1. General information

The Company is a limited liability company incorporated in Bermuda and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, Church Street, Hamilton HM 11, Bermuda and its principal place of business in Hong Kong is 25th Floor, Alexandra House, 18 Chater Road, Central.

As at 31st March, 2006, the Company was a 60.1% owned subsidiary of Profit Stability Investments Limited, incorporated in the British Virgin Islands, which is a wholly owned subsidiary of Chuang's Consortium International Limited, incorporated in Bermuda and listed on the Main Board of the Stock Exchange. The Directors regard Chuang's Consortium International Limited as being the ultimate holding company.

The principal activities of the Group are property investment and development, manufacturing and sale of watch components, securities investment and trading, and the provision of information technology services.

2. Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets at fair values and in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5 below.

2. Basis of preparation (Continued)

(a) Changes in accounting policies

For the financial year ended 31st March, 2006, the Group adopted the following new or revised HKFRS, Hong Kong Accounting Standards ("HKAS") and interpretations ("HK(SIC)-Int") (collectively the "new or revised HKFRS"), which are effective for accounting periods commencing on or after 1st January, 2005 and relevant to the operations of the Group:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HK(SIC)-Int 12 (Amendment)	Consolidation – Special Purpose Entities
HK(SIC)-Int 15	Operating Leases – Incentives
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 3	Business Combinations

2. Basis of preparation (Continued)

(a) Changes in accounting policies *(Continued)*

HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associated companies and other disclosures in the financial statements whereas HKAS 24 has affected the identification of related parties and some other related party disclosures. The adoption of the new or revised HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 27, 28, 33, 37 and HK(SIC)-Ints 12 (Amendment), 15, 21 does not have any material impact on the accounting policies of the Group. The major changes in the accounting policies are summarised as follows:

(i) The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of prepayments of lease premiums from property, plant and equipment and properties for/under development to land use rights. The up-front prepayments made for the land use rights are amortised on a straight-line basis over the period of the lease and where there is impairment, the impairment is expensed in the profit and loss account. The amortisation of the land use rights is capitalised under the relevant assets when the properties on the land are under construction.

In previous years, the land use rights were included under property, plant and equipment and properties for/under development. For those classified as land and buildings under property, plant and equipment, they were stated at cost less accumulated depreciation and provision for impairment in value other than temporary in nature, whereas for those classified as properties for/under development, they were stated at cost, including land cost, development and construction expenditure incurred and any interest and other direct costs attributable to the development, less provision.

As a result of the above changes in accounting policy, the net book amounts of land use rights have been increased by HK$962,814,000, property, plant and equipment have been decreased by HK$1,785,000, properties for/under development have been decreased by HK$1,139,546,000, properties for sale have been increased by HK$1,950,000, accumulated losses have been increased by HK$168,421,000 and minority interests have been decreased by HK$8,146,000 as at 31st March, 2005.

2. Basis of preparation (Continued)

(a) Changes in accounting policies *(Continued)*

(ii) The adoption of HKASs 32, 39 and 39 (Amendment) has resulted in a change in the accounting policy relating to the classification of available-for-sale financial assets and the recognition of loans and receivables. Loans and receivables are carried at amortised cost using the effective interest method. Loans and receivables are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are then classified as non-current assets. Available-for-sale financial assets are non-derivatives that are not held for trading. Available-for-sale financial assets are carried at fair values and included in non-current assets. Unrealised gains and losses arising from change in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account.

In previous years, investments intended to be held for long-term purpose or strategic reason were included in the balance sheet under non-current assets as investment securities, and were carried at cost less any provision. The carrying amounts of individual investments were reviewed at each balance sheet date to assess whether the fair values had declined below the carrying amounts. When a decline other than temporary had occurred, the carrying amount of such investment would be reduced to its fair value. The impairment loss was recognised as an expense in the profit and loss account and was written back to the profit and loss account when the circumstances and events that led to the write down ceased to exist and there was persuasive evidence that the new circumstances and events would persist for the foreseeable future.

HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Statement of Standard Accounting Practice 24 “Accounting for investments in securities” to investment securities. As a result of the above changes in accounting policies, classification of investments has been redesignated as at 1st April, 2005 and opening other reserves of the Group has been reduced by HK$13,613,000. The comparative amounts as at 31st March, 2005 have not been restated.

2. Basis of preparation (Continued)

(a) Changes in accounting policies *(Continued)*

(iii) The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the change in fair value of investment properties are recognised in the profit and loss account.

In previous years, a deficit in valuation was charged to the profit and loss account; an increase in valuation was first credited to the profit and loss account to the extent of valuation deficit previously charged and thereafter was credited to the investment properties revaluation reserve. Upon disposal of an investment property, any relevant revaluation surplus realised was transferred to the profit and loss account.

As at 31st March, 2005, the valuation of investment properties was less than their original costs. The revaluation deficits had already been charged to the profit and loss account in previous years and there was no investment properties revaluation reserve. Consequently, there is no prior year adjustment on the accumulated losses and investment properties revaluation reserve.

(iv) The adoption of HKFRS 3, HKASs 36 and 38 has resulted in a change in the accounting policy for goodwill. Goodwill is tested for impairment annually or when there is indication for impairment and is carried at cost less accumulated impairment losses. The excess of the fair value of the net identifiable assets acquired over the liabilities and the cost of the business combination is recognised immediately in the profit and loss account.

In previous years, goodwill arising on acquisitions was 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. The carrying amount of goodwill was reviewed annually and provision was made when, in the opinion of the Directors, there was impairment in value other than temporary in nature. Where the fair values ascribed to the net assets exceeded the purchase consideration, such differences were recognised in the profit and loss account in the year of acquisition or over the weighted average useful life of those non-monetary assets acquired. As a result of this change, the Group has adopted the transitional provision to derecognise the negative goodwill of HK$48,022,000 against the opening accumulated losses as at 1st April, 2005 whereas the comparative amounts as at 31st March, 2005 have not been restated.

All changes in accounting policies have been made in accordance with the transitional provisions in the respective standards, which require retrospective application other than HKASs 32, 39, 39 (Amendment), 40 and HKFRS 3. As a result, the 2005 comparative figures have also been restated or amended in accordance with the relevant requirements. The effects of all the changes in accounting policies are summarised in notes (b) and (c) below.

2. Basis of preparation (Continued)

(b) Impact to 2006 financial statements

The following sets out the impacts to the relevant headings in the consolidated profit and loss account for the year ended 31st March, 2006 and the consolidated balance sheet as at 31st March, 2006 following the adoption of new or revised HKFRSs:

(i) Consolidated Profit and Loss Account

	HKAS 1	HKAS 17	HKAS 40	HKFRS 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other income				249	249
Administrative expenses		(16,743)			(16,743)
Change in fair value of investment properties			20,000		20,000
Share of results of associated companies	(4,968)			(5,938)	(10,906)
Profit before taxation					(7,400)
Taxation	4,968				4,968
Profit for the year	–	(16,743)	20,000	(5,689)	(2,432)
Attributable to:					
Equity holders of the Company	–	(15,728)	20,000	(5,689)	(1,417)
Minority interests	–	(1,015)	–	–	(1,015)
	–	(16,743)	20,000	(5,689)	(2,432)
	HK cents	*HK cents*	*HK cents*	*HK cents*	*HK cents*
Earnings per share	–	(1.53)	1.95	(0.56)	(0.14)

2. Basis of preparation (Continued)

(b) Impact to 2006 financial statements *(Continued)*

(ii) Consolidated Balance Sheet

	HKAS 1	HKAS 17	HKASs 32 and 39	HKAS 40	HKFRS 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets						
Property, plant and equipment		(1,785)				(1,785)
Land use rights		947,377				947,377
Properties for/under development		(1,140,852)				(1,140,852)
Associated companies					42,333	42,333
Available-for-sale financial assets			21,896			21,896
Investment securities			(46,652)			(46,652)
Current assets						
Properties for sale		1,950				1,950
Current liabilities						
Creditors and accruals	(416)					(416)
	(416)	(193,310)	(24,756)	–	42,333	(176,149)
Equity						
Investment revaluation reserve			(24,756)			(24,756)
Investment properties revaluation reserve				(20,000)		(20,000)
Accumulated losses		(184,149)		20,000	42,333	(121,816)
Minority interests	(16,339)	(9,161)				(25,500)
Total equity						(192,072)
Non-current liabilities						
Other non-current liabilities	15,923					15,923
	(416)	(193,310)	(24,756)	–	42,333	(176,149)

2. Basis of preparation (Continued)

(c) Impact to 2005 financial statements

The following sets out the adjustments made in accordance with the transitional provisions in the respective new or revised HKFRSs as set out above to each of the relevant headings in the consolidated profit and loss account for the year ended 31st March, 2005 and consolidated balance sheet as at 31st March, 2005 as previously reported in the financial statements.

(i) Consolidated Profit and Loss Account

	As previously reported	HKAS 1	HKAS 17	Restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	54,857			54,857
Cost of sales	(37,141)			(37,141)
Gross profit	17,716			17,716
Other income	1,953			1,953
Distribution costs	(991)			(991)
Administrative expenses	(40,737)		(16,715)	(57,452)
Other operating expenses	(977)			(977)
Change in fair value of investment properties	25,000			25,000
Operating profit/(loss)	1,964			(14,751)
Finance costs	(4,537)			(4,537)
Share of results of associated companies	34,217	(3,874)		30,343
Profit before taxation	31,644			11,055
Taxation	(3,904)	3,874		(30)
Profit for the year	27,740	–	(16,715)	11,025
Attributable to:				
Equity holders of the Company	27,519	–	(15,701)	11,818
Minority interests	221	–	(1,014)	(793)
	27,740	–	(16,715)	11,025
	HK cents	*HK cents*	*HK cents*	*HK cents*
Earnings per share	2.69	–	(1.53)	1.16

2. Basis of preparation (Continued)

(c) Impact to 2005 financial statements *(Continued)*

(ii) Consolidated Balance Sheet

	As previously reported HK$'000	HKAS 1 HK$'000	HKAS 17 HK$'000	Restated HK$'000
Non-current assets				
Property, plant and equipment	44,584		(1,785)	42,799
Investment properties	452,400			452,400
Land use rights	–		962,814	962,814
Properties for/under development	1,149,243		(1,139,546)	9,697
Associated companies	150,582			150,582
Investment securities	70,315			70,315
	1,867,124			1,688,607
Current assets				
Properties for sale	134,504		1,950	136,454
Inventories	4,108			4,108
Debtors and prepayments	25,601			25,601
Cash and bank balances	157,900			157,900
	322,113			324,063
Current liabilities				
Creditors and accruals	38,186			38,186
Current portion of long-term borrowings	6,000			6,000
Taxation	15,668			15,668
	59,854			59,854
Net current assets	262,259			264,209
Total assets less current liabilities	2,129,383	–	(176,567)	1,952,816
Equity				
Share capital	51,222			51,222
Other reserves	1,661,305			1,661,305
Accumulated losses	(180,824)		(168,421)	(349,245)
Shareholders' funds	1,531,703			1,363,282
Minority interests	98,320	(17,638)	(8,146)	72,536
Total equity	1,630,023			1,435,818
Non-current liabilities				
Long-term borrowings	233,000			233,000
Other non-current liabilities	266,360	17,638		283,998
	499,360			516,998
	2,129,383	–	(176,567)	1,952,816

2. Basis of preparation (Continued)

(d) Standards, amendments and interpretations not yet effective

Certain new standards, amendments, and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1st January, 2006 or later periods but which the Group has not yet adopted:

Effective for the year ending 31st March, 2007

HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC) – Int 5	Rights to interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

Effective for the year ending 31st March, 2008

HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HKFRS 7 and HKAS 1 (Amendment)	Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures

The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations but it is not yet in a position to state whether these new standards, amendments and interpretations would have a significant impact on its results of operations and financial position.

3. Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except for those stated in note 2(a) above.

(a) Consolidation

The consolidated financial statements include the financial statements 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 its associated companies.

Results attributable to subsidiaries and associated companies acquired or disposed of during the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal as applicable.

The profit or loss on disposal of subsidiaries or associated companies is calculated by reference to the share of net assets at the date of disposal including the attributable amount of goodwill not yet written off.

(b) Subsidiaries

Subsidiaries are companies in which the Group has the power to exercise control governing the financial and operating policies of the company, generally accompanying a direct or indirect shareholding of more than half of the voting power, or holds more than half of the issued share capital. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account.

3. Principal accounting policies (Continued)

(b) Subsidiaries *(Continued)*

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the balance sheet of the Company, investments in subsidiaries are carried at cost less impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

(c) Minority interests

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

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals of equity interests to minority interests result in gains and losses for the Group that are recorded in the profit and loss account. Purchases of equity interests from minority interests result in goodwill, which is the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary being acquired.

(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, accompanying a shareholding of between 20% to 50% of the voting rights.

Investments in associated companies are accounted for under the equity method of accounting and are initially recognised at cost. The investments in associated companies of the Group include goodwill, net of any accumulated impairment loss, identified on acquisition.

3. Principal accounting policies (Continued)

(d) Associated companies *(Continued)*

The share of post-acquisition profits or losses of associated companies attributable to the Group is recognised in the profit and loss account, and the share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the share of losses of the Group in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the interest in the associated companies held by the Group. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(e) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries and associated companies at the effective date of acquisition, and in respect of an increase in holding in a subsidiary, the excess of the cost of acquisition and the carrying amount of the proportion of the minority interests acquired. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Goodwill on acquisition of subsidiaries is included in intangible assets while goodwill on acquisition of associated companies is included in investments in associated companies. Goodwill is tested for impairment annually or when there is indication for impairment and is carried at cost less accumulated impairment losses.

If the cost of acquisition is less than the fair value of the net assets acquired or the carrying amount of the proportion of the minority interests acquired, the difference is recognised directly in the profit and loss account.

3. Principal accounting policies (Continued)

(f) Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group, are classified as investment properties. Investment properties comprise land held under operating leases and buildings held under finance leases. Land held under operating leases is classified and accounted for as investment properties when the rest of the definition of investment properties is met. The operating lease is accounted for as if it was a finance lease.

Investment properties are measured initially at cost, including related transaction costs. After initial recognition, investment properties are carried at fair value. Fair value is based on valuations carried out annually by external valuers. Change in fair value is recognised in the profit and loss account.

Subsequent expenditure is charged to the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance are expensed in the profit and loss account during the financial year in which they are incurred.

Property that is being constructed or developed for future use as investment property is classified as property for/under development and stated at cost until construction or development is completed, at which time it is reclassified and subsequently accounted for as investment property.

(g) Land use rights

Land use rights represent non-refundable rental payments for lease of land. The up-front prepayments made for land use rights are amortised on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the profit and loss account. The amortisation of the land use rights is capitalised under the relevant assets when the properties on the land are under construction.

3. Principal accounting policies (Continued)

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance are expensed in the profit and loss account during the financial year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives at the following annual rates:

Buildings	2%
Plant and machinery	10 to 20%
Other assets	10 to 30%

Major costs incurred in restoring 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 residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Where the estimated recoverable amounts have declined below their carrying amounts, the carrying amounts are written down to their estimated recoverable amounts.

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

(i) Financial assets

The Group classifies its financial assets as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

3. Principal accounting policies (Continued)

(i) Financial assets *(Continued)*

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified as receivables in the balance sheet (note 3(m)).

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

3. Principal accounting policies (Continued)

(i) Financial assets *(Continued)*

Gains and losses arising from change in the fair value of the financial assets at fair value through profit or loss, including interest and dividend income, are included in the profit and loss account in the period in which they arise. Change in the fair value of available-for-sale financial assets is recognised in equity. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale financial assets are recognised in the profit and loss account when the right to receive payments is established. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account.

If the market for a financial asset is not active, and for unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of available-for-sale financial assets, a significant or prolonged decline in the fair value below its cost is considered an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss account, is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on available-for-sale financial assets are not reversed through the profit and loss account.

3. Principal accounting policies (Continued)

(j) Properties for/under development

Properties for/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.

On completion, the properties are reclassified to investment properties, property, plant and equipment or properties for sale at the then carrying amount. Any difference between the fair value of the investment property and its carrying amount at the date of reclassification is recognised in the profit and loss account.

(k) Properties 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 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.

(l) Inventories

Inventories, which mainly comprise watch components, are stated at the lower of cost and net realisable value. Costs, calculated on the 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.

(m) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivables are impaired. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

3. Principal accounting policies (Continued)

(n) Impairment of assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

(o) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, and it is more likely than not 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.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

3. Principal accounting policies (Continued)

(q) 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 financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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.

(r) Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the profit and loss account on a straight-line basis over the period of lease.

(s) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the activities of the Group. Revenue is shown net of sales tax, returns, rebates and discounts, allowances for credit and other revenue reducing factors.

Sale of completed properties are recognised upon completion of sale and purchase contracts. 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 of ownership, which generally coincides with the time when goods are delivered to the customers and legal 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.

3. Principal accounting policies (Continued)

(t) 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 as incurred.

(u) 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 financial period to which the contributions relate.

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

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.

(v) 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.

(w) Translation of foreign currencies

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates ruling at the balance sheet date are recognised in the profit and loss account.

3. Principal accounting policies (Continued)

(w) Translation of foreign currencies *(Continued)*

Translation differences on monetary financial assets and liabilities and non-monetary financial assets at fair value through profit or loss are reported as part of the fair value gains or losses. Translation differences on non-monetary available-for-sale financial assets are included in the reserve in equity.

The results and financial position of all the entities in the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates; and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(x) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

3. Principal accounting policies (Continued)

(y) Dividend distribution

Dividend distribution to the shareholders of the Company is recognised as a liability in the financial statements in the period in which the dividend payable becomes legal and constructive obligations of the Company.

4. Financial risk management and fair value estimation

(a) Financial risk management

The activities of the Group expose it to a variety of financial risks including credit risk, liquidity risk, cash flow and fair value interest rate risk, foreign exchange risk and price risk. The overall risk management programme of the Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Financial risk management is carried out by the Finance Department under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas.

(i) Credit risk

The Group has no significant concentrations of credit risk with any single counterparties. The Group has policies in place to ensure that sales of products and properties are made to customers with an appropriate credit history.

(ii) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due. The Group measures and monitors its liquidity through the maintenance of prudent ratios regarding the liquidity structure of the overall assets, liabilities, loans and commitments of the Group. The Group also maintains a conservative level of liquid assets to ensure the availability of sufficient cash flows to meet any unexpected and material cash requirements in the ordinary course of business. In addition, standby banking facilities are established to provide contingency liquidity support.

4. Financial risk management and fair value estimation (Continued)

(a) Financial risk management *(Continued)*

(iii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the position of the Group may be adversely affected by the changes in market interest rate. The Group has allowed a policy of obtaining long-term banking facilities to match its long-term investments in Hong Kong and the Mainland China. The policy also involves close monitoring of interest rate movements and replacing and entering into new banking facilities when favourable pricing opportunities arise.

(iv) Foreign exchange risk

The Group mainly operates in Hong Kong and the Mainland China and is exposed to foreign exchange risk arising from currencies other than Hong Kong dollar. The Group has no significant foreign exchange risk due to limited foreign currency transactions other than Renminbi. Translation exposure arising on consolidation of the net assets of entities denominated in foreign currencies is accounted for in the foreign exchange reserve.

(v) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified as available-for-sale financial assets.

(b) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price and the appropriate quoted market price for financial liabilities is the current ask price.

In assessing the fair value of non-trading securities and other financial assets, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The fair values of long-term borrowings are estimated using the expected future payments discounted at market interest rates.

The carrying amounts less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, including debtors and prepayments, cash and cash equivalents, creditors and accruals and current borrowings are assumed to approximate to their fair values.

5. Critical accounting estimates and judgements

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities are discussed below:

(a) Fair value of investment properties

The fair values of investment properties are determined by independent valuers on an open market for existing use basis. In making the judgement, consideration is given to assumptions that are mainly based on market conditions existing at the balance sheet date and appropriate capitalisation rates based on an estimation of the expected rental income and related expenses. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

(b) Impairment of assets

The Group tests at least annually whether goodwill or assets that have indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

(c) Income taxes

The Group is subject to income and other taxation in different jurisdictions. Judgement is required in determining the provision for income taxes and the Group recognises tax liabilities based on estimates of current circumstances. Where the final tax outcome of these estimations is different from the amounts that are initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

6. Turnover

	2006	2005
	HK$'000	*HK$'000*
Sale of goods	38,194	37,404
Sale of properties	17,342	465
Rental and management fees	14,241	12,607
Interest	4,618	2,374
Dividends		
Unlisted preference shares	–	1,828
Unlisted equity shares	2,655	–
Services fee	178	179
	77,228	54,857

7. Segment information

In accordance with the internal financial reporting and operating activities of the Group, 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, information technology and securities trading. The business of the Group operates in three geographical areas of Hong Kong (property investment and development, sale of goods and services, information technology and securities trading), the Mainland China (property investment and development, sale of goods and services and information technology), and other countries (sale of goods and services).

Segment assets consist primarily of property, plant and equipment, properties, land use rights, available-for-sale financial assets/investment securities, inventories, debtors and prepayments. Segment liabilities mainly comprise creditors and accruals and long-term borrowings and mainly exclude taxation and deferred taxation. Unallocated costs represent corporate expenses. Capital expenditure comprises additions to property, plant and equipment, land use rights and capitalised expenditure for properties for/under development.

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

7. Segment information (Continued)

(a) Business segments

	Property investment and development *HK$'000*	Sale of goods and services *HK$'000*	Information technology *HK$'000*	Corporate and elimination *HK$'000*	Group *HK$'000*
2006					
Turnover	34,286	38,194	178	4,570	77,228
Other income	18,708	1,468	–	255	20,431
Segment results	49,562	2,930	(982)	(24,459)	27,051
Finance costs					(11,653)
Share of results of associated companies	–	19,179	(408)	–	18,771
Profit before taxation					34,169
Taxation					(16)
Profit for the year					34,153
Segment assets	1,697,167	17,137	611	–	1,714,915
Associated companies	–	212,553	825	–	213,378
Unallocated assets					186,996
Total assets					2,115,289
Segment liabilities	368,231	6,156	515	–	374,902
Unallocated liabilities					253,558
Total liabilities					628,460
Capital expenditure	12,203	595	–	1,250	14,048
Depreciation	1,596	696	81	8,226	10,599
Amortisation of land use rights	16,743	–	–	–	16,743
Increase in fair value of investment properties	50,000	–	–	–	50,000
Provision for doubtful debts	1,000	–	–	–	1,000

7. Segment information (Continued)

(a) Business segments *(Continued)*

	Property investment and development HK$'000	Sale of goods and services HK$'000	Information technology HK$'000	Corporate and elimination HK$'000	Group HK$'000
2005 (Restated)					
Turnover	13,120	37,404	179	4,154	54,857
Other income	591	1,337	–	25	1,953
Segment results	5,545	(669)	(722)	(18,905)	(14,751)
Finance costs					(4,537)
Share of results of associated companies	–	30,761	(418)	–	30,343
Profit before taxation					11,055
Taxation					(30)
Profit for the year					11,025
Segment assets	1,591,702	16,926	222	–	1,608,850
Associated companies	–	149,373	1,209	–	150,582
Unallocated assets					253,238
Total assets					2,012,670
Segment liabilities	317,608	6,291	110	–	324,009
Unallocated liabilities					252,843
Total liabilities					576,852
Capital expenditure	75,956	362	–	494	76,812
Depreciation	1,171	651	71	8,432	10,325
Amortisation of land use rights	16,720	–	–	–	16,720
Amortisation of negative goodwill	–	5,780	–	–	5,780
Increase in fair value of investment properties	25,000	–	–	–	25,000
Provision for doubtful debts	3,816	13	1	–	3,830
Provision for diminution in value of investment securities	–	–	–	151	151

7. Segment information (Continued)

(b) Geographical segments

	Turnover	Total assets	Capital expenditure
	HK$'000	*HK$'000*	*HK$'000*
2006			
Hong Kong	54,348	871,787	1,027
The Mainland China	21,287	1,243,148	13,021
Other countries	1,593	354	–
	77,228	2,115,289	14,048
2005 (Restated)			
Hong Kong	50,611	836,950	1,037
The Mainland China	1,541	1,175,372	75,775
Other countries	2,705	348	–
	54,857	2,012,670	76,812

8. Other income

	2006	2005
	HK$'000	*HK$'000*
Write back of provisions for construction costs and tax liabilities undertakings *(note 36)*	12,395	–
Deferred profit realised on disposal of properties *(note 23)*	6,025	–
Sale of scraped material	1,429	1,292
Sundries	582	661
	20,431	1,953

9. Operating profit/(loss)

	2006	Restated 2005
	HK$'000	*HK$'000*
Operating profit/(loss) is stated after crediting:		
Gross rental income from investment properties	11,152	10,139
Gain on disposal of property, plant and equipment	64	21
Negative goodwill	249	–
and after charging:		
Amortisation of land use rights	16,743	16,720
Cost of properties and inventories sold	48,558	35,061
Depreciation	10,599	10,325
Operating lease rental on land and buildings	2,072	2,177
Outgoings in respect of investment properties	2,034	2,080
Provision for diminution in value of investment securities	–	151
Provision for doubtful debts	1,000	3,830
Staff costs, including Directors' emoluments:		
Wages and salaries	19,112	16,257
Retirement benefit costs	701	802
Auditors' remunerations:		
Audit services	550	300
Non-audit services	120	50

10. Employee retirement benefits

The Group participates in respective government retirement benefit schemes in the Mainland China pursuant to the relevant regulations whereby the Group is 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 Mainland China. The government is responsible for the entire retirement benefit obligations payable to the retired employees. The Group has no other obligations apart from making ongoing contributions under the schemes.

The Group operates defined contribution schemes in Hong Kong for all eligible employees. Contributions to these 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 Group 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 above schemes. Forfeited contributions totaling of HK$25,000 (2005: HK$14,000) were utilised in 2006 and there are no forfeited contributions available at the year end to reduce the future contributions of the Group (2005: Nil).

11. Finance costs

	2006	**2005**
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	13,329	4,537
Amount capitalised into properties under development	(154)	–
Amount capitalised into properties under development for sale	(1,522)	–
	11,653	4,537

The capitalisation rate applied to funds borrowed generally and used for the development of properties is 5.76% per annum (2005: Nil).

12. Share of results of associated companies

Share of results in 2005 included amortisation of negative goodwill of HK$5,780,000.

13. Directors' emoluments

Name of Director	Fees	Salaries	Other benefits	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006					
Dr. Hwang Jen	80	–	–	–	80
Mr. Chan Sheung Chiu	–	300	1,500	23	1,823
Mr. Lee Sai Wai	20	870	210	81	1,181
Miss Ann Li Mee Sum	20	1,041	279	66	1,406
Mr. Tang Wing Lun	20	600	–	45	665
Mr. Sunny Pang Chun Kit	20	840	–	63	923
Ms. So Kan Kiu	20	–	–	–	20
Mr. David Chu Yu Lin	80	–	–	–	80
Dr. Peter Po Fun Chan	80	–	–	–	80
Mr. Chan Wai Dune	80	–	–	–	80
	420	3,651	1,989	278	6,338
2005					
Dr. Hwang Jen	80	–	–	–	80
Mr. Chan Sheung Chiu	15	576	624	90	1,305
Mr. Lee Sai Wai	15	660	300	72	1,047
Miss Ann Li Mee Sum	15	1,036	284	66	1,401
Mr. Tang Wing Lun	15	600	–	45	660
Mr. Sunny Pang Chun Kit	15	720	–	54	789
Mr. David Chu Yu Lin	80	–	–	–	80
Dr. Peter Po Fun Chan	80	–	–	–	80
	315	3,592	1,208	327	5,442

13. Directors' emoluments (Continued)

The emoluments paid to Independent Non-Executive Directors amounted to HK$320,000 (2005: HK$240,000).

The five individuals with the highest emoluments are all Executive Directors. The Directors represent key management personnel of the Company having authority and responsibility for planning, directing and controlling the activities of the Group.

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.

14. Taxation

		Restated
	2006	**2005**
	HK$'000	*HK$'000*
Company and subsidiaries		
Current (overseas)	16	30

No provision for Hong Kong profits tax has been made as the Group does not have any estimated assessable profit for the year (2005: Nil). 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 Group operates.

Share of taxation of associated companies for the year amounting to HK$4,968,000 (2005: HK$3,874,000) is included in the profit and loss account as share of results of associated companies.

14. Taxation (Continued)

The tax of the profit before taxation of the Group differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2006	Restated 2005
	HK$'000	*HK$'000*
Profit before taxation	34,169	11,055
Share of results of associated companies	(18,771)	(30,343)
	15,398	(19,288)
Tax charge/(credit) at the rate of 17.5% (2005: 17.5%)	2,695	(3,375)
Effect of different taxation rates in other countries	(397)	(53)
Income not subject to taxation	(13,257)	(5,474)
Expenses not deductible for taxation purposes	6,125	5,343
Utilisation of previously unrecognised tax losses	(409)	–
Tax losses not recognised	5,259	3,578
Other items	–	11
Taxation charge	16	30

15. Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company includes HK$13,527,000 (2005: loss of HK$58,099,000) which is dealt with in the financial statements of the Company.

16. Dividend

	2006	2005
	HK$'000	*HK$'000*
Proposed final dividend of 1.0 HK cent (2005: 1.0 HK cent) per share	12,805	10,244

The Board of Directors proposed on 3rd July, 2006 a final dividend in respect of 2006 of 1.0 HK cent (2005: 1.0 HK cent) per share amounting to HK$12,805,000 (2005: HK$10,244,000). This amount will be accounted for as an appropriation of reserves in the year ending 31st March, 2007.

17. Earnings per share

The calculation of earnings per share is based on the profit attributable to equity holders of the Company of HK$36,023,000 (2005: HK$11,818,000, as restated) and 1,024,439,690 (2005: 1,024,439,690) shares in issue during the year.

As there are no dilutive potential shares in issue, there is no diluted earnings per share for both years.

18. Property, plant and equipment

Group

	Buildings	Plant and machinery	Other assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 31st March, 2005	9,921	18,247	59,281	87,449
Changes in exchange rates	–	–	24	24
Additions	336	401	2,797	3,534
Disposals	–	–	(2,321)	(2,321)
At 31st March, 2006	10,257	18,648	59,781	88,686
Accumulated depreciation and impairment				
At 31st March, 2005	33	15,171	29,446	44,650
Changes in exchange rates	–	–	17	17
Charge for the year	204	578	9,817	10,599
Disposals	–	–	(1,365)	(1,365)
At 31st March, 2006	237	15,749	37,915	53,901
Net book value				
At 31st March, 2006	10,020	2,899	21,866	34,785

18. Property, plant and equipment (Continued)

Group

	Buildings	Plant and machinery	Other assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 31st March, 2004	–	18,284	58,144	76,428
Changes in exchange rates	–	–	11	11
Acquisition of subsidiaries	–	–	41	41
Additions	–	381	1,410	1,791
Transferred from properties for/under development	9,921	–	–	9,921
Disposals	–	(418)	(325)	(743)
At 31st March, 2005	9,921	18,247	59,281	87,449
Accumulated depreciation and impairment				
At 31st March, 2004	–	15,043	19,943	34,986
Changes in exchange rates	–	–	7	7
Acquisition of subsidiaries	–	–	16	16
Charge for the year	33	546	9,746	10,325
Disposals	–	(418)	(266)	(684)
At 31st March, 2005	33	15,171	29,446	44,650
Net book value				
At 31st March, 2005	9,888	3,076	29,835	42,799

18. Property, plant and equipment (Continued)

Company

	Other assets
	HK$'000
Cost	
At 31st March, 2005 and **2006**	86
Accumulated depreciation	
At 31st March, 2005	83
Charge for the year	3
At 31st March, 2006	86
Net book value	
At 31st March, 2006	–
Cost	
At 31st March, 2004 and **2005**	86
Accumulated depreciation	
At 31st March, 2004	57
Charge for the year	26
At 31st March, 2005	83
Net book value	
At 31st March, 2005	3

Buildings are situated in the Mainland China under long-term lease. Other assets comprise furniture, fixtures, motor vessels and motor vehicles.

19. Investment properties

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
At the beginning of the year	452,400	427,400
Change in fair value	50,000	25,000
At the end of the year	502,400	452,400

(a) Investment properties held under long-term lease in Hong Kong of HK$500,000,000 (2005: HK$450,000,000) were revalued at 31st March, 2006 on an open market value basis by Vigers Appraisal & Consulting Limited, independent professional property valuer.

(b) Investment property held under long-term lease in the Mainland China of HK$2,400,000 (2005: HK$2,400,000) was revalued at 31st March, 2006 on an open market value basis by DTZ Debenham Tie Leung Limited, independent professional property valuer.

(c) Investment properties with net book value of HK$500,000,000 (2005: HK$450,000,000) have been pledged as securities for the bank loan *(note 34)*.

20. Land use rights

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
At the beginning of the year, as restated	962,814	1,012,143
Changes in exchange rates	1,306	635
Additions	–	922
Transferred to properties for sale	–	(34,166)
Amortisation	(16,743)	(16,720)
At the end of the year	947,377	962,814
Held outside Hong Kong under:		
Long-term leases	870,505	883,837
Medium-term leases	76,872	78,977
	947,377	962,814

20. Land use rights (Continued)

The interests in land use rights represent prepaid operating lease payments, of which HK$180,700,000 (2005: HK$183,834,000) are pledged as securities for certain loan facility granted to the Group *(note 34)*.

21. Properties for/under development

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
At the beginning of the year, as restated	9,697	13,218
Property development expenditure	10,514	74,099
Interest expenses capitalised	154	–
Transferred to property, plant and equipment	–	(9,921)
Transferred to properties for sale	–	(67,699)
At the end of the year	20,365	9,697

Properties for/under development amounting to HK$967,000 (2005: HK$967,000) are pledged as securities for certain loan facility granted to the Group *(note 34)*.

22. Subsidiaries

	Company	
	2006	**2005**
	HK$'000	*HK$'000*
Unlisted shares, at cost	150,036	150,036

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 43 to the financial statements.

23. Associated companies

	Group 2006 HK$'000	Group 2005 HK$'000
Share of net assets	213,378	198,604
Negative goodwill *(note 2(a)(iv))*	–	(48,022)
	213,378	150,582
Investments, at cost		
Listed shares in Hong Kong	115,940	115,515
Unlisted shares	81,334	81,334
	197,274	196,849
Market value of listed shares	131,340	157,080

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 44 to the financial statements.

The movements in the share of net assets are analysed as follows:

	Group 2006 HK$'000	Group 2005 HK$'000
At the beginning of the year	198,604	174,651
Changes in exchange rates	23	16
Additional investments	426	5,693
Negative goodwill from additional investments	249	2,108
Share of profit before taxation	23,739	28,437
Share of taxation	(4,968)	(3,874)
Share of reserves	–	1,191
Dividend received	(10,720)	(9,618)
Deferred profit realised on disposal of properties *(note 8)*	6,025	–
At the end of the year	213,378	198,604

23. Associated companies (Continued)

A summary of the results and financial position of Midas International Holdings Limited ("Midas"), a major associated company, based on its audited financial statements for the year ended 31st December, 2005 is as follows:

	2005	Restated 2004
	HK$'000	*HK$'000*
Results		
Turnover	758,303	736,879
Profit after taxation	42,613	59,424
Group's share of profit after taxation	19,179	24,981
Financial position		
Non-current assets	429,573	667,426
Current assets	431,090	387,821
Current liabilities	(252,027)	(280,234)
Non-current liabilities	(128,058)	(220,241)
Minority interests	–	(44,665)
Shareholders' funds	480,578	510,107
Preference shares and premium	–	(48,500)
Equity holders' funds	480,578	461,607
Group's share of net assets	212,553	149,373

24. Available-for-sale financial assets

	Group
	2006
	HK$'000
Listed equity shares, at market value	21,896
At the beginning of the year, as previously reported	–
Opening adjustments	
Recognition of available-for-sale financial assets (HKAS 39)	46,670
Change in fair value (HKAS 39)	(13,613)
As restated	33,057
Write off	(18)
Change in fair value	(11,143)
At the end of the year	21,896

This represents 12.8% equity interest in CNT Group Limited, incorporated in Bermuda and listed in Hong Kong, which is principally engaged in property investment and development and the manufacture and sale of paint products.

25. Investment securities

	Group
	2005
	HK$'000
Listed equity shares, at cost	46,652
Unlisted preference shares, at cost	23,500
Unlisted equity shares, at cost	1,018
Amounts receivable	145
Amounts payable	(849)
	70,466
Provision	(151)
	70,315
Market value of listed shares	33,040

25. Investment securities (Continued)

The listed equity shares represent 12.8% equity interest in CNT Group Limited, incorporated in Bermuda and listed in Hong Kong, which is principally engaged in property investment and development and the manufacture and sale of paint products.

The unlisted preference shares represented 39,166,668 series B preference shares of HK$0.01 each, which were issued on 14th December, 2001, by Midas at an issue price of HK$0.60 per share. The preference shares were non-voting, redeemable and carried 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. The series B preference shares did not have the right to convert into ordinary shares of Midas and were 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 had not been previously redeemed prior to the fifth anniversary from the date of issue, should be redeemed by Midas in cash at the issue price of HK$0.60 per share together with any unpaid dividend. The preference shares were fully redeemed during the year ended 31st March, 2006.

26. Properties for sale

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Completed properties	171,207	21,691
Properties under development	18,895	114,763
	190,102	136,454
Properties under development		
At the beginning of the year	114,763	–
Changes in exchange rates	185	–
Acquisition of subsidiaries	–	11,641
Property development expenditure	67,054	1,257
Interest expenses capitalised	1,522	–
Transferred from land use rights	–	34,166
Transferred from properties for/under development	–	67,699
Transferred to completed properties	(164,629)	–
At the end of the year	18,895	114,763

27. Inventories

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Raw materials	2,691	2,307
Work in progress	2,952	1,623
Finished goods	93	178
	5,736	4,108

All inventories are carried at cost.

28. Debtors and prepayments

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade debtors	11,040	15,112	–	–
Other debtors	15,996	7,851	1,010	157
Utility and other deposits	1,999	2,337	–	–
Prepayments	2,523	301	–	–
	31,558	25,601	1,010	157

Other debtors include amounts receivable from associated companies amounting to HK$2,359,000 (2005: HK$2,359,000), which are unsecured, interest free and have no fixed repayment terms, except for an amount of HK$750,000 (2005: HK$750,000) which carries interest at prevailing market rates and repayable by December 2006.

Debtors and prepayments are mainly denominated in Hong Kong dollar, Renminbi and United States dollar and their carrying amounts approximate to their fair values.

28. Debtors and prepayments (Continued)

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

	2006	**2005**
	HK$'000	*HK$'000*
Below 30 days	3,254	2,974
31 to 60 days	1,542	1,431
61 to 90 days	1,607	1,992
Over 90 days	4,637	8,715
	11,040	15,112

29. Amounts due from subsidiaries

	Company	
	2006	**2005**
	HK$'000	*HK$'000*
Amounts receivable	1,824,377	1,812,907
Provision	(340,000)	(340,000)
	1,484,377	1,472,907

The amounts receivable are unsecured, interest free, have no fixed repayment terms and their carrying amounts approximate to their fair values.

30. Cash and bank balances

	Group		**Company**	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and in hand	23,639	25,728	1,198	636
Short-term bank deposits	124,053	132,172	97,589	107,077
	147,692	157,900	98,787	107,713

The effective interest rate on short-term bank deposits ranges from 1.71% to 4.37% (2005: 1.98% to 2.52%) per annum and these deposits have maturity ranged from 1 to 365 days (2005: 1 to 365 days).

31. Creditors and accruals

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade creditors	4,236	4,799	–	–
Other creditors	38,817	24,614	634	523
Amounts payable to minority shareholders	416	–	–	–
Tenant and other deposits	11,591	5,190	–	–
Accrued expenses	4,073	3,583	–	–
	59,133	38,186	634	523

The amounts payable to minority shareholders are unsecured, interest free, have no fixed repayment terms and their carrying amounts approximate to their fair values.

Creditors and accruals are mainly denominated in Hong Kong dollar, Renminbi and United States dollar and their carrying amounts approximate to their fair values.

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

	2006	**2005**
	HK$'000	*HK$'000*
Below 30 days	2,612	1,999
31 to 60 days	849	837
61 to 90 days	698	907
Over 90 days	77	1,056
	4,236	4,799

32. Share capital

	2006	2005
	HK$'000	*HK$'000*
Authorised:		
18,000,000,000 shares of HK$0.05 each	900,000	900,000
Issued and fully paid:		
1,024,439,690 shares of HK$0.05 each	51,222	51,222

The Group adopted a share option scheme (the "Scheme") pursuant to the annual general meeting held on 26th August, 2002 which is valid and effective for a term of ten years from the date of its adoption. Under the Scheme, the Directors of the Company may grant options to the eligible persons as defined in the Scheme, inter alia, any employees, Directors or business consultants of the Company and its subsidiaries, to subscribe for shares in the Company under the terms and conditions stipulated therein. The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company as at 26th August, 2002. No options have been granted under the Scheme since its adoption.

In April 2006, the Company completed a one for four rights issue, under which 256,109,922 new shares of HK$0.05 each were allotted and issued at the price of HK$0.40 per share for cash *(note 41)*.

33. Reserves

Group

	Share premium	Capital reserve on consolidation	Capital reserve	Statutory reserve	Investment revaluation reserve	Exchange reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st March, 2004, as previously reported	1,105,395	96,512	457,792	3,266	–	(3,669)	(208,332)	1,450,964
Prior year adjustment								
Amortisation of land use rights (HKAS 17)	–	–	–	–	–	–	(152,720)	(152,720)
At 31st March, 2004, as restated	1,105,395	96,512	457,792	3,266	–	(3,669)	(361,052)	1,298,244
Changes in exchange rates	–	–	–	–	–	807	–	807
Share of reserve of an associated company	–	1,191	–	–	–	–	–	1,191
Transfer	–	–	–	11	–	–	(11)	–
Profit for the year, as restated	–	–	–	–	–	–	11,818	11,818
2005 proposed final dividend	–	–	–	–	–	–	(10,244)	(10,244)
At 31st March, 2005, as restated, before opening adjustments	1,105,395	97,703	457,792	3,277	–	(2,862)	(359,489)	1,301,816
Opening adjustments								
Derecognition of negative goodwill (HKFRS 3)	–	–	–	–	–	–	48,022	48,022
Change in fair value of available-for-sale financial assets (HKAS 39)	–	–	–	–	(13,613)	–	–	(13,613)
At 1st April, 2005, as restated	1,105,395	97,703	457,792	3,277	(13,613)	(2,862)	(311,467)	1,336,225
Changes in exchange rates	–	–	–	–	–	1,809	–	1,809
Change in fair value of available-for-sale financial assets	–	–	–	–	(11,143)	–	–	(11,143)
Profit for the year	–	–	–	–	–	–	36,023	36,023
2006 proposed final dividend	–	–	–	–	–	–	(12,805)	(12,805)
At 31st March, 2006	1,105,395	97,703	457,792	3,277	(24,756)	(1,053)	(288,249)	1,350,109
Retained by:								
Company and subsidiaries	1,105,395	96,175	457,792	3,277	(24,756)	(211)	(376,828)	1,260,844
Associated companies	–	1,528	–	–	–	(842)	88,579	89,265
	1,105,395	97,703	457,792	3,277	(24,756)	(1,053)	(288,249)	1,350,109

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 China.

33. Reserves (Continued)

Company

	Share premium	Capital reserve	Contributed surplus	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st March, 2004	1,105,395	457,792	11,222	162,761	1,737,170
Loss for the year	–	–	–	(58,099)	(58,099)
2005 proposed final dividend	–	–	(10,244)	–	(10,244)
At 31st March, 2005	1,105,395	457,792	978	104,662	1,668,827
Profit for the year	–	–	–	13,527	13,527
2006 proposed final dividend	–	–	(978)	(11,827)	(12,805)
At 31st March, 2006	1,105,395	457,792	–	106,362	1,669,549

Under the Companies Act 1981 of Bermuda, the contributed surplus arising on the formation of the Company in 1989 is distributable to the shareholders. Total distributable reserves of the Company amounted to HK$119,167,000 (2005: HK$115,884,000) as at 31st March, 2006.

34. Long-term borrowings

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Secured bank loans wholly repayable within five years	281,345	239,000
Current portion included in current liabilities	(8,000)	(6,000)
	273,345	233,000

34. Long-term borrowings (Continued)

The bank loans are secured by investment properties, land use rights and properties for/under development with an aggregate carrying amount of HK$681,667,000 (2005: HK$450,000,000), shares of a subsidiary and guaranteed by the ultimate holding company. The bank loans are repayable in the following periods:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Within one year	8,000	6,000
Second year	225,000	8,000
Third to fifth year	48,345	225,000
	281,345	239,000

The effective interest rate of the loans at the balance sheet date is ranging from 4.43% to 5.76% (2005: 2.17%) per annum. The fair values of the loans, based on cash flows discounted using a rate based on the borrowing rate of 4.43% to 5.76% (2005: 2.17%) per annum, approximate to their carrying amounts, which are denominated in the following currencies:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Hong Kong dollar	233,000	239,000
Renminbi	48,345	–
	281,345	239,000

35. Other non-current liabilities

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Provisions *(note 36)*	21,019	30,994
Deferred taxation *(note 37)*	235,366	235,366
Loans payable to minority shareholders	15,923	17,638
	272,308	283,998

Loans payable to minority shareholders are unsecured, interest free and have no fixed repayment terms.

36. Provisions

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
At the beginning of the year	33,414	33,414
Write back *(note 8)*	(12,395)	–
At the end of the year	21,019	33,414
Current portion included under other creditors	–	(2,420)
	21,019	30,994

Pursuant to an agreement dated 29th October, 2001, the Group disposed of certain properties in the Mainland China to Midas and accordingly, a portion of the profit from such disposal has been deferred. The Group would be responsible for 51% of the construction costs for the properties during the period from 14th December, 2001 to completion of the construction. In addition, the Group executed a deed of indemnity dated 14th December, 2001 in favour of Midas, pursuant to which the Group would indemnify Midas the portion of land appreciation and enterprise income taxes in the Mainland China, 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 estimated liabilities of the Group under the above undertakings and indemnities to Midas. During the year, part of these properties were disposed of by Midas to third parties and therefore the related deferred profit has been recognised *(note 23)* and the related provisions for the undertakings have been written back by the Group.

37. Deferred taxation

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Fair value gains	235,366	235,366

Deferred taxation liabilities for the fair value gains represent the deferred taxation on the differences between the carrying amounts of the properties for/under development as included in the consolidated financial statements (which are the fair values of these properties upon the date of acquisition of those subsidiaries by the Group in prior years) and the carrying amounts of these properties as included in the financial statements of the relevant subsidiaries.

37. Deferred taxation (Continued)

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$67 million (2005: HK$62 million) arising from unused tax losses of HK$384 million (2005: HK$356 million) have not been recognised in the financial statements. These tax losses have no expiry dates.

Deferred taxation liabilities of HK$4 million (2005: HK$3 million) on temporary differences in respect of depreciation allowances of HK$24 million (2005: HK$19 million) and of HK$4 million (2005: Nil) on revaluation surplus in respect of investment properties of HK$20 million (2005: Nil) have not been recognised in the financial statements as there are sufficient unrecognised deferred taxation assets to set off against them.

38. Commitments

(a) Capital commitments

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Contracted but not provided for		
Property development expenditure	25,087	44,193
Authorised but not contracted for	–	–
	25,087	44,193

38. 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	
	2006	**2005**
	HK$'000	*HK$'000*
Within one year	1,773	1,557
Two to five years	514	1,019
	2,287	2,576

Of the above operating lease commitment payable, HK$994,000 (2005: HK$1,987,000) 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 the investment properties is receivable in the following periods:

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Within one year	10,133	8,759
Two to five years	5,352	5,862
	15,485	14,621

39. Contingent liabilities

	Group	
	2006	**2005**
	HK$'000	*HK$'000*
Guarantees for mortgage bank loans to purchasers of properties of the Group	12,588	3,113

40. Notes to the consolidated cash flow statement

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

	2006	Restated 2005
	HK$'000	*HK$'000*
Operating profit/(loss)	27,051	(14,751)
Interest income	(4,618)	(2,374)
Dividend from unlisted preference shares	–	(1,828)
Amortisation of land use rights	16,743	16,720
Depreciation	10,599	10,325
Change in fair value of investment properties	(50,000)	(25,000)
Provision for diminution in value of investment securities	–	151
Write off of available-for-sale financial assets	18	–
Deferred profit realised on disposal of properties	(6,025)	–
Write back of provisions for construction costs and tax liabilities undertakings	(12,395)	–
Negative goodwill	(249)	–
Gain on disposal of property, plant and equipment	(64)	(21)
Operating loss before working capital changes	(18,940)	(16,778)
Decrease in properties for sale	15,370	447
(Increase)/decrease in inventories	(1,628)	364
Increase in debtors and prepayments	(5,676)	(3,249)
Increase in creditors and accruals	832	1,525
Changes in exchange rates	759	289
Cash used in operations	(9,283)	(17,402)

40. Notes to the consolidated cash flow statement (Continued)

(b) Purchase of subsidiaries

	2005
	HK$'000
Net assets acquired	
Property, plant and equipment	25
Properties for sale	11,641
Debtors and prepayments	968
Cash and bank balances	83
Creditors and accruals	(64)
Minority interests	(12,653)
	–
Cash consideration	–
Cash and bank balances acquired	83
Net cash inflow on purchase	83

In 2005, the subsidiaries acquired contributed HK$1,566,000 to the cash flows from operating activities of the Group and utilised HK$1,242,000 in respect of the cash outflows in investing activities of the Group.

(c) Analysis of cash and cash equivalents

	2006	**2005**
	HK$'000	*HK$'000*
Cash and bank balances	147,692	157,900
Bank deposits maturing more than three months from date of placement	(18,365)	(25,095)
	129,327	132,805

41. Subsequent event

In April 2006, the Company completed a one for four rights issue, under which 256,109,922 new shares of HK$0.05 each were allotted and issued at the price of HK$0.40 per share for cash, raising approximately HK$100 million after expenses. Details of the rights issue are set out in the circular to the shareholders of the Company dated 29th March, 2006.

42. Approval of financial statements

The financial statements were approved by the Board of Directors on 3rd July, 2006.

43. Principal subsidiaries

	Name	Place of incorporation/ operation	Registered capital/ issued capital/ paid up capital	Effective percentage held by Group 2006	2005	Principal activities
#	Chengdu Palace Development Company Limited	The Mainland China	RMB20,000,000	51	51	Property development
@	China Cyberworld Limited	Hong Kong	2 shares of HK$1 each	100	100	Investment holding
@	Chinaculture.com Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100	100	Investment holding
	Chuang's China Commercial Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100	100	Investment holding
@	Chuang's China Enterprises Limited	Hong Kong	458,310,965 shares of HK$0.2 each	100	100	Securities trading and investment holding
@	Chuang's China Realty Limited	Bermuda/Hong Kong	2,000,000 shares of HK$0.05 each	100	100	Investment holding
@	Chuang's China Treasury Limited	Cayman Islands/ Hong Kong	1 share of US$1	100	100	Investment holding

43. Principal subsidiaries (Continued)

	Name	Place of incorporation/ operation	Registered capital/ issued capital/ paid up capital	Effective percentage held by Group 2006	Effective percentage held by Group 2005	Principal activities
	Chuang's Development (China) Limited	Hong Kong	2 shares of HK$10 each	100	100	Property development and investment
	Chuang's Development (Dong Guan) Limited	Hong Kong	2 shares of HK$1 each	100	100	Investment holding
	Chuang's Information Technology Limited	Hong Kong	100 shares of HK$1 each	100	100	Investment holding
	Distinguished Properties Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100	100	Investment holding
	Double Wealthy Company Limited	Hong Kong	160 shares of HK$1 each	100	100	Investment holding
	Dragon Rich Investments Limited	Hong Kong	2 shares of HK$1 each	100	100	Property investment
@	Gold Throne Finance Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100	100	Investment holding
	Gold Capital Profits Limited	British Virgin Islands/ Hong Kong	100 shares of US$1 each	75	75	Investment holding
#	Guangzhou Panyu Chuang's Real Estate Development Company Limited	The Mainland China	RMB60,000,000	85	85	Property development and investment
#	Hunan Han Ye Real Estate Development Company Limited	The Mainland China	RMB25,000,000	54	54	Property development and investment
	Internet PRO Limited	Hong Kong	15,686,340 shares of HK$0.1 each	56	56	e-commerce solution provider

43. Principal subsidiaries (Continued)

Name	Place of incorporation/ operation	Registered capital/ issued capital/ paid up capital	Effective percentage held by Group 2006	Effective percentage held by Group 2005	Principal activities
iPro Technology Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100	100	Investment holding
Koledo Company Limited	Hong Kong	2 shares of HK$100 each 2 non-voting deferred shares of HK$100 each	100	100	Property investment
Noble Century Investment Limited	Hong Kong	1,000,000 shares of HK$1 each	60	60	Investment holding
On Profit Investment Limited	Hong Kong	2 shares of HK$1 each	100	100	Property development and investment
Silver Chase Investment Limited	Hong Kong	2 shares of HK$1 each	100	100	Property development and investment
Silver Dragon Investment Limited	Hong Kong	2 shares of HK$1 each	100	100	Property development and investment
Success Gain Investment Limited	Hong Kong	2 shares of HK$1 each	100	100	Property development and investment
Yuen Sang Hardware Company (1988) Limited	Hong Kong	1,000,000 shares of HK$1 each	100	100	Manufacture and sale of watch components
Yuen Sang Watch and Clock Limited	Hong Kong	500,000 shares of HK$1 each	100	100	Investment holding

@ Directly held by the Company

\# Not audited by PricewaterhouseCoopers

44. Principal associated companies

	Name	Place of incorporation/ operation	Registered capital/ issued capital/ paid up capital	Effective percentage held by Group 2006	2005	Principal activities
#	Fujian Sunshine Education Information Company Limited	The Mainland China	RMB7,000,000	48	48	Educational information system network development
Φ#	Midas International Holdings Limited	Cayman Islands/ Hong Kong	534,290,068 ordinary shares of HK$0.10 each	44.7	44.6	Books printing, paper products printing and property investment
#	Shanghai Yuen Sang Watch and Clock Limited	The Mainland China	US$700,000	50	50	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	25	25	Auction services

Φ Listed in Hong Kong

Not audited by PricewaterhouseCoopers