounts. These tax losses have no expiry dates.

Deferred taxation liabilities of HK\$14 million (2003: HK\$9 million) on temporary differences in respect of depreciation allowances of HK\$79 million (2003: HK\$53 million) has not been recognised in the accounts as there are sufficient unrecognised deferred tax assets to set off against them.

Notes to the Accounts

34. Negative Goodwill

	Group <i>HK\$'000</i>
Cost	7,941
Accumulated amortisation	<u>–</u>
Net book value	<u>7,941</u>
At 31st March, 2003	–
Increase in interest in a subsidiary	<u>7,941</u>
At 31st March, 2004	<u>7,941</u>

35. Commitments

(a) Capital commitments

	Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for		
Property development expenditure	4,133	52,238
Fixed assets	<u>–</u>	<u>1,438</u>
	4,133	53,676
Authorised but not contracted for	<u>–</u>	<u>–</u>
	<u>4,133</u>	<u>53,676</u>

35. Commitments (Continued)

(b) Operating lease rental payable

The future aggregate minimum lease rental expense under non-cancellable operating leases in respect of land and buildings is payable in the following periods:

	Group	
	2004	2003
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Within one year	5,541	5,025
Two to five years	11,891	15,124
After five years	—	270
	<u>17,432</u>	<u>20,419</u>

Of the above operating lease commitment payable, HK\$1,067,000 (2003: HK\$2,134,000) is payable to an associated company.

(c) Operating lease rental receivable

The future aggregate minimum lease rental income under non-cancellable operating leases in respect of properties is receivable in the following periods:

	Group	
	2004	2003
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Investment properties		
Within one year	50,826	66,446
Two to five years	34,999	39,656
	<u>85,825</u>	<u>106,102</u>
Properties held for sale		
Within one year	863	269
Two to five years	1,043	51
	<u>1,906</u>	<u>320</u>
	<u>87,731</u>	<u>106,422</u>

Notes to the Accounts

36. Contingent Liabilities

	Group		Company	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees for bank loans, other loan and overdrafts of subsidiaries	—	—	1,030,746	1,115,438
Guarantees for mortgage bank loans to purchasers of properties of the Group	<u>2,396</u>	<u>3,052</u>	<u>—</u>	<u>—</u>
	<u>2,396</u>	<u>3,052</u>	<u>1,030,746</u>	<u>1,115,438</u>

In May 1999, a wholly owned subsidiary disposed of an investment property to a subsidiary, Chuang's China. The Company continues to provide a guarantee for the mortgage bank loan of the investment property amounting to HK\$245,000,000 (2003: HK\$250,000,000) after the disposal. In return, Chuang's China has provided a counter-indemnity to the Company against all losses and liabilities which the Company may incur under the guarantee.

37. Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations

	2004	2003
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Operating profit/(loss)	121,870	(308,045)
Interest income	(6,365)	(10,459)
Dividend income	(4,188)	(6,939)
Depreciation	13,894	8,335
Revaluation (surplus)/deficit of investment properties	(70,040)	176,917
(Write back of)/provision for properties held for sale	(20,000)	130,000
Loss on disposal of associated companies	–	207
(Gain)/loss on disposal of fixed assets	(177)	1,504
	<hr/>	<hr/>
Operating profit/(loss) before working capital changes	34,994	(8,480)
Increase in loans receivable	(5,739)	(4,174)
Decrease in properties held for sale	53,041	19,981
(Increase)/decrease in inventories	(6,634)	6,770
Increase in other investments	(47,415)	(9,963)
(Increase)/decrease in debtors and prepayments	(1,796)	8,586
Decrease in creditors and accruals	(1,043)	(31,505)
Change in exchange rates	1,551	1,449
	<hr/>	<hr/>
Cash generated from/(used in) operations	<u>26,959</u>	<u>(17,336)</u>

Notes to the Accounts

37. Notes to the Consolidated Cash Flow Statement (Continued)

(b) Analysis of changes in financing

	Share capital (including premium) <i>HK\$'000</i>	Bank and other loans <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Obligations under finance leases <i>HK\$'000</i>
At 31st March, 2002				
As previously reported	968,249	1,302,320	852,939	848
Prior year adjustment	—	—	(104,539)	—
	<u>968,249</u>	<u>1,302,320</u>	<u>748,400</u>	<u>848</u>
As restated	968,249	1,302,320	748,400	848
Change in exchange rates	—	(168)	507	(2)
Share of loss	—	—	(35,064)	—
Net cash outflow from financing	—	(85,614)	(5,740)	(263)
	<u>—</u>	<u>(85,614)</u>	<u>(5,740)</u>	<u>(263)</u>
At 31st March, 2003				
As previously reported	968,249	1,216,538	812,642	583
Prior year adjustment	—	—	(104,539)	—
	<u>968,249</u>	<u>1,216,538</u>	<u>708,103</u>	<u>583</u>
As restated	968,249	1,216,538	708,103	583
Change in exchange rates	—	216	326	1
Increase in interest in a subsidiary	—	—	(11,179)	—
Share of profit	—	—	8,104	—
Net cash inflow/(outflow) from financing	59,584	(85,629)	(4,688)	(290)
	<u>59,584</u>	<u>(85,629)</u>	<u>(4,688)</u>	<u>(290)</u>
At 31st March, 2004	<u>1,027,833</u>	<u>1,131,125</u>	<u>700,666</u>	<u>294</u>

38. Approval of Accounts

The accounts were approved by the Board of Directors on 12th July, 2004.

39. Principal Subsidiaries

Name	Place of incorporation/ operation	Issued capital/ paid up capital	Effective percentage held by Group		Principal activities
			2004	2003	
Artifful Limited	Hong Kong	100 shares of HK\$1 each	70.0	70.0	Property investment
Φ# Chuang's China Investments Limited	Bermuda/ Hong Kong	1,024,439,690 shares of HK\$0.05 each	60.1	59.4	Investment holding
# China Cyberworld Limited	Hong Kong	2 shares of HK\$1 each	60.1	59.4	Investment holding
# Chuang's China Commercial Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	60.1	59.4	Investment holding
# Chuang's China Enterprises Limited	Hong Kong	458,310,965 shares of HK\$0.20 each	60.1	59.4	Securities trading and investment holding
# Chuang's China Realty Limited	Bermuda/ Hong Kong	2,000,000 shares of HK\$0.05 each	60.1	59.4	Investment holding
# Chuang's China Treasury Limited	Cayman Islands/ Hong Kong	1 share of US\$1	60.1	59.4	Investment holding
@ Chuang's Consortium Limited	Hong Kong	4,000 shares of HK\$0.25 each	100.0	100.0	Investment holding
Chuang's Corporate Services Limited	Hong Kong	2 shares of HK\$1 each	100.0	100.0	Property development

Notes to the Accounts

39. Principal Subsidiaries (Continued)

Name	Place of incorporation/ operation	Issued capital/ paid up capital	Effective percentage held by Group		Principal activities
			2004	2003	
Chuang's Credit Limited	Hong Kong	10,300,000 shares of HK\$1 each	100.0	100.0	Money lending
# Chuang's Development (China) Limited	Hong Kong	2 shares of HK\$10 each	60.1	59.4	Property development and investment
# Chuang's Development (Dong Guan) Limited	Hong Kong	2 shares of HK\$1 each	60.1	59.4	Investment holding
Chuang's Finance & Investments Limited	Hong Kong	110,000 shares of HK\$10 each	100.0	100.0	Investment holding, finance and securities trading
Chuang's Property Management Limited (formerly Chuang's FPD Property Management Limited)	Hong Kong	1,000 shares of HK\$1 each	100.0	50.0	Property management
# Chuang's Information Technology Limited	Hong Kong	100 shares of HK\$1 each	60.1	59.4	Investment holding
@ Chuang's International Limited	British Virgin Islands/ Hong Kong	10 shares of US\$1 each	100.0	100.0	Investment holding
Chuang's Properties Limited	Hong Kong	300,000,000 shares of HK\$1 each	100.0	100.0	Investment holding
Chuang's Real Estate Agency Limited	Hong Kong	2 shares of HK\$1 each	100.0	100.0	Property agency services

39. Principal Subsidiaries (Continued)

Name	Place of incorporation/ operation	Issued capital/ paid up capital	Effective percentage held by Group		Principal activities
			2004	2003	
Cityprop Company Limited	Hong Kong	2 shares of HK\$1 each	100.0	100.0	Property investment
# Distinguished Properties Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	60.1	59.4	Investment holding
# Double Wealthy Company Limited	Hong Kong	160 shares of HK\$1 each	60.1	59.4	Investment holding
# Dragon Rich Investments Limited	Hong Kong	2 shares of HK\$1 each	60.1	59.4	Property investment
Easy Success Enterprises Limited	Hong Kong	2 shares of HK\$1 each	100.0	100.0	Property investment
Equity King Limited	Hong Kong	2 shares of HK\$1 each	100.0	100.0	Property investment
Fanus Limited	British Virgin Islands/ Hong Kong	100 shares of US\$1 each	100.0	100.0	Investment holding
General Nominees Limited	Hong Kong	500 shares of HK\$10 each	100.0	100.0	Nominee and secretarial services
# Gold Throne Finance Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	60.1	59.4	Investment holding
# Guangzhou Panyu Chuang's Real Estate Development Company Limited	The Mainland	RMB60,000,000	51.1	50.5	Property development and investment
# Internet PRO Limited	Hong Kong	15,686,340 shares of HK\$0.1 each	33.7	33.2	e-commerce solution provider

Notes to the Accounts

39. Principal Subsidiaries (Continued)

Name	Place of incorporation/ operation	Issued capital/ paid up capital	Effective percentage held by Group		Principal activities
			2004	2003	
# iPro Technology Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	60.1	59.4	Investment holding
Jannerson Limited	Hong Kong	5,000 shares of HK\$1 each	100.0	100.0	Property investment and securities trading
# Koledo Company Limited	Hong Kong	4 shares of HK\$100 each	60.1	59.4	Property investment
Malview Sdn. Bhd.	Malaysia	5,000,000 shares of M\$1 each	100.0	100.0	Property investment
Mega Well Limited	Hong Kong	2 shares of HK\$1 each	100.0	100.0	Property investment
Meloberg Limited	Hong Kong	2 shares of HK\$1 each	100.0	100.0	Property investment
# On Profit Investment Limited	Hong Kong	2 shares of HK\$1 each	60.1	59.4	Property development and investment
@ Profit Stability Investments Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	100.0	100.0	Investment holding
Rapid Grow Limited	Hong Kong	2 shares of HK\$1 each	100.0	100.0	Property investment
# Silver Chase Investment Limited	Hong Kong	2 shares of HK\$1 each	60.1	59.4	Property development and investment

39. Principal Subsidiaries (Continued)

Name	Place of incorporation/ operation	Issued capital/ paid up capital	Effective percentage held by Group		Principal activities
			2004	2003	
# Silver Dragon Investment Limited	Hong Kong	2 shares of HK\$1 each	60.1	59.4	Property development and investment
# Sintex Nylon and Cotton Products (Pte) Limited	Singapore	8,500 shares of S\$100 each	88.2	88.2	Manufacture and sale of bonded polyester fabrics and home finishing products
# Success Gain Investment Limited	Hong Kong	2 shares of HK\$1 each	60.1	59.4	Property development and investment
Uniworld Property Management Limited	Hong Kong	2 shares of HK\$1 each	100.0	100.0	Property management
Winfred Investment Limited	Republic of Liberia/ Hong Kong	2 shares of no par value	100.0	100.0	Investment holding
# Yuen Sang Hardware Company (1988) Limited	Hong Kong	1,000,000 shares of HK\$1 each	60.1	59.4	Manufacture and sale of watch components
Yuen Sang International Limited	Hong Kong	2 shares of HK\$1 each	100.0	100.0	Property development
# Yuen Sang Watch and Clock Limited	Hong Kong	500,000 shares of HK\$1 each	60.1	59.4	Investment holding

Φ Listed in Hong Kong

@ Subsidiaries directly held by the Company

Subsidiaries not audited by PricewaterhouseCoopers

Notes to the Accounts

40. Principal Associated Companies

Name	Place of incorporation/ operation	Issued capital/ paid up capital	Effective percentage held by Group		Principal activities
			2004	2003	
# Dragon Pacific Development Limited	Hong Kong	10 shares of HK\$1 each	30.0	30.0	Property development
# Fujian Sunshine Education Information Company Limited	The Mainland	RMB7,000,000	28.8	28.5	Educational information system network development
Φ# Midas International Holdings Limited	Cayman Islands/ Hong Kong	534,290,068 ordinary shares of HK\$0.10 each	25.8	12.8	Books printing, paper products printing and property investment
		164,166,668 series B preference shares of HK\$0.01 each	60.1	59.4	
# Shanghai Yuen Sang Watch and Clock Limited	The Mainland	US\$700,000	30.0	29.7	Manufacture, assembling and sale of watches and clocks
# Treasure Auctioneer International Limited	British Virgin Islands/ Hong Kong	1,000,000 shares of US\$1 each	15.0	14.8	Auction services
# Yuen Sang Property Management Company Limited	Hong Kong	2 shares of HK\$1 each	50.0	50.0	Property management
Φ	Listed in Hong Kong				
#	Associated companies not audited by PricewaterhouseCoopers				