

# Notes to the Financial Statements

*For the year ended 31st March, 2006*

## 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 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.

The principal activities of the Group are property investment and development, manufacturing and sales of watch components, bonded polyester fabrics and home finishing products, securities investments 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, available-for-sale financial assets and other investments 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.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 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-Depreciable Assets
HKFRS 3	Business Combinations

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 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) and 15 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 leasehold land and land use rights. The up-front prepayments made for the leasehold land and 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 leasehold land and land use rights is capitalised under the relevant assets when the properties on the land are under construction.

In previous years, the leasehold land and land use rights were included under property, plant and equipment and properties for/under development. For those classified as leasehold 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 leasehold land and land use rights have been increased by HK\$971,823,000, property, plant and equipment have been decreased by HK\$10,794,000, properties for/under development have been decreased by HK\$1,139,588,000, properties for sale have been increased by HK\$1,951,000, retained profit have been decreased by HK\$101,262,000 and minority interests have been decreased by HK\$75,346,000 as at 31st March, 2005.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 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 other investments, 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 value and included in non-current assets. Other investments held for trading purposes are carried at fair value. They are classified as current assets on the balance sheet. 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. Realised and unrealised gains and losses arising from change in fair value of other investments are included in the profit and loss account in the period in which they arise.

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. Investments, which were acquired principally for the purpose of generating a profit from short-term fluctuation in price, were 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, were recognised in the profit and loss account. Profits or losses on disposal of investments, representing the difference between the net sales proceeds and the carrying amounts, were recognised in the profit and loss account as they arose.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 2. Basis of preparation (Continued)

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

#### (ii) (Continued)

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 and other investments. 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 and minority interests of the Group have been reduced by HK\$8,181,000 and HK\$5,432,000 respectively. The comparative amounts as at 31st March, 2005 have not been restated.

#### (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, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the profit and loss account. Upon disposal of an investment property, any relevant revaluation surplus realised was transferred to the profit and loss account. This accounting policy has been changed to conform with HKAS 40 and, as a result, investment properties revaluation reserve amounting to HK\$69,252,000 as at 1st April, 2005 has been transferred to retained profit.

#### (iv) The adoption of HK(SIC)-Int 21 has resulted in a change in the accounting policy relating to the deferred taxation arising from the revaluation of investment properties. Such deferred taxation should be calculated on the basis that the recovery of the carrying amount of the properties would be through use.

In previous years, deferred taxation arising from the revaluation of investment properties was calculated on the basis that the recovery of the carrying amount of the properties would be through sale. As a result, prior year adjustments have been made to reduce retained profit by HK\$124,022,000 and increase deferred tax assets and liabilities by HK\$21,359,000 and HK\$145,381,000 respectively as at 31st March, 2005.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 2. Basis of preparation (Continued)

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

- (v) 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\$55,358,000 against the opening retained profit and minority interests as at 1st April, 2005 amounting to HK\$36,197,000 and HK\$19,161,000, respectively, 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.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 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	HK(SIC) -Int 21	HKFRS 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other income					4,293	4,293
Administrative expenses		(16,743)				(16,743)
Change in fair value of investment properties			194,936			194,936
Share of results of associated companies	(4,981)				(5,938)	(10,919)
Profit before taxation						171,567
Taxation	4,981			(22,725)		(17,744)
Profit for the year	<u>–</u>	<u>(16,743)</u>	<u>194,936</u>	<u>(22,725)</u>	<u>(1,645)</u>	<u>153,823</u>
Attributable to:						
Equity holders of the Company	–	(9,453)	174,986	(22,725)	632	143,440
Minority interests	–	(7,290)	19,950	–	(2,277)	10,383
	<u>–</u>	<u>(16,743)</u>	<u>194,936</u>	<u>(22,725)</u>	<u>(1,645)</u>	<u>153,823</u>
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share	<u>–</u>	<u>(0.64)</u>	<u>11.84</u>	<u>(1.54)</u>	<u>0.04</u>	<u>9.70</u>

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 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	HK(SIC) -Int 21	HKFRS 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>							
Property, plant and equipment		(23,202)					(23,202)
Leasehold land and land use rights		968,794					968,794
Properties for/under development		(1,140,894)					(1,140,894)
Associated companies	(32,070)					42,316	10,246
Available-for-sale financial assets			21,896				21,896
Investment securities			(52,327)				(52,327)
Loans and receivables	12,238						12,238
Deferred tax assets					6,164		6,164
<b>Current assets</b>							
Properties for sale		1,951					1,951
Debtors and prepayments	32,070		5,675				37,745
<b>Current liabilities</b>							
Creditors and accruals	(416)						(416)
	<u>11,822</u>	<u>(193,351)</u>	<u>(24,756)</u>	<u>-</u>	<u>6,164</u>	<u>42,316</u>	<u>(157,805)</u>
<b>Equity</b>							
Other reserves			(14,878)	(244,238)			(259,116)
Retained profit		(110,715)		244,238	(146,748)	36,829	23,604
Minority interests	(40,432)	(82,636)	(9,878)			16,884	(116,062)
<b>Total equity</b>							(351,574)
<b>Non-current liabilities</b>							
Other non-current liabilities	52,254				152,912	(11,397)	193,769
	<u>11,822</u>	<u>(193,351)</u>	<u>(24,756)</u>	<u>-</u>	<u>6,164</u>	<u>42,316</u>	<u>(157,805)</u>

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 2. Basis of preparation (Continued)

### (c) Impact to 2005 financial statements

The following sets out the impacts 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 the consolidated balance sheet as at 31st March, 2005 as previously reported in the financial statements.

#### (i) Consolidated Profit and Loss Account

	As previously reported <i>HK\$ '000</i>	HKAS 1 <i>HK\$ '000</i>	HKAS 17 <i>HK\$ '000</i>	HK(SIC) -Int 21 <i>HK\$ '000</i>	Restated <i>HK\$ '000</i>
Turnover	500,405				500,405
Cost of sales	(351,364)				(351,364)
Gross profit	149,041				149,041
Other income	20,207				20,207
Distribution costs	(9,819)				(9,819)
Administrative expenses	(92,619)		(16,756)		(109,375)
Other operating expenses	(4,094)				(4,094)
Change in fair value of investment properties	132,518				132,518
Write back of provision for properties for sale	38,000				38,000
Operating profit	233,234				216,478
Finance costs	(22,011)				(22,011)
Share of results of associated companies	34,194	(3,886)			30,308
Profit before taxation	245,417				224,775
Taxation	(4,345)	3,886		(33,281)	(33,740)
Profit for the year	<u>241,072</u>	<u>–</u>	<u>(16,756)</u>	<u>(33,281)</u>	<u>191,035</u>
Attributable to:					
Equity holders of the Company	229,958	–	(9,477)	(33,281)	187,200
Minority interests	11,114	–	(7,279)	–	3,835
	<u>241,072</u>	<u>–</u>	<u>(16,756)</u>	<u>(33,281)</u>	<u>191,035</u>
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share	<u>15.56</u>	<u>–</u>	<u>(0.64)</u>	<u>(2.25)</u>	<u>12.67</u>

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 2. Basis of preparation (Continued)

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

#### (ii) Consolidated Balance Sheet

	As previously reported <i>HK\$'000</i>	HKAS 1 <i>HK\$'000</i>	HKAS 17 <i>HK\$'000</i>	HK(SIC) -Int 21 <i>HK\$'000</i>	Restated <i>HK\$'000</i>
<b>Non-current assets</b>					
Property, plant and equipment	106,907		(10,794)		96,113
Investment properties	2,675,350				2,675,350
Leasehold land and land use rights	–		971,823		971,823
Properties for/under development	1,348,451		(1,139,588)		208,863
Associated companies	181,786	(31,837)			149,949
Investment securities	75,845				75,845
Loans and receivables	13,195	43,214			56,409
Deferred tax assets	–			21,359	21,359
	<u>4,401,534</u>				<u>4,255,711</u>
<b>Current assets</b>					
Properties for sale	303,979		1,951		305,930
Inventories	18,501				18,501
Debtors and prepayments	49,879				49,879
Tax recoverable	160				160
Other investments	27,585				27,585
Cash and bank balances	421,533				421,533
	<u>821,637</u>				<u>823,588</u>
<b>Current liabilities</b>					
Creditors and accruals	104,400				104,400
Current portion of long-term borrowings	87,676				87,676
Taxation	15,931				15,931
	<u>208,007</u>				<u>208,007</u>
<b>Net current assets</b>	<u>613,630</u>				<u>615,581</u>
<b>Total assets less current liabilities</b>	<u>5,015,164</u>	<u>11,377</u>	<u>(176,608)</u>	<u>21,359</u>	<u>4,871,292</u>
<b>Equity</b>					
Share capital	369,502				369,502
Other reserves	1,045,305				1,045,305
Retained profit	1,628,949		(101,262)	(124,022)	1,403,665
Shareholders' funds	3,043,756				2,818,472
Minority interests	721,125	(43,295)	(75,346)		602,484
<b>Total equity</b>	<u>3,764,881</u>				<u>3,420,956</u>
<b>Non-current liabilities</b>					
Long-term borrowings	970,602				970,602
Other non-current liabilities	279,681	54,672		145,381	479,734
	<u>1,250,283</u>				<u>1,450,336</u>
	<u>5,015,164</u>	<u>11,377</u>	<u>(176,608)</u>	<u>21,359</u>	<u>4,871,292</u>

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 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.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 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) Group accounting

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.

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.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 3. Principal accounting policies (Continued)

### (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.

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.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 3. Principal accounting policies (Continued)

### (e) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the share of the net identifiable assets of the acquired subsidiaries and associated companies attributable to the Group 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.

### (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 were 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 properties 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.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 3. Principal accounting policies (Continued)

### (g) Leasehold land and land use rights

Leasehold land and land use rights represent non-refundable rental payments for lease of land. The up-front prepayments made for leasehold land and 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 leasehold land and land use rights is capitalised under the relevant assets when the properties on the land are under construction.

### (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 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 proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 3. Principal accounting policies (Continued)

### (i) Financial assets

The Group classifies its financial assets as other investments, 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.

#### (i) *Other investments*

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. Other investments 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 other investments are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 3. Principal accounting policies (Continued)

### (i) Financial assets (Continued)

Gains and losses arising from changes in the fair value of other investments, 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.

### (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.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 3. Principal accounting policies (Continued)

### (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, 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.

### (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.

### (n) Impairment of assets

Assets that have an indefinite useful life and are not subject to depreciation or amortisation are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 3. Principal accounting policies (Continued)

### (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.

### (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.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 3. Principal accounting policies (Continued)

### (r) Leases

Leases of assets where substantially all the risks and rewards of ownership are transferred to the Group are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the outstanding finance obligations. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining liabilities for each period.

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 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.

### (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.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 3. Principal accounting policies (Continued)

### (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.

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.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 3. Principal accounting policies (Continued)

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

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.

### (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.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 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.

#### (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 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, the Mainland China, Singapore and Malaysia 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.

# Notes to the Financial Statements

For the year ended 31st March, 2006

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

### (a) Financial risk management (Continued)

#### (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 and other investments.

### (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 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 values 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.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 5. Critical accounting estimates and judgements (Continued)

### (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

	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of properties	362,914	164,596
Securities trading	240,627	139,261
Rental and management fees	101,362	99,775
Sale of goods	92,170	95,008
Dividends from listed investments	1,085	1,607
Services fee	156	158
	<u>798,314</u>	<u>500,405</u>

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 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, sales of goods and services, securities trading and information technology. The business of the Group operates in three geographical areas of Hong Kong (property investment and development, sales of goods and services, securities trading and information technology), the Mainland China (property investment and development, sales of goods and services and information technology), and other countries (property investment and development and sales of goods and services).

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

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 7. Segment information (Continued)

### (a) Business segments

	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>
<b>2006</b>						
Turnover	464,430	92,170	241,712	178	(176)	798,314
Other income	26,895	1,650	–	–	27,520	56,065
Segment results	<u>313,755</u>	<u>1,344</u>	<u>10,340</u>	<u>(1,003)</u>	<u>(44,676)</u>	279,760
Finance costs						(59,068)
Share of results of associated companies	(31)	19,179	–	(408)	–	18,740
Profit before taxation						239,432
Taxation						(28,741)
Profit for the year						<u>210,691</u>
Segment assets	4,249,948	73,622	63,666	611	–	4,387,847
Associated companies	(713)	212,553	–	825	–	212,665
Unallocated assets						888,703
Total assets						<u>5,489,215</u>
Segment liabilities	1,403,918	8,399	5	515	–	1,412,837
Unallocated liabilities						430,873
Total liabilities						<u>1,843,710</u>
Capital expenditure	15,684	715	–	–	2,485	18,884
Depreciation	3,158	1,993	–	81	10,466	15,698
Amortisation of leasehold land and land use rights	16,744	266	–	–	–	17,010
Increase in fair value of investment properties	194,936	–	–	–	–	194,936
Provision for doubtful debts	1,856	–	–	–	–	1,856
Impairment of goodwill	–	–	–	–	799	799
Negative goodwill	–	–	–	–	5,167	5,167

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 7. 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>
<b>2005 (Restated)</b>						
Turnover	264,538	95,008	140,868	179	(188)	500,405
Other income	4,907	1,459	26	–	13,815	20,207
Segment results	<u>254,486</u>	<u>(2,694)</u>	<u>12,029</u>	<u>(743)</u>	<u>(46,600)</u>	216,478
Finance costs						(22,011)
Share of results of associated companies	(35)	30,761	–	(418)	–	<u>30,308</u>
Profit before taxation						224,775
Taxation						<u>(33,740)</u>
Profit for the year						<u>191,035</u>
Segment assets	4,257,330	86,720	27,592	222	–	4,371,864
Associated companies	(633)	149,373	–	1,209	–	149,949
Unallocated assets						<u>557,486</u>
Total assets						<u>5,079,299</u>
Segment liabilities	1,219,270	8,717	106	244	–	1,228,337
Unallocated liabilities						<u>430,006</u>
Total liabilities						<u>1,658,343</u>
Capital expenditure	266,534	925	–	–	741	268,200
Depreciation	2,318	2,024	148	71	10,756	15,317
Amortisation of leasehold land and land use rights	16,720	266	–	–	–	16,986
Amortisation of negative goodwill	–	5,780	–	–	605	6,385
Increase in fair value of investment properties						
– credited to profit and loss account	132,518	–	–	–	–	132,518
– credited to investment properties revaluation reserve	69,252	–	–	–	–	69,252
Write back of provision for properties for sale	38,000	–	–	–	–	38,000
Provision for doubtful debts	5,088	13	–	1	–	5,102
Provision for inventories	–	1,000	–	–	–	1,000
Impairment of goodwill	–	–	–	–	1,983	<u>1,983</u>

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 7. Segment information (Continued)

### (b) Geographical segments

	<b>Turnover</b> <i>HK\$'000</i>	<b>Total assets</b> <i>HK\$'000</i>	<b>Capital expenditure</b> <i>HK\$'000</i>
<b>2006</b>			
Hong Kong	712,950	3,916,286	5,202
The Mainland China	18,084	1,243,148	13,021
Other countries	67,280	329,781	661
	<u>798,314</u>	<u>5,489,215</u>	<u>18,884</u>
<b>2005 (Restated)</b>			
Hong Kong	428,565	3,591,938	187,110
The Mainland China	978	1,174,372	75,775
Other countries	70,862	312,989	5,315
	<u>500,405</u>	<u>5,079,299</u>	<u>268,200</u>

## 8. Other income

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Interest	22,171	6,995
Dividends from unlisted preference shares	–	1,828
Write back of provisions for construction costs and tax liabilities undertakings ( <i>note 38</i> )	12,395	–
Deferred profit realised on disposal of properties ( <i>note 23</i> )	6,025	–
Negative goodwill	5,167	–
Net exchange gain	–	80
Forfeiture of sales deposit of a yacht	–	5,525
Sundries	10,307	5,779
	<u>56,065</u>	<u>20,207</u>

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 9. Operating profit

	<b>2006</b>	Restated <b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit is stated after crediting:		
Gross rental income from investment properties	83,441	81,004
Net realised and unrealised gains on other investments	9,263	10,427
Dividends		
Listed	1,085	1,607
Unlisted	–	1,828
Interest from loans and receivables	1,429	437
Gain on disposal of property, plant and equipment	354	–
Gain on disposal of investment properties	1,688	11,500
Amortisation of negative goodwill	–	6,385
Negative goodwill	<u>5,167</u>	<u>–</u>
and after charging:		
Cost of properties and inventories sold	374,916	199,731
Depreciation		
Owned property, plant and equipment	15,698	15,184
Leased property, plant and equipment	–	133
Amortisation of leasehold land and land use rights	17,010	16,986
Loss on disposal of property, plant and equipment	–	35
Operating lease rental on land and buildings	3,979	4,889
Outgoings in respect of investment properties	23,697	22,874
Provision for doubtful debts	1,856	5,102
Impairment of goodwill	799	1,983
Provision for inventories	–	1,000
Net exchange loss	2,153	–
Staff costs, including Directors' emoluments		
Wages and salaries	47,061	43,918
Retirement benefit costs	2,063	2,269
Auditors' remuneration		
Audit services	1,304	1,449
Non-audit services	<u>150</u>	<u>100</u>

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 10. Employee retirement benefits

The Group participates in respective government retirement benefit schemes in the Mainland China, Singapore and Malaysia 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 respective countries. The governments of the respective countries are 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 to 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 totalling HK\$58,000 (2005: HK\$14,000) were utilised in 2006 and there are no forfeited contributions available at 31st March, 2006 to reduce the future contributions of the Group (2005: Nil).

## 11. Finance costs

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interest expense		
Bank loans wholly repayable within five years	54,248	16,072
Bank loans not wholly repayable within five years	6,926	5,733
Other loan wholly repayable within five years	–	188
Finance lease obligations wholly payable within five years	5	18
	<u>61,179</u>	<u>22,011</u>
Amount capitalised into properties for/under development	(589)	–
Amount capitalised into properties for sale	<u>(1,522)</u>	<u>–</u>
	<u>59,068</u>	<u>22,011</u>

The capitalisation rates applied to funds borrowed generally and used for the development of properties range from 5.76% to 8.50% per annum (2005: Nil).

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 12. Share of results of associated companies

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

## 13. Directors' and five highest paid individuals' emoluments

### (a) Directors' emoluments

Name of Director	Fees HK\$ '000	Salaries HK\$ '000	Other benefits HK\$ '000	Retirement	Total HK\$ '000
				scheme contributions HK\$ '000	
<b>2006</b>					
Mr. Alan Chuang Shaw Swee	30	1,400	2,400	150	3,980
Mrs. Alice Siu Chuang Siu Suen	20	600	–	45	665
Mr. Ko Sheung Chi	20	1,788	696	12	2,516
Mr. Lui Lop Kay	20	1,200	–	60	1,280
Ms. So Kan Yiu	20	576	–	12	608
Ms. Cathy Chan Chung Shan	20	576	–	12	608
Dr. Peter Po Fun Chan	80	–	–	–	80
Mr. David Chris Lee Tsung Hei	80	–	–	–	80
Mr. Abraham Shek Lai Him	80	–	–	–	80
	<u>370</u>	<u>6,140</u>	<u>3,096</u>	<u>291</u>	<u>9,897</u>
<b>2005</b>					
Mr. Alan Chuang Shaw Swee	30	840	2,160	150	3,180
Mrs. Alice Siu Chuang Siu Suen	20	1,080	–	81	1,181
Mr. Ko Sheung Chi	20	1,788	696	12	2,516
Mr. Lui Lop Kay	20	1,200	–	60	1,280
Ms. So Kan Yiu	20	470	–	10	500
Ms. Cathy Chan Chung Shan	20	470	–	10	500
Dr. Peter Po Fun Chan	80	–	–	–	80
Mr. David Chris Lee Tsung Hei	80	–	–	–	80
Mr. Abraham Shek Lai Him	80	–	–	–	80
	<u>370</u>	<u>5,848</u>	<u>2,856</u>	<u>323</u>	<u>9,397</u>

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

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 13. Directors' and five highest paid individuals' emoluments (Continued)

### (b) Five highest paid individuals' emoluments

The five highest paid individuals in the Group include three (2005: three) Directors. Details of the aggregate emoluments paid to the two (2005: two) individuals, whose emoluments were the highest in the Group and who are not Directors, are set out below:

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Salaries, housing and allowances, benefits in kind	3,140	2,550
Retirement scheme contributions	<u>89</u>	<u>156</u>
	<u><u>3,229</u></u>	<u><u>2,706</u></u>

The emoluments of the individuals fall within the following bands:

<b>Emoluments bands</b>	<b>Number of individuals</b>	
	<b>2006</b>	<b>2005</b>
HK\$1,000,001 to HK\$1,500,000	1	2
HK\$1,500,001 to HK\$2,000,000	<u>1</u>	<u>–</u>
	<u><u>2</u></u>	<u><u>2</u></u>

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.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 14. Taxation

	<b>2006</b>	Restated <b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Company and subsidiaries		
Current (Hong Kong)	7,483	200
Current (Overseas)	(151)	6
Deferred ( <i>note 39</i> )	21,409	33,534
	<u>28,741</u>	<u>33,740</u>

Provision for Hong Kong profits tax has been made at the rate of 17.5% (2005: 17.5%) 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 Group operates.

Share of taxation of associated companies for the year amounting to HK\$4,981,000 (2005: HK\$3,886,000) is included in the profit and loss account as share of results of associated companies.

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:

	<b>2006</b>	Restated <b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	239,432	224,775
Share of results of associated companies	(18,740)	(30,308)
	<u>220,692</u>	<u>194,467</u>
Tax charge at the rate of 17.5% (2005: 17.5%)	38,621	34,032
Effect of different taxation rates in other countries	(595)	(171)
Income not subject to taxation	(17,318)	(23,360)
Expenses not deductible for taxation purposes	6,546	5,917
Utilisation of previously unrecognised tax losses	(7,183)	(15,209)
Tax losses not recognised	10,227	5,241
Other items	(1,557)	27,290
Taxation charge	<u>28,741</u>	<u>33,740</u>

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 15. Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company includes HK\$23,015,000 (2005: HK\$11,426,000) which is dealt with in the financial statements of the Company.

## 16. Dividends

	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim paid of 0.5 HK cent (2005: 0.5 HK cent) per share	7,390	7,390
Proposed final of 1.0 HK cent (2005: 1.0 HK cent) per share	<u>14,780</u>	<u>14,780</u>
	<u>22,170</u>	<u>22,170</u>

The Board of Directors proposed on 12th July, 2006 a final dividend in respect of 2006 of 1.0 HK cent (2005: 1.0 HK cent) per share amounting to HK\$14,780,000 (2005: HK\$14,780,000). 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 the earnings per share is based on the profit attributable to equity holders of the Company of HK\$198,572,000 (2005: HK\$187,200,000, as restated) and 1,478,006,155 (2005: 1,478,006,155) shares in issue during the year.

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

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 18. Property, plant and equipment

### Group

	<b>Buildings</b> <i>HK\$'000</i>	<b>Plant and machinery</b> <i>HK\$'000</i>	<b>Other assets</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Cost</b>				
At 31st March, 2005	56,730	38,810	130,471	226,011
Changes in exchange rates	526	157	192	875
Additions	336	401	7,091	7,828
Disposals	–	–	(6,341)	(6,341)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>At 31st March, 2006</b>	<u>57,592</u>	<u>39,368</u>	<u>131,413</u>	<u>228,373</u>
<b>Accumulated depreciation and impairment</b>				
At 31st March, 2005	12,081	35,167	82,650	129,898
Changes in exchange rates	144	151	140	435
Charge for the year	963	691	14,044	15,698
Disposals	–	–	(5,354)	(5,354)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>At 31st March, 2006</b>	<u>13,188</u>	<u>36,009</u>	<u>91,480</u>	<u>140,677</u>
<b>Net book value</b>				
<b>At 31st March, 2006</b>	<u>44,404</u>	<u>3,359</u>	<u>39,933</u>	<u>87,696</u>

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 18. Property, plant and equipment (Continued)

### Group

	<b>Buildings</b> <i>HK\$'000</i>	<b>Plant and machinery</b> <i>HK\$'000</i>	<b>Other assets</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>Cost</b>				
At 31st March, 2004	46,316	38,700	128,549	213,565
Changes in exchange rates	493	147	122	762
Acquisition of subsidiaries	–	–	300	300
Additions	–	381	3,528	3,909
Transfer from properties for/under development	9,921	–	–	9,921
Disposals	–	(418)	(2,028)	(2,446)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31st March, 2005	<u>56,730</u>	<u>38,810</u>	<u>130,471</u>	<u>226,011</u>
<b>Accumulated depreciation and impairment</b>				
At 31st March, 2004	11,175	34,760	70,169	116,104
Changes in exchange rates	115	138	84	337
Acquisition of subsidiaries	–	–	206	206
Charge for the year	791	687	13,839	15,317
Disposals	–	(418)	(1,648)	(2,066)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31st March, 2005	<u>12,081</u>	<u>35,167</u>	<u>82,650</u>	<u>129,898</u>
<b>Net book value</b>				
At 31st March, 2005	<u>44,649</u>	<u>3,643</u>	<u>47,821</u>	<u>96,113</u>

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 18. Property, plant and equipment (Continued)

### Company

	<b>Other assets</b> <i>HK\$'000</i>
<b>Cost</b>	
At 31st March, 2004 and 2005	—
Additions	281
	<u>281</u>
<b>At 31st March, 2006</b>	<u>281</u>
<b>Accumulated depreciation</b>	
At 31st March, 2004 and 2005	—
Charge for the year	32
	<u>32</u>
<b>At 31st March, 2006</b>	<u>32</u>
<b>Net book value</b>	
<b>At 31st March, 2006</b>	<u>249</u>
At 31st March, 2005	<u>—</u>

- (a) Other assets comprise furniture and fixtures, computer equipment, motor vehicles and yacht.
- (b) Buildings with net book value of HK\$25,462,000 (2005: HK\$25,840,000) have been pledged as securities for the borrowing facilities granted to the Group.
- (c) Buildings are held under the following terms:

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
Outside Hong Kong		
Freehold	8,920	8,920
Long-term leases	10,020	9,888
Medium-term leases	25,464	25,841
	<u>44,404</u>	<u>44,649</u>

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 19. Investment properties

	<b>Group</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	2,675,350	2,472,650
Changes in exchange rates	5,251	(765)
Additions	–	4,595
Transfer from properties for sale	–	18,600
Disposals	(312)	(21,500)
Change in fair value	194,936	201,770
	<u>2,875,225</u>	<u>2,675,350</u>

(a) Investment properties are held under the following terms:

	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>In Hong Kong</b>		
Long-term leases	1,214,010	1,109,490
Medium-term leases	1,438,000	1,350,000
	<u>2,652,010</u>	<u>2,459,490</u>
<b>Outside Hong Kong</b>		
Freehold	220,815	213,460
Long-term leases	2,400	2,400
	<u>223,215</u>	<u>215,860</u>
	<u>2,875,225</u>	<u>2,675,350</u>

(b) Investment properties in Hong Kong were revalued at 31st March, 2006 on an open market value basis by Vigers Appraisal & Consulting Limited, independent professional property valuer. Investment properties in Malaysia and the Mainland China were revalued at 31st March, 2006 on an open market value basis by VPC Alliance (KL) Sendirian Berhad and DTZ Debenham Tie Leung Limited, independent professional property valuers respectively.

(c) Investment properties with net book value of HK\$2,843,015,000 (2005: HK\$2,648,560,000) have been pledged as securities for the borrowing facilities granted to the Group (note 36).

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 20. Leasehold land and land use rights

	<b>Group</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	971,823	1,021,285
Changes in exchange rates	1,440	768
Acquisition of a subsidiary	12,540	–
Additions	–	922
Transfer to properties for sale	–	(34,166)
Amortisation	(17,010)	(16,986)
	<u>968,793</u>	<u>971,823</u>
At the end of the year	<u>968,793</u>	<u>971,823</u>
Held outside Hong Kong under:		
Long-term leases	883,045	883,837
Medium-term leases	85,748	87,986
	<u>968,793</u>	<u>971,823</u>

The interests in leasehold land and land use rights represent prepaid operating lease payments, of which HK\$189,576,000 (2005: HK\$192,843,000) are pledged as securities for certain loan facilities granted to the Group (note 36).

## 21. Properties for/under development

	<b>Group</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	208,863	13,218
Acquisition of a subsidiary	–	14,491
Property development expenditure	11,056	258,774
Interest expenses capitalised	589	–
Transfer to property, plant and equipment	–	(9,921)
Transfer to properties for sale	(184,676)	(67,699)
	<u>35,832</u>	<u>208,863</u>
At the end of the year	<u>35,832</u>	<u>208,863</u>

Properties for/under development amounting to HK\$16,434,000 (2005: HK\$200,134,000) are pledged as securities for certain loan facilities granted to the Group (note 36).

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 22. Subsidiaries

	Company	
	2006	2005
	HK\$'000	HK\$'000
Unlisted shares, at cost	<u>874,435</u>	<u>874,435</u>

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 46 to the financial statements.

## 23. Associated companies

	Group	
	2006	2005
	HK\$'000	HK\$'000
Share of net assets	212,665	197,971
Negative goodwill ( <i>note 2(a)(v)</i> )	<u>–</u>	<u>(48,022)</u>
	<u>212,665</u>	<u>149,949</u>
Investments, at cost		
Listed shares in Hong Kong	115,940	115,515
Unlisted shares	<u>81,387</u>	<u>81,387</u>
	<u>197,327</u>	<u>196,902</u>
Market value of listed shares	<u>131,340</u>	<u>157,080</u>

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 47 to the financial statements.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 23. Associated companies (Continued)

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

	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	197,971	174,093
Changes in exchange rates	24	16
Additional investments	426	5,693
Negative goodwill from additional investments	249	2,108
Share of profit before taxation	23,721	28,414
Share of taxation	(4,981)	(3,886)
Share of reserves	–	1,191
Dividend received	(10,770)	(9,658)
Deferred profit realised on disposal of properties ( <i>note 8</i> )	6,025	–
	<u>212,665</u>	<u>197,971</u>
At the end of the year	<u>212,665</u>	<u>197,971</u>

## 24. Available-for-sale financial assets

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

The investment represents 12.8% equity interest in CNT Group Limited (“CNT”) held by Chuang’s China Investments Limited (“Chuang’s China”), a listed subsidiary of the Group, and its subsidiaries (collectively the “Chuang’s China Group”). CNT is incorporated in Bermuda and listed in Hong Kong and is principally engaged in property investment and development and the manufacture and sale of paint products.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 25. Investment securities

	<b>Group</b> <b>2005</b> <i>HK\$'000</i>
Listed equity shares, at cost	46,652
Unlisted preference shares, at cost	23,500
Unlisted equity shares, at cost	1,849
Loans receivable	<u>5,675</u>
	77,676
Provision	<u>(1,831)</u>
	<u>75,845</u>
Market value of listed shares	<u>33,040</u>

The listed equity shares represent 12.8% equity interest in CNT held by the Chuang's China Group.

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 International Holdings Limited ("Midas"), a listed associated company of the Group, at an issue price of HK\$0.60 per share. These shares were held by the Chuang's China Group.

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, would 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.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 26. Loans and receivables

	<b>Group</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mortgage loans	24,699	14,085
Amount receivable from minority interest	12,238	11,377
Amounts receivable from associated companies	<u>32,070</u>	<u>31,837</u>
	69,007	57,299
Current portions included in other debtors		
Mortgage loans	(1,507)	(890)
Amounts receivable from associated companies	<u>(32,070)</u>	<u>–</u>
	<u><u>35,430</u></u>	<u><u>56,409</u></u>

Loans and receivables are denominated in Hong Kong dollar. Mortgage loans are provided to purchasers of the Group's properties. The amount receivable from minority interest is unsecured, is not receivable within the next twelve months and carries interest at prevailing market rates. The amounts receivable from associated companies in 2005 were unsecured, interest free and were not receivable within the next twelve months except for an amount of HK\$750,000 which carried interest at prevailing market rates and receivable by December 2005.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 27. Properties for sale

	<b>Group</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Completed properties	261,338	187,246
Properties under development	<u>18,895</u>	<u>118,684</u>
	<u>280,233</u>	<u>305,930</u>
Properties under development		
At the beginning of the year	118,684	–
Changes in exchange rates	185	–
Acquisition of subsidiaries	–	15,562
Property development expenditure	68,300	1,257
Interest expenses capitalised	1,522	–
Transfer from leasehold land and land use rights	–	34,166
Transfer from properties for/under development	184,676	67,699
Transfer to completed properties	(168,550)	–
Disposals	<u>(185,922)</u>	<u>–</u>
At the end of the year	<u>18,895</u>	<u>118,684</u>

Completed properties amounting to HK\$89,681,000 (2005: HK\$165,555,000) are carried at net realisable value. Properties for sale amounting to HK\$451,000 (2005: HK\$144,744,000) are pledged as securities for certain loan facilities granted to the Group (note 36).

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 28. Inventories

	Group	
	2006	2005
	HK\$'000	HK\$'000
Raw materials	5,236	5,089
Work in progress	3,191	1,949
Finished goods	9,652	12,463
	<u>18,079</u>	<u>19,501</u>
Provision	(1,000)	(1,000)
	<u>17,079</u>	<u>18,501</u>

Finished goods of HK\$2,540,000 (2005: HK\$3,142,000) are carried at net realisable value.

## 29. Debtors and prepayments

	Group		Company	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade debtors	21,679	29,390	–	–
Other debtors	52,085	4,519	3,219	286
Utility and other deposits	18,274	14,589	–	139
Prepayments	8,419	1,381	29	–
	<u>100,457</u>	<u>49,879</u>	<u>3,248</u>	<u>425</u>

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

Other debtors of the Group in 2006 include amounts receivable from associated companies amounting to HK\$32,070,000 (2005: Nil), which are unsecured, interest free and have no fixed repayment terms except for an amount of HK\$750,000 which carries interest at prevailing market rates and receivable by December 2006.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 29. 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:

	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Below 30 days	8,054	11,348
31 to 60 days	4,167	3,958
61 to 90 days	3,339	3,375
Over 90 days	6,119	10,709
	<u>21,679</u>	<u>29,390</u>

## 30. Amounts due from subsidiaries

	<b>Company</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts receivable	2,369,498	2,745,916
Provision	<u>(1,410,236)</u>	<u>(1,410,236)</u>
	<u>959,262</u>	<u>1,335,680</u>

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

## 31. Other investments

	<b>Group</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities, at market value		
Listed in Hong Kong	<u>63,663</u>	<u>27,585</u>

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 32. Cash and bank balances

	Group		Company	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at bank and in hand	40,242	45,250	288	2,937
Short-term bank deposits	743,617	376,283	619,564	244,112
	<u>783,859</u>	<u>421,533</u>	<u>619,852</u>	<u>247,049</u>

The effective interest rates on short-term bank deposits range from 1.71% to 4.37% (2005: 1.98% to 2.55%) per annum and these deposits have maturities ranged from 1 to 365 days (2005: 1 to 365 days). Cash and bank balances are mainly denominated in Hong Kong dollar, Renminbi and United States dollar.

Cash and bank balances of the Group in 2005 amounting to HK\$7,660,000 were restricted and could only be used for the payments of development costs of certain properties for sale, and repayment of loans on these properties.

## 33. Creditors and accruals

	Group		Company	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade creditors	17,096	26,244	–	–
Other creditors	46,088	31,889	–	–
Amounts payable to minority interests	416	–	–	–
Tenant and other deposits	32,848	29,401	–	–
Accrued expenses	18,636	16,866	1,309	2,697
	<u>115,084</u>	<u>104,400</u>	<u>1,309</u>	<u>2,697</u>

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

The amounts payable to minority interests are unsecured, interest free and have no fixed repayment terms.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 33. Creditors and accruals (Continued)

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

	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Below 30 days	4,224	3,540
31 to 60 days	1,377	1,437
Over 60 days	11,495	21,267
	<u>17,096</u>	<u>26,244</u>

## 34. Share capital

	<b>2006</b>	<b>2005</b>
	<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 of HK\$0.25 each	<u>369,502</u>	<u>369,502</u>

The Group adopted a share option scheme (the "Scheme") pursuant to the annual general meeting held on 30th 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 30th August, 2002. No options have been granted under the Scheme since its adoption.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 35. Reserves

### Group

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Retained profit HK\$'000	Total HK\$'000
At 31st March, 2004, as previously reported	658,331	4,462	-	-	416,970	2,067	(107,225)	1,406,387	2,380,992
Prior year adjustments									
Amortisation of leasehold land and land use rights (HKAS 17)	-	-	-	-	-	-	-	(91,784)	(91,784)
Deferred tax on revaluation of investment properties (HK(SIC)-Int 21)	-	-	-	-	-	-	-	(90,742)	(90,742)
At 31st March, 2004, as restated	658,331	4,462	-	-	416,970	2,067	(107,225)	1,223,861	2,198,466
Changes in exchange rates	-	-	-	-	-	-	726	-	726
Share of reserve of an associated company	-	-	-	-	716	-	-	-	716
Change in fair value of investment properties	-	-	-	69,252	-	-	-	-	69,252
Transfer	-	-	-	-	-	6	-	(6)	-
Profit for the year, as restated	-	-	-	-	-	-	-	187,200	187,200
2005 interim dividend paid	-	-	-	-	-	-	-	(7,390)	(7,390)
2005 proposed final dividend	-	-	-	-	-	-	-	(14,780)	(14,780)
At 31st March, 2005, as restated, before opening adjustments	658,331	4,462	-	69,252	417,686	2,073	(106,499)	1,388,885	2,434,190

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 35. Reserves (Continued)

### Group

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Exchange reserve HK\$'000	Retained profit HK\$'000	Total HK\$'000
At 31st March, 2005, as restated, before opening adjustments	658,331	4,462	–	69,252	417,686	2,073	(106,499)	1,388,885	2,434,190
Opening adjustments									
Derecognition of negative goodwill (HKFRS 3)	–	–	–	–	–	–	–	36,197	36,197
Adjustment on fair value of available-for-sale financial assets (HKAS 39)	–	–	(8,181)	–	–	–	–	–	(8,181)
Transfer of investment properties revaluation reserve to retained profit (HKAS 40)	–	–	–	(69,252)	–	–	–	69,252	–
At 1st April, 2005, as restated	658,331	4,462	(8,181)	–	417,686	2,073	(106,499)	1,494,334	2,462,206
Changes in exchange rates	–	–	–	–	–	–	5,869	–	5,869
Change in fair value of available-for-sale financial assets	–	–	(6,697)	–	–	–	–	–	(6,697)
Profit for the year	–	–	–	–	–	–	–	198,572	198,572
2006 interim dividend paid	–	–	–	–	–	–	–	(7,390)	(7,390)
2006 proposed final dividend	–	–	–	–	–	–	–	(14,780)	(14,780)
<b>At 31st March, 2006</b>	<b>658,331</b>	<b>4,462</b>	<b>(14,878)</b>	<b>–</b>	<b>417,686</b>	<b>2,073</b>	<b>(100,630)</b>	<b>1,670,736</b>	<b>2,637,780</b>
Retained by:									
Company and subsidiaries	658,331	4,462	(14,878)	–	416,715	2,073	(100,630)	1,621,114	2,587,187
Associated companies	–	–	–	–	971	–	–	49,622	50,593
	<b>658,331</b>	<b>4,462</b>	<b>(14,878)</b>	<b>–</b>	<b>417,686</b>	<b>2,073</b>	<b>(100,630)</b>	<b>1,670,736</b>	<b>2,637,780</b>

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.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 35. Reserves (Continued)

### Company

	<b>Share premium</b>	<b>Capital redemption reserve</b>	<b>Contributed surplus</b>	<b>Retained profit</b>	<b>Total</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
At 31st March, 2004	658,331	4,462	394,310	1,024,251	2,081,354
Profit for the year	–	–	–	11,426	11,426
2005 interim dividend paid	–	–	(7,390)	–	(7,390)
2005 proposed final dividend	–	–	(14,780)	–	(14,780)
	<u>658,331</u>	<u>4,462</u>	<u>372,140</u>	<u>1,035,677</u>	<u>2,070,610</u>
At 31st March, 2005	658,331	4,462	372,140	1,035,677	2,070,610
Profit for the year	–	–	–	23,015	23,015
2006 interim dividend paid	–	–	(7,390)	–	(7,390)
2006 proposed final dividend	–	–	(14,780)	–	(14,780)
	<u>658,331</u>	<u>4,462</u>	<u>349,970</u>	<u>1,058,692</u>	<u>2,071,455</u>
At 31st March, 2006	<u>658,331</u>	<u>4,462</u>	<u>349,970</u>	<u>1,058,692</u>	<u>2,071,455</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 of the Company. Total distributable reserves of the Company amounted to HK\$1,423,442,000 (2005: HK\$1,422,597,000) as at 31st March, 2006.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 36. Long-term borrowings

	<b>Group</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured bank loans		
Wholly repayable within five years	1,122,992	937,007
Not wholly repayable within five years	113,410	121,140
	<u>1,236,402</u>	<u>1,058,147</u>
Obligations under finance lease wholly payable within five years	—	131
	<u>1,236,402</u>	<u>1,058,278</u>
Current portion included in current liabilities	(62,244)	(87,676)
	<u>1,174,158</u>	<u>970,602</u>

The bank loans are secured by certain investment properties, leasehold land and land use rights, properties for/under development and properties for sale with an aggregate carrying amount of HK\$3,040,600,000 (2005: HK\$2,992,471,000), shares of certain subsidiaries and guaranteed by the Company, and loans of HK\$1,164,939,000 (2005: HK\$903,215,000) are also secured by the assignment of rental income. The bank loans are repayable in the following periods:

	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	62,244	87,545
Second year	292,672	464,098
Third to fifth year	823,561	438,366
After the fifth year	57,925	68,138
	<u>1,236,402</u>	<u>1,058,147</u>

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 36. Long-term borrowings (Continued)

The finance lease obligations are payable in the following period:

	<b>Minimum payments 2005 HK\$'000</b>	<b>Present value 2005 HK\$'000</b>
Within one year	136	131
Future finance charges	(5)	—
	<u>131</u>	<u>131</u>

The effective interest rates of the loans range from 4.43% to 8.50% (2005: 2.17% to 8.00%) per annum and their fair values, based on cash flows discounted at the borrowing rates of 4.43% to 8.50% (2005: 2.17% to 8.00%) per annum, approximate to their carrying amounts. The loans are denominated in the following currencies:

	<b>2006 HK\$'000</b>	<b>2005 HK\$'000</b>
Hong Kong dollar	1,126,680	995,262
Malaysian Ringgit	61,377	62,885
Renminbi	48,345	—
	<u>1,236,402</u>	<u>1,058,147</u>

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 37. Other non-current liabilities

	Group	
	2006	2005
	HK\$'000	HK\$'000
Provisions (note 38)	21,019	30,994
Deferred tax liabilities (note 39)	393,022	386,732
Negative goodwill (note 40)	–	7,336
Amounts payable to minority interests	52,274	54,672
	<u>466,315</u>	<u>479,734</u>

Amounts payable to minority interests are unsecured, interest free and are not repayable within the next twelve months.

## 38. Provisions

	Group	
	2006	2005
	HK\$'000	HK\$'000
At the beginning of the year	33,414	33,414
Write back (note 8)	(12,395)	–
	<u>21,019</u>	<u>33,414</u>
At the end of the year	21,019	33,414
Current portion included under other creditors	–	(2,420)
	<u>21,019</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 China to Midas and accordingly, a portion of the profit from such disposal has been deferred. Chuang's China 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, Chuang's China 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 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 Chuang's China.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 39. Deferred taxation

	Deferred tax liabilities			Deferred tax assets
	Fair value gains <i>HK\$'000</i>	Accelerated depreciation allowances <i>HK\$'000</i>	Total <i>HK\$'000</i>	Fair value losses <i>HK\$'000</i>
<b>Group</b>				
At 31st March, 2004 as previously reported	237,987	3,108	241,095	–
Prior year adjustment				
Revaluation of investment properties (HK(SIC)-Int 21)	119,281	–	119,281	(28,539)
At 31st March, 2004, as restated	357,268	3,108	360,376	(28,539)
Changes in exchange rates	–	2	2	–
Charged to profit and loss account ( <i>note 14</i> )	26,100	254	26,354	7,180
At 31st March, 2005, as restated	383,368	3,364	386,732	(21,359)
Changes in exchange rates	64	12	76	–
Charged/(credited) to profit and loss account ( <i>note 14</i> )	7,506	(1,292)	6,214	15,195
At 31st March, 2006	390,938	2,084	393,022	(6,164)

Deferred taxation liabilities for the fair value gains of HK\$235,365,000 (2005: HK\$235,365,000) represent the deferred taxation on the differences between the carrying amounts of the properties for/under development as included in the consolidated financial statements and the carrying amounts of these properties as included in the financial statements of the relevant subsidiaries. The remaining balances represent the deferred taxation on the revaluation of the investment properties.

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 Group operates.

Deferred taxation assets of HK\$191 million (2005: HK\$201 million) and HK\$13 million (2005: HK\$24 million) arising from unused tax losses of HK\$1,091 million (2005: HK\$1,147 million) and net accumulated revaluation deficit of investment properties of HK\$74 million (2005: HK\$137 million) have not been recognised in the financial statements. The tax losses have no expiry dates.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 39. Deferred taxation (Continued)

Deferred taxation liabilities of HK\$15 million (2005: HK\$12 million) on temporary differences in respect of depreciation allowances of HK\$86 million (2005: HK\$69 million) have not been recognised in the financial statements as there are sufficient unrecognised deferred tax assets to set off against them.

## 40. Negative goodwill

	<b>Group</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost	–	7,941
Accumulated amortisation	–	(605)
	<hr/>	<hr/>
Net book value	–	7,336
	<hr/>	<hr/>
At the beginning of the year, as previously reported, before opening adjustment	7,336	7,941
Opening adjustment		
Derecognition of negative goodwill (HKFRS 3)	(7,336)	–
	<hr/>	<hr/>
	–	7,941
Amortisation	–	(605)
	<hr/>	<hr/>
At the end of the year	–	7,336
	<hr/>	<hr/>

## 41. Commitments

### (a) Capital commitments

	<b>Group</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for		
– Property development expenditure	28,079	47,240
	<hr/>	<hr/>
Authorised but not contracted for	–	–
	<hr/>	<hr/>
	28,079	47,240
	<hr/>	<hr/>

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 41. 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 HK\$'000	2005 HK\$'000
Within one year	5,846	4,930
Two to five years	4,899	9,050
	<u>10,745</u>	<u>13,980</u>

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 properties is receivable in the following periods:

	Group	
	2006 HK\$'000	2005 HK\$'000
Investment properties		
Within one year	62,077	55,753
Two to five years	38,267	43,870
	<u>100,344</u>	<u>99,623</u>
Properties for sale		
Within one year	511	167
Two to five years	30	–
	<u>541</u>	<u>167</u>
	<u>100,885</u>	<u>99,790</u>

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 42. Contingent liabilities

	Group		Company	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees for bank loans of subsidiaries and associated company	–	–	1,154,209	975,307
Guarantees for mortgage bank loans to purchasers of properties of the Group	<u>12,588</u>	<u>3,113</u>	<u>–</u>	<u>–</u>
	<u>12,588</u>	<u>3,113</u>	<u>1,154,209</u>	<u>975,307</u>

The Company provides a guarantee for the mortgage bank loan of an investment property of Chuang's China amounting to HK\$233,000,000 (2005: HK\$239,000,000). 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.

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 43. Notes to the consolidated cash flow statement

### (a) Reconciliation of operating profit to cash generated from operations

	2006	Restated 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit	279,760	216,478
Interest	(22,171)	(6,995)
Dividends	(1,085)	(3,435)
Depreciation	15,698	15,317
Amortisation of leasehold land and land use rights	17,010	16,986
Amortisation of negative goodwill	–	(605)
Change in fair value of investment properties	(194,936)	(132,518)
Write back of provision for properties for sale	–	(38,000)
Provision for diminution in value of investment securities	–	151
Impairment of goodwill	799	1,983
Gain on disposal of property, plant and equipment	(354)	–
Gain on disposal of investment properties	(1,688)	(11,500)
Loss on disposal of property, plant and equipment	–	35
Write off of available-for-sale financial assets	18	–
Negative goodwill	(5,167)	–
Deferred profit realised on disposal of properties	(6,025)	–
Write back of provisions for construction costs and tax liabilities undertakings	(12,395)	–
	<hr/>	<hr/>
Operating profit before working capital changes	69,464	57,897
Increase in loans and receivables	(10,614)	(688)
Decrease in properties for sale	226,636	85,170
Decrease in inventories	1,422	3,756
(Increase)/decrease in other investments	(36,078)	22,680
(Increase)/decrease in debtors and prepayments	(7,118)	8,204
Decrease in creditors and accruals	(11,369)	(13,009)
Changes in exchange rates	1,541	633
	<hr/>	<hr/>
Cash generated from operations	<u>233,884</u>	<u>164,643</u>

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 43. Notes to the consolidated cash flow statement (Continued)

### (b) Analysis of changes in financing

	Minority interests <i>HK\$'000</i>	Amount receivable from minority interest <i>HK\$'000</i>	Amounts payable to minority interests <i>HK\$'000</i>	Bank loans <i>HK\$'000</i>	Obligations under finance leases <i>HK\$'000</i>
At 31st March, 2004, as restated	600,994	(9,734)	41,339	1,131,125	294
Changes in exchange rates	625	–	53	(211)	–
Share of reserve of an associated company	475	–	–	–	–
Acquisition of subsidiaries	642	–	12,193	6,031	–
Share of profit	3,835	–	–	–	–
Net cash (used in)/from financing activities	<u>(4,087)</u>	<u>(1,643)</u>	<u>1,087</u>	<u>(78,798)</u>	<u>(163)</u>
At 31st March, 2005, as restated	602,484	(11,377)	54,672	1,058,147	131
Share of derecognition of negative goodwill (HKFRS 3)	19,161	–	–	–	–
Share of change in fair value of available-for-sale financial assets (HKAS 39)	(9,878)	–	–	–	–
Changes in exchange rates	1,443	–	118	1,399	–
Purchase of additional interest of a subsidiary	782	–	–	–	–
Share of profit	12,119	–	–	–	–
Capital injection by minority shareholders	1,419	–	(1,419)	–	–
Net cash (used in)/from financing activities	<u>(4,087)</u>	<u>(861)</u>	<u>(681)</u>	<u>176,856</u>	<u>(131)</u>
At 31st March, 2006	<u>623,443</u>	<u>(12,238)</u>	<u>52,690</u>	<u>1,236,402</u>	<u>–</u>

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 43. Notes to the consolidated cash flow statement (Continued)

### (c) Acquisition of subsidiaries

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Net assets acquired		
Property, plant and equipment	–	94
Leasehold land and land use rights	12,540	–
Properties for/under development	–	14,491
Properties for sale	–	15,562
Debtors and prepayments	1,271	3,266
Cash and bank balances	1	273
Creditors and accruals	(5)	(15,572)
Taxation	(2,791)	–
Current portion of long-term borrowings	–	(2,427)
Long-term borrowings	–	(3,604)
Minority interests	–	(12,835)
	<u>11,016</u>	<u>(752)</u>
(Negative goodwill)/goodwill	<u>(4,918)</u>	<u>1,983</u>
Cash consideration	6,098	1,231
Cash and bank balances acquired	<u>(1)</u>	<u>(273)</u>
Net cash outflow in the acquisition of subsidiaries	<u><u>6,097</u></u>	<u><u>958</u></u>

The subsidiary acquired during the year had no contribution and utilisation to the Group's cash flows from operating activities and investing activities (2005: contributed HK\$1,566,000 and utilised HK\$1,242,000 respectively).

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 43. Notes to the consolidated cash flow statement (Continued)

### (d) Analysis of cash and cash equivalents

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Cash and bank balances	783,859	421,533
Bank deposits maturing more than three months from date of placement	<u>(18,365)</u>	<u>(25,094)</u>
	<u>765,494</u>	<u>396,439</u>

## 44. Post balance sheet events

In April 2006, Chuang's China 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 circulars to the shareholders of Chuang's China dated 29th March, 2006. Under the rights issue, 153,923,911 new shares were allotted to the Group with total amount of approximately HK\$61,570,000.

## 45. Approval of financial statements

The financial statements were approved by the Board of Directors on 12th July, 2006.

## 46. Principal subsidiaries

Name	Place of incorporation/ operation	Registered capital/ issued capital/ paid up capital	Effective percentage held by Group		Principal activities
			2006	2005	
Artiful Limited	Hong Kong	100 shares of HK\$1 each	70.0	70.0	Property investment
# Chengdu Palace Development Company Limited	The Mainland China	RMB20,000,000	30.7	30.7	Property development
China Cyberworld Limited	Hong Kong	2 shares of HK\$1 each	60.1	60.1	Investment holding
China Inland Tours Development Limited	Hong Kong	2 shares of HK\$1 each	100.0	100.0	Property development and investment

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 46. Principal subsidiaries (Continued)

Name	Place of incorporation/ operation	Registered capital/ issued capital/ paid up capital	Effective percentage held by Group		Principal activities
			2006	2005	
Chinaculture.com Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	60.1	60.1	Investment holding
Chuang's China Commercial Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	60.1	60.1	Investment holding
Chuang's China Enterprises Limited	Hong Kong	458,310,965 shares of HK\$0.20 each	60.1	60.1	Securities trading and investment holding
* Chuang's China Investments Limited	Bermuda/ Hong Kong	1,024,439,690 shares of HK\$0.05 each	60.1	60.1	Investment holding
Chuang's China Realty Limited	Bermuda/ Hong Kong	2,000,000 shares of HK\$0.05 each	60.1	60.1	Investment holding
Chuang's China Treasury Limited	Cayman Islands/ Hong Kong	1 share of US\$1	60.1	60.1	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 investment
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	60.1	Property development and investment
Chuang's Development (Dong Guan) Limited	Hong Kong	2 shares of HK\$1 each	60.1	60.1	Investment holding
Chuang's Finance & Investments Limited	Hong Kong	110,000 shares of HK\$10 each	100.0	100.0	Property development and investment, and securities trading

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For the year ended 31st March, 2006

## 46. Principal subsidiaries (Continued)

Name	Place of incorporation/ operation	Registered capital/ issued capital/ paid up capital	Effective percentage held by Group		Principal activities
			2006	2005	
Chuang's Information Technology Limited	Hong Kong	100 shares of HK\$1 each	60.1	60.1	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
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	60.1	Investment holding
Double Wealthy Company Limited	Hong Kong	160 shares of HK\$1 each	60.1	60.1	Investment holding
Dragon Rich Investments Limited	Hong Kong	2 shares of HK\$1 each	60.1	60.1	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 and securities trading
Fanus Limited	British Virgin Islands/ Hong Kong	100 shares of US\$1 each	100.0	100.0	Investment holding

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 46. Principal subsidiaries (Continued)

Name	Place of incorporation/ operation	Registered capital/ issued capital/ paid up capital	Effective percentage held by Group		Principal activities
			2006	2005	
# Farmtec (Malaysia) Sdn. Bhd.	Malaysia	1,000,000 shares of MYR1 each	100.0	60.0	Property development
General Nominees Limited	Hong Kong	500 shares of HK\$10 each	100.0	100.0	Nominee and secretarial services
Gold Capital Profits Limited	British Virgin Islands/ Hong Kong	100 shares of US\$1 each	45.1	45.1	Investment holding
Gold Throne Finance Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	60.1	60.1	Investment holding
# Guangzhou Panyu Chuang's Real Estate Development Company Limited	The Mainland China	RMB60,000,000	51.1	51.1	Property development and investment
# Hunan Han Ye Real Estate Development Company Limited	The Mainland China	RMB25,000,000	32.5	32.5	Property development and investment
# Ilham Kencana Sdn. Bhd.	Malaysia	10,000 shares of MYR1 each	100.0	–	Property development
Internet PRO Limited	Hong Kong	15,686,340 shares of HK\$0.1 each	33.7	33.7	e-commerce solution provider
iPro Technology Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	60.1	60.1	Investment holding
Jannerson Limited	Hong Kong	5,000 shares of HK\$1 each	100.0	100.0	Property investment and securities trading

# Notes to the Financial Statements

For the year ended 31st March, 2006

## 46. Principal subsidiaries (Continued)

Name	Place of incorporation/ operation	Registered capital/ issued capital/ paid up capital	Effective percentage held by Group		Principal activities
			2006	2005	
Koledo Company Limited	Hong Kong	2 shares of HK\$100 each 2 non-voting deferred shares of HK\$100 each	60.1	60.1	Property investment
Malview Sdn. Bhd.	Malaysia	5,000,000 shares of MYR1 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
Noble Century Investment Limited	Hong Kong	1,000,000 shares of HK\$1 each	36.1	36.1	Investment holding
On Profit Investment Limited	Hong Kong	2 shares of HK\$1 each	60.1	60.1	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	60.1	Property development and investment
Silver Dragon Investment Limited	Hong Kong	2 shares of HK\$1 each	60.1	60.1	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 sales of bonded polyester fabrics and home finishing products

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For the year ended 31st March, 2006

## 46. Principal subsidiaries (Continued)

Name	Place of incorporation/ operation	Registered capital/ issued capital/ paid up capital	Effective percentage held by Group		Principal activities
			2006	2005	
Success Gain Investment Limited	Hong Kong	2 shares of HK\$1 each	60.1	60.1	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	60.1	Manufacture and sales 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	60.1	Investment holding
*	Listed in Hong Kong				
@	Directly held by the Company				
#	Not audited by PricewaterhouseCoopers				

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## 47. Principal associated companies

Name	Place of incorporation/ operation	Registered capital/ issued capital/ paid up capital	Effective percentage held by Group		Principal activities
			2006	2005	
# 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 China	RMB7,000,000	28.8	28.8	Educational information system network development
*# Midas International Holdings Limited	Cayman Islands/ Hong Kong	534,290,068 ordinary shares of HK\$0.10 each	26.9	26.8	Books printing, paper products printing and property investment
# Shanghai Yuen Sang Watch and Clock Limited	The Mainland China	US\$700,000	30.0	30.0	Manufacture, assembling and sales of watches and clocks
# Treasure Auctioneer International Limited	British Virgin Islands/ Hong Kong	1,000,000 shares of US\$1 each	15.0	15.0	Auction services
Yuen Sang Property Management Company Limited	Hong Kong	2 shares of HK\$1 each	50.0	50.0	Property management
*	Listed in Hong Kong				
#	Not audited by PricewaterhouseCoopers				