

1. Principal Activities

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 investment and trading, and the provision of information technology services.

2. Principal Accounting Policies

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

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st March, 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

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

(a) Basis of consolidation

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

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

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

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

2. Principal Accounting Policies (Continued)

(b) Goodwill and negative goodwill

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

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

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

The profit or loss on disposal of subsidiaries and associated companies is calculated by reference to the Group's share of the net assets at the date of disposal together with the attributable amount of goodwill and negative goodwill which remains unamortised, as well as goodwill and negative goodwill previously taken directly to reserves, and any related accumulated exchange reserve.

(c) Subsidiaries

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

(d) Associated companies

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

2. Principal Accounting Policies (Continued)

(e) Fixed assets and depreciation

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

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

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

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

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

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

2. Principal Accounting Policies (Continued)

(f) Investments

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

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

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

(g) Leased assets

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

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

2. Principal Accounting Policies (Continued)

(h) Properties held for/under development

Properties held 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.

(i) Properties held for sale

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

(j) Inventories

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

(k) Trade debtors

Provision is made against trade debtors to the extent they are considered to be doubtful. Trade debtors in the balance sheet are stated net of such provision.

(l) Provisions

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

2. Principal Accounting Policies (Continued)

(m) **Deferred taxation**

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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

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.

(n) **Revenue recognition**

Sale of completed properties are recognised upon completion of sale and purchase contracts. Sale of properties in advance of their completion are recognised over the course of development with reference to the stage of completion of the development, computed as a proportion of construction costs incurred to estimated total construction costs. Where purchasers fail to pay the balances of the purchase price on completion, sales deposits received in advance of completion are forfeited and credited to profit and loss account. Rental income under operating leases, net of incentives given to lessees, is recognised on a straight line basis over the period of the respective leases. Sale of goods are recognised on the transfer of risks and rewards on ownership, which generally coincides with the time when goods are delivered to the customers and 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.

(o) **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.

2. Principal Accounting Policies (Continued)

(p) Employee benefits

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

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

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

(q) 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.

(r) Translation of foreign currencies

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

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

Notes to the Accounts

3. Turnover

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of properties	164,596	131,258
Securities trading	139,261	80,352
Rental and management fees	99,775	96,642
Sale of goods	95,008	95,541
Dividend income	1,607	397
Services fee	158	215
	<u>500,405</u>	<u>404,405</u>

4. Segment Information

In accordance with the Group's internal financial reporting and operating activities, the primary segment reporting is business segments and the secondary segment reporting is geographical segments. The main business segments of the Group are property investment and development, sales of goods and services, securities trading and information technology. The Group's business operates in three geographical areas of Hong Kong (property investment and development, sales of goods and services, securities trading and information technology), the Mainland (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 fixed assets, properties, investment securities, other investments, inventories, debtors and prepayments. Segment liabilities mainly comprise creditors and accruals and long-term borrowings and mainly exclude taxation and deferred taxation. Unallocated costs represent corporate expenses. Capital expenditure comprises additions to fixed assets and expenditure for properties held for/under development.

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

4. 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>
2005						
Turnover	264,538	95,008	140,868	179	(188)	500,405
Other revenues	<u>4,907</u>	<u>1,459</u>	<u>26</u>	<u>–</u>	<u>13,815</u>	<u>20,207</u>
Segment results	<u>271,242</u>	<u>(2,694)</u>	<u>12,029</u>	<u>(743)</u>	<u>(46,600)</u>	<u>233,234</u>
Finance costs						(22,011)
Share of results of associated companies	(23)	34,635	–	(418)	–	<u>34,194</u>
Profit before taxation						245,417
Taxation						<u>(4,345)</u>
Profit after taxation						241,072
Minority interests	(8,702)	(11,886)	–	154	9,320	<u>(11,114)</u>
Profit attributable to shareholders						<u>229,958</u>
Segment assets	4,390,869	86,575	27,592	222	–	4,505,258
Associated companies	31,059	149,518	–	1,209	–	181,786
Unallocated assets						<u>536,127</u>
Total assets						<u>5,223,171</u>
Segment liabilities	1,174,698	8,717	106	110	–	1,183,631
Unallocated liabilities						<u>274,659</u>
Total liabilities						<u>1,458,290</u>
Capital expenditure	266,576	925	–	–	741	268,242
Depreciation	2,318	2,295	148	71	10,756	15,588
Amortisation of negative goodwill	–	(5,780)	–	–	(605)	(6,385)
Revaluation surplus 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 held for sale	(38,000)	–	–	–	–	(38,000)
Other non-cash items	<u>5,088</u>	<u>1,044</u>	<u>74</u>	<u>1</u>	<u>2,146</u>	<u>8,353</u>

Notes to the Accounts

4. Segment Information (Continued)

(a) Business segments (Continued)

	Property investment and development <i>HK\$'000</i>	Sales of goods and services <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Information technology <i>HK\$'000</i>	Corporate and elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
2004						
Turnover	228,066	95,413	80,749	365	(188)	404,405
Other revenues	4,475	1,368	2,984	–	9,728	18,555
Segment results	158,237	2,411	9,921	(750)	(47,949)	121,870
Finance costs						(27,811)
Share of results of associated companies	(26)	25,826	–	(513)	–	25,287
Profit before taxation						119,346
Taxation						(3,447)
Profit after taxation						115,899
Minority interests	(4,547)	(10,048)	(54)	538	6,007	(8,104)
Profit attributable to shareholders						107,795
Segment assets	3,957,299	89,919	50,275	454	–	4,097,947
Associated companies	31,014	121,958	–	1,612	–	154,584
Unallocated assets						737,367
Total assets						4,989,898
Segment liabilities	1,237,882	9,936	106	237	–	1,248,161
Unallocated liabilities						275,797
Total liabilities						1,523,958
Capital expenditure	16,488	1,187	–	4	6,825	24,504
Depreciation	1,379	2,311	148	71	9,985	13,894
Amortisation of negative goodwill	–	(4,543)	–	–	–	(4,543)
Revaluation surplus of investment properties credited to profit and loss account	(70,040)	–	–	–	–	(70,040)
Write back of provision for properties held for sale	(20,000)	–	–	–	–	(20,000)
Other non-cash items	1,105	–	2,675	–	(1,982)	1,798

4. Segment Information (Continued)

(b) Geographical segments

	Turnover <i>HK\$'000</i>	Operating profit/(loss) <i>HK\$'000</i>	Total assets <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>
2005				
Hong Kong	428,565	239,301	3,559,243	187,152
The Mainland	978	(7,525)	1,350,939	75,775
Other countries	70,862	1,458	312,989	5,315
	<u>500,405</u>	<u>233,234</u>	<u>5,223,171</u>	<u>268,242</u>
2004				
Hong Kong	327,145	121,116	3,427,445	12,486
The Mainland	1,614	(4,662)	1,257,856	11,713
Other countries	75,646	5,416	304,597	305
	<u>404,405</u>	<u>121,870</u>	<u>4,989,898</u>	<u>24,504</u>

5. Other Revenues

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interest income	6,995	6,365
Dividend income from preference shares	1,828	3,791
Exchange gain	80	38
Forfeiture of sales deposit of a yacht	5,525	–
Sundries	5,779	8,361
	<u>20,207</u>	<u>18,555</u>

Notes to the Accounts

6. Operating Profit

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit is stated after crediting:		
Dividend income		
Listed	1,607	397
Unlisted	1,828	3,791
Gain on disposal of fixed assets	11,465	177
Gross rental income from investment properties	81,004	78,032
Net realised and unrealised gains on other investments	10,427	9,282
Amortisation of negative goodwill	605	–
	<u> </u>	<u> </u>
and after charging:		
Cost of properties and inventories sold	199,731	197,063
Depreciation		
Owned fixed assets	15,455	13,693
Leased fixed assets	133	201
Operating lease rental on land and buildings	4,889	5,073
Outgoings in respect of investment properties	22,874	23,306
Provision for doubtful debts	5,102	2,105
Impairment of goodwill	1,983	–
Provision for inventories	1,000	–
Staff costs, including Directors' emoluments		
Wages and salaries	43,918	43,778
Retirement benefit costs	2,269	2,097
Auditors' remuneration	1,549	1,645
	<u> </u>	<u> </u>

7. Employee Retirement Benefits

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

The subsidiaries in Hong Kong operate defined contribution schemes for all eligible employees. Contributions to 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 subsidiaries 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 schemes as mentioned above. During the year, forfeited contributions totaling HK\$14,000 (2004: HK\$205,000) were utilised and there are no forfeited contributions available to reduce the Group's future contributions as at 31st March, 2005 (2004: Nil).

8. Finance Costs

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense		
Bank loans wholly repayable within five years	16,098	21,639
Bank loans not wholly repayable within five years	5,733	6,984
Other loan wholly repayable within five years	188	512
Finance lease obligations wholly payable within five years	18	61
Financing charges	372	486
	<hr/>	<hr/>
	22,409	29,682
Capitalised as costs of properties	(398)	(1,871)
	<hr/>	<hr/>
	<u>22,011</u>	<u>27,811</u>

Notes to the Accounts

9. Share of Results of Associated Companies

The Group's share of results for the year includes the amortisation of negative goodwill in respect of an associated company amounting to HK\$5,780,000 (2004: HK\$4,543,000).

10. Directors' and Five Highest Paid Individuals' Emoluments

(a) Directors' emoluments

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees	370	270
Salaries, housing and allowances, benefits in kind	8,705	8,004
Retirement scheme contributions	323	321
	<u>9,398</u>	<u>8,595</u>

The emoluments paid to independent non-executive Directors amounted to HK\$240,000 (2004: HK\$180,000). Emoluments of the individual Directors fall within the following bands:

Emoluments bands	Number of Directors	
	2005	2004
Nil to HK\$1,000,000	5	3
HK\$1,000,001 to HK\$1,500,000	2	2
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$3,000,001 to HK\$3,500,000	1	1
	<u>9</u>	<u>7</u>

10. Directors' and Five Highest Paid Individuals' Emoluments (Continued)

(b) Five highest paid individuals' emoluments

The five highest paid individuals in the Group include three (2004: three) Directors. Details of the aggregate emoluments paid to the two (2004: two) individuals, whose emoluments were the highest in the Group and who are not Directors, are set out below:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Salaries, housing and allowances, benefits in kind	2,550	2,550
Retirement scheme contributions	156	156
	<u>2,706</u>	<u>2,706</u>

The emoluments of both individuals for both years fall within the emoluments band of HK\$1,000,001 to HK\$1,500,000.

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

11. Taxation

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Company and subsidiaries		
Current (Hong Kong)	200	93
Current (Overseas)	6	942
Deferred (<i>note 33</i>)	254	(14)
	<u>460</u>	<u>1,021</u>
Associated companies		
Current (Hong Kong)	2,973	2,135
Current (Overseas)	879	448
Deferred	33	(157)
	<u>3,885</u>	<u>2,426</u>
	<u>4,345</u>	<u>3,447</u>

Provision for Hong Kong profits tax has been made at the rate of 17.5% (2004: 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 companies operate.

Notes to the Accounts

11. Taxation (Continued)

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

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	<u>245,417</u>	<u>119,346</u>
Tax charge at the rate of 17.5% (2004: 17.5%)	42,948	20,886
Effect of different taxation rates in other countries	(1,439)	(1,287)
Income not subject to taxation	(28,708)	(15,306)
Expenses not deductible for taxation purposes	4,004	3,370
Tax losses not recognised	5,469	1,892
Utilisation of previously unrecognised tax losses	(15,434)	(5,722)
Increase in tax rate	–	112
Other items	<u>(2,495)</u>	<u>(498)</u>
Taxation charge	<u>4,345</u>	<u>3,447</u>

12. Profit Attributable to Shareholders

Profit attributable to shareholders for the year includes a profit of HK\$11,426,000 (2004: HK\$10,689,000) dealt with in the accounts of the Company.

13. Dividends

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim paid of 0.5 HK cent (2004: Nil) per share	7,390	–
Proposed final of 1.0 HK cent (2004: 1.0 HK cent) per share	<u>14,780</u>	<u>14,780</u>
	<u>22,170</u>	<u>14,780</u>

The Board of Directors declares a final dividend in respect of 2005 of 1.0 HK cent (2004: 1.0 HK cent) per share amounting to HK\$14,780,000 (2004: HK\$14,780,000). This amount will be accounted for as an appropriation of reserves in the year ending 31st March, 2006.

14. Earnings per Share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$229,958,000 (2004: HK\$107,795,000) and the weighted average number of 1,478,006,155 (2004: 1,352,186,483) shares in issue during the year.

15. Fixed Assets

Group

	Investment properties	Land and buildings	Plant and machinery	Other fixed assets	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost or valuation					
At 31st March, 2004	2,472,650	58,006	38,700	128,549	2,697,905
Changes in exchange rates	(765)	667	147	122	171
Purchase of subsidiaries	–	–	–	300	300
Additions	4,595	–	381	3,528	8,504
Transfer from properties held for/under development and properties held for sale	18,600	11,711	–	–	30,311
Disposals	(21,500)	–	(418)	(2,028)	(23,946)
Revaluation surplus	201,770	–	–	–	201,770
	<u>2,675,350</u>	<u>70,384</u>	<u>38,810</u>	<u>130,471</u>	<u>2,915,015</u>
At 31st March, 2005	<u>2,675,350</u>	<u>70,384</u>	<u>38,810</u>	<u>130,471</u>	<u>2,915,015</u>
Accumulated depreciation and impairment					
At 31st March, 2004	–	13,723	34,760	70,169	118,652
Changes in exchange rates	–	156	138	84	378
Purchase of subsidiaries	–	–	–	206	206
Charge for the year	–	1,062	687	13,839	15,588
Disposals	–	–	(418)	(1,648)	(2,066)
	<u>–</u>	<u>14,941</u>	<u>35,167</u>	<u>82,650</u>	<u>132,758</u>
At 31st March, 2005	<u>–</u>	<u>14,941</u>	<u>35,167</u>	<u>82,650</u>	<u>132,758</u>
Net book value					
At 31st March, 2005	<u>2,675,350</u>	<u>55,443</u>	<u>3,643</u>	<u>47,821</u>	<u>2,782,257</u>
At 31st March, 2004	<u>2,472,650</u>	<u>44,283</u>	<u>3,940</u>	<u>58,380</u>	<u>2,579,253</u>

Notes to the Accounts

15. Fixed Assets (Continued)

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

	Investment properties		Land and buildings	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
In Hong Kong				
Long-term leases	1,109,490	932,130	–	–
Medium term leases	1,350,000	1,328,000	–	–
	<u>2,459,490</u>	<u>2,260,130</u>	<u>–</u>	<u>–</u>
Outside Hong Kong				
Freehold	213,460	210,120	8,920	8,920
Long-term leases	2,400	2,400	11,673	–
Medium term leases	–	–	34,850	35,363
	<u>215,860</u>	<u>212,520</u>	<u>55,443</u>	<u>44,283</u>
	<u>2,675,350</u>	<u>2,472,650</u>	<u>55,443</u>	<u>44,283</u>

- (b) Investment properties in Hong Kong were revalued at 31st March, 2005 on an open market value basis by Vigers Appraisal & Consulting Limited, independent professional property valuer. Investment properties in Malaysia and the Mainland were revalued at 31st March, 2005 on an open market value basis by VPC Alliance (KL) Sendirian Berhad and DTZ Debenham Tie Leung Limited, independent professional property valuers, respectively. All other assets are carried at cost.
- (c) Other fixed assets comprise furniture and fixtures, computer equipment, motor vehicles and yacht.
- (d) Investment properties and land and buildings with aggregate net book value of HK\$2,683,410,000 (2004: HK\$2,502,083,000) have been pledged as securities for the borrowing facilities granted to the Group (note 30).
- (e) The net book value of fixed asset held under finance lease is nil (2004: HK\$134,000).

16. Properties held for/under Development

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	1,185,213	1,175,064
Changes in exchange rates	635	–
Purchase of a subsidiary	14,491	–
Property development expenditure	259,738	10,149
Transfer to fixed assets	(11,711)	–
Transfer to properties held for sale	(99,915)	–
	<u>1,348,451</u>	<u>1,185,213</u>
At the end of the year	<u>1,348,451</u>	<u>1,185,213</u>

Properties held for/under development are held under the following terms:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Outside Hong Kong		
Long-term leases	961,602	983,081
Medium term leases	202,132	202,132
	<u>1,163,734</u>	<u>1,185,213</u>
In Hong Kong		
Long-term leases	184,717	–
	<u>184,717</u>	<u>–</u>
	<u>1,348,451</u>	<u>1,185,213</u>

Properties held for/under development amounting to HK\$365,468,000 (2004: Nil) are pledged as securities for certain loan facilities granted to the Group (note 30).

Notes to the Accounts

17. Subsidiaries

	Company	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	874,435	891,569
Amounts receivable	2,745,916	2,677,681
Amount payable	–	(42)
Provision	<u>(1,410,236)</u>	<u>(1,427,326)</u>
	<u>2,210,115</u>	<u>2,141,882</u>

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

18. Associated Companies

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	197,971	174,093
Negative goodwill	(48,022)	(51,693)
Loans and amounts receivable	31,837	32,184
	<u>181,786</u>	<u>154,584</u>
Investments, at cost		
Listed shares in Hong Kong	115,515	109,822
Unlisted shares	81,387	81,387
	<u>196,902</u>	<u>191,209</u>
Market value of listed shares	<u>157,080</u>	<u>155,720</u>
Details of the negative goodwill are as follows:		
Cost	59,378	57,269
Accumulated amortisation	(11,356)	(5,576)
Net book value	<u>48,022</u>	<u>51,693</u>
At the beginning of the year	51,693	56,236
Addition	2,109	–
Amortisation	(5,780)	(4,543)
At the end of the year	<u>48,022</u>	<u>51,693</u>

The loans and amounts receivable are unsecured, interest free and have no fixed repayment terms except for an amount of HK\$750,000 (2004: HK\$750,000) which carries interest at prevailing market rates and repayable by January 2006. Particulars of principal associated companies which, in the opinion of the Directors, materially affect the results or net assets of the Group are set out in note 40 to the accounts.

Notes to the Accounts

19. Investment Securities

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed equity shares, at cost	46,652	45,252
Unlisted preference shares, at cost	23,500	98,500
Unlisted equity shares, at cost	1,849	2,698
Loans receivable	5,675	7,079
	<u>77,676</u>	<u>153,529</u>
Provision	(1,831)	(1,680)
	<u>75,845</u>	<u>151,849</u>
Market value of listed shares	<u>33,040</u>	<u>47,120</u>

The unlisted preference shares represent 39,166,668 (2004: 164,166,668) series B preference shares of HK\$0.01 each, which were issued on 14th December, 2001 by Midas International Holdings Limited (“Midas”), an associated company, at an issue price of HK\$0.60 per share. These shares are held by Chuang’s China Investments Limited (“Chuang’s China”) and its subsidiaries (together the “Chuang’s China Group”). Chuang’s China is a listed subsidiary of the Group.

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

20. Loans Receivable

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mortgage loans	14,085	13,397
Current portion included in other debtors	(890)	(903)
	<u>13,195</u>	<u>12,494</u>

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

21. Properties held for Sale

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Completed properties	187,246	252,890
Properties under development for sale	116,733	—
	<u>303,979</u>	<u>252,890</u>

Completed properties amounting to HK\$165,555,000 (2004: HK\$230,877,000) are carried at net realisable value. Properties held for sale amounting to HK\$144,744,000 (2004: HK\$204,232,000) are pledged as securities for certain loan facilities granted to the Group (note 30).

Notes to the Accounts

22. Inventories

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	5,089	4,176
Work in progress	1,949	2,145
Finished goods	12,463	15,936
Provision	(1,000)	–
	<u>18,501</u>	<u>22,257</u>

Finished goods of HK\$3,142,000 (2004: Nil) are carried at net realisable value.

23. Debtors and Prepayments

	Group		Company	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors	29,390	31,676	–	–
Other debtors	4,519	13,578	286	77
Utility and other deposits	14,589	7,843	139	139
Prepayments	1,381	1,504	–	–
	<u>49,879</u>	<u>54,601</u>	<u>425</u>	<u>216</u>

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

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Below 30 days	11,348	8,313
31 to 60 days	3,958	6,541
61 to 90 days	3,375	3,103
Over 90 days	10,709	13,719
	<u>29,390</u>	<u>31,676</u>

24. Other Investments

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Equity securities, at market value		
Listed in Hong Kong	<u>27,585</u>	<u>50,265</u>

25. Cash and Bank Balances

Cash and bank balances of the Group include HK\$7,660,000 (2004: HK\$7,271,000) which are restricted and can only be used for the payments of development costs of certain properties held for sale, and repayment of loans on these properties.

26. Creditors and Accruals

	Group		Company	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Trade creditors	26,244	26,672	–	–
Other creditors	31,889	23,870	–	–
Tenant and other deposits	29,401	27,861	–	–
Accrued expenses	<u>16,866</u>	<u>17,464</u>	<u>2,697</u>	<u>2,376</u>
	<u>104,400</u>	<u>95,867</u>	<u>2,697</u>	<u>2,376</u>

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Below 30 days	3,540	15,761
31 to 60 days	1,437	1,521
Over 60 days	<u>21,267</u>	<u>9,390</u>
	<u>26,244</u>	<u>26,672</u>

Notes to the Accounts

27. Share Capital

	2005	2004
	<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>

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

Under the terms of the Company's share option scheme (the "Scheme") approved by the shareholders on 30th August, 2002, the Directors of the Company may, at their discretion, offer any employees (including any Directors) of the Company or of any of its subsidiaries options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme. No option has been granted during the years ended 31st March, 2005 and 2004, and there was no outstanding share option as at 31st March, 2005 and 31st March, 2004.

28. Reserves

	Capital		Investment properties		Capital reserve	Statutory reserve	Exchange reserve	Retained profit	Total
	Share premium	redemption reserve	Contributed surplus	revaluation reserve					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group									
At 31st March, 2003	636,247	4,462	13,591	-	417,065	2,067	(110,809)	1,299,781	2,262,404
Changes in exchange rates	-	-	-	-	-	-	3,584	-	3,584
Issue of new shares	22,084	-	-	-	-	-	-	-	22,084
Share of reserve of an associated company	-	-	-	-	(95)	-	-	-	(95)
Profit for the year	-	-	-	-	-	-	-	107,795	107,795
2004 proposed final dividend	-	-	(13,591)	-	-	-	-	(1,189)	(14,780)
At 31st March, 2004	658,331	4,462	-	-	416,970	2,067	(107,225)	1,406,387	2,380,992
Changes in exchange rates	-	-	-	-	-	-	726	-	726
Revaluation surplus of investment properties	-	-	-	69,252	-	-	-	-	69,252
Share of reserve of an associated company	-	-	-	-	716	-	-	-	716
Transfer	-	-	-	-	-	6	-	(6)	-
Profit for the year	-	-	-	-	-	-	-	229,958	229,958
2005 interim dividend paid	-	-	-	-	-	-	-	(7,390)	(7,390)
2005 proposed final dividend	-	-	-	-	-	-	-	(14,780)	(14,780)
At 31st March, 2005	<u>658,331</u>	<u>4,462</u>	<u>-</u>	<u>69,252</u>	<u>417,686</u>	<u>2,073</u>	<u>(106,499)</u>	<u>1,614,169</u>	<u>2,659,474</u>
Retained by:									
Company and subsidiaries	658,331	4,462	-	69,252	416,715	2,073	(106,499)	1,575,798	2,620,132
Associated companies	-	-	-	-	971	-	-	38,371	39,342
	<u>658,331</u>	<u>4,462</u>	<u>-</u>	<u>69,252</u>	<u>417,686</u>	<u>2,073</u>	<u>(106,499)</u>	<u>1,614,169</u>	<u>2,659,474</u>

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.

Notes to the Accounts

28. Reserves (Continued)

	Capital				Total
	Share premium	redemption reserve	Contributed surplus	Retained profit	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Company					
At 31st March, 2003	636,247	4,462	409,090	1,013,562	2,063,361
Issue of new shares	22,084	–	–	–	22,084
Profit for the year	–	–	–	10,689	10,689
2004 proposed final dividend	–	–	(14,780)	–	(14,780)
	<u>636,247</u>	<u>4,462</u>	<u>409,090</u>	<u>1,013,562</u>	<u>2,063,361</u>
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>394,310</u>	<u>1,024,251</u>	<u>2,081,354</u>
At 31st March, 2005	<u>658,331</u>	<u>4,462</u>	<u>372,140</u>	<u>1,035,677</u>	<u>2,070,610</u>

Under the Companies Act 1981 of Bermuda and the Bye-laws of the Company, the contributed surplus which arose as a result of a group reorganisation in 1991 is also distributable to shareholders. Total distributable reserves of the Company amounted to HK\$1,422,597,000 as at 31st March, 2005 (2004: HK\$1,433,341,000).

29. Minority Interests

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity interests	677,830	669,062
Loans payable	54,672	41,338
Amount receivable	(11,377)	(9,734)
	<u>721,125</u>	<u>700,666</u>

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

30. Long-term Borrowings

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured bank loans		
Wholly repayable within five years	937,007	975,911
Not wholly repayable within five years	121,140	146,617
	<u>1,058,147</u>	<u>1,122,528</u>
Other secured loan wholly repayable within five years	–	8,597
Obligations under finance lease wholly payable within five years	131	294
	<u>1,058,278</u>	<u>1,131,419</u>
Current portion included in current liabilities	(87,676)	(80,293)
	<u>970,602</u>	<u>1,051,126</u>

The bank and other loans are secured by certain investment properties, properties held for/under development and properties held for sale, of which HK\$903,215,000 (2004: HK\$922,740,000) are also secured by the assignment of rental income. The bank and other loans are repayable in the following periods:

	Bank loans		Other loan	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	87,545	71,534	–	8,597
Second year	464,098	206,477	–	–
Third to fifth year	438,366	752,360	–	–
After the fifth year	68,138	92,157	–	–
	<u>1,058,147</u>	<u>1,122,528</u>	<u>–</u>	<u>8,597</u>

Notes to the Accounts

30. Long-term Borrowings (Continued)

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

	Minimum payments		Present value	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	136	181	131	162
Second year	—	136	—	132
	<u>136</u>	<u>317</u>	<u>131</u>	<u>294</u>
Future finance charges	(5)	(23)	—	—
	<u>131</u>	<u>294</u>	<u>131</u>	<u>294</u>

31. Other Non-current Liabilities

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provisions (<i>note 32</i>)	30,994	30,994
Deferred taxation (<i>note 33</i>)	241,351	241,095
Negative goodwill (<i>note 34</i>)	7,336	7,941
	<u>279,681</u>	<u>280,030</u>

32. Provisions

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	33,414	37,032
Write back	–	(116)
Amount utilised	–	(3,502)
	<hr/>	<hr/>
At the end of the year	33,414	33,414
Current portion included under other creditors	(2,420)	(2,420)
	<hr/>	<hr/>
	<u>30,994</u>	<u>30,994</u>

Pursuant to an agreement dated 29th October, 2001, the Chuang's China Group disposed of certain properties in the Mainland to Midas, under which Chuang's China would indemnify Midas for the shortfall of annual rental income from certain of those properties amounting to HK\$3,880,000 for each of the two years after 14th December, 2001 and would also be responsible for 51% of the construction costs for the properties during the period from 14th December, 2001 to completion of the construction. The indemnity on rental income expired on 13th December, 2003 and such provision was fully utilised during the year ended 31st March, 2004. In addition, Chuang's China also executed a deed of indemnity dated 14th December, 2001 in favour of Midas, pursuant to which Chuang's China would indemnify Midas the portion of land appreciation and enterprise income taxes in the Mainland, that may arise upon subsequent disposal of the properties by Midas, attributable to the excess of the consideration paid by Midas over the carrying value of the properties. The provisions represent the Group's estimated liabilities under the above undertakings and indemnities to Midas.

Notes to the Accounts

33. Deferred Taxation

	Fair value gains	Accelerated depreciation allowances	Other items	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Group				
At 31st March, 2003	235,365	3,075	2,622	241,062
Changes in exchange rates	–	47	–	47
Credited to profit and loss account (<i>note 11</i>)	–	(14)	–	(14)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st March, 2004	235,365	3,108	2,622	241,095
Changes in exchange rates	–	2	–	2
Charged to profit and loss account (<i>note 11</i>)	–	254	–	254
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st March, 2005	<u>235,365</u>	<u>3,364</u>	<u>2,622</u>	<u>241,351</u>

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

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

Deferred taxation assets of HK\$205 million (2004: HK\$212 million) arising from unused tax losses of HK\$1,173 million (2004: HK\$1,209 million) have not been recognised in the accounts. These tax losses have no expiry dates.

Deferred taxation liabilities of HK\$15 million (2004: HK\$14 million) on temporary differences in respect of depreciation allowances of HK\$86 million (2004: HK\$79 million) has not been recognised in the accounts as there are sufficient unrecognised deferred tax assets to set off against them.

34. Negative Goodwill

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Cost	7,941	7,941
Accumulated amortisation	(605)	—
	<u>7,336</u>	<u>7,941</u>
Net book value	<u>7,336</u>	<u>7,941</u>
At the beginning of the year	7,941	—
Addition	—	7,941
Amortisation	(605)	—
	<u>7,336</u>	<u>7,941</u>
At the end of the year	<u>7,336</u>	<u>7,941</u>

35. Commitments

(a) Capital commitments

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Contracted but not provided for		
Property development expenditure	47,240	4,133
Authorised but not contracted for	—	—
	<u>47,240</u>	<u>4,133</u>

Notes to the Accounts

35. Commitments (Continued)

(b) Operating lease rental payable

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

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	4,930	5,541
Two to five years	9,050	11,891
	<u>13,980</u>	<u>17,432</u>

Of the above operating lease commitment payable, HK\$1,987,000 (2004: HK\$1,067,000) 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	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment properties		
Within one year	55,753	50,826
Two to five years	43,870	34,999
	<u>99,623</u>	<u>85,825</u>
Properties held for sale		
Within one year	167	863
Two to five years	—	1,043
	<u>167</u>	<u>1,906</u>
	<u>99,790</u>	<u>87,731</u>

36. Contingent Liabilities

	Group		Company	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Guarantees for bank and other loans of subsidiaries	–	–	975,307	1,030,746
Guarantees for mortgage bank loans to purchasers of properties of the Group	<u>3,113</u>	<u>4,189</u>	<u>–</u>	<u>–</u>
	<u><u>3,113</u></u>	<u><u>4,189</u></u>	<u><u>975,307</u></u>	<u><u>1,030,746</u></u>

The Company provides a guarantee for the mortgage bank loan of the investment property of a subsidiary, Chuang's China, amounting to HK\$239,000,000 (2004: HK\$245,000,000). 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.

37. Notes to the Consolidated Cash Flow Statement

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

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit	233,234	121,870
Interest income	(6,995)	(6,365)
Dividend income	(3,435)	(4,188)
Depreciation	15,588	13,894
Amortisation of negative goodwill	(605)	–
Revaluation surplus of investment properties	(132,518)	(70,040)
Write back of provision for properties held for sale	(38,000)	(20,000)
Provision for diminution in value of investment securities	151	–
Impairment of goodwill	1,983	–
Gain on disposal of fixed assets	(11,465)	(177)
	<hr/>	<hr/>
Operating profit before working capital changes	57,938	34,994
Increase in loans receivable	(688)	(5,739)
Decrease in properties held for sale	85,170	53,041
Decrease/(increase) in inventories	3,756	(6,634)
Decrease/(increase) in other investments	22,680	(47,415)
Decrease/(increase) in debtors and prepayments	8,204	(1,796)
Decrease in creditors and accruals	(13,009)	(1,043)
Changes in exchange rates	633	1,551
	<hr/>	<hr/>
Cash generated from operations	<u>164,684</u>	<u>26,959</u>

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

(b) Analysis of changes in financing

	Share capital (including premium) HK\$'000	Minority interests HK\$'000	Bank and other loans HK\$'000	Obligations under finance leases HK\$'000
At 31st March, 2003	968,249	708,103	1,216,538	583
Changes in exchange rates	–	326	216	1
Purchase of additional interest in a subsidiary	–	(11,179)	–	–
Share of profit	–	8,104	–	–
Net cash from/(used in) financing activities	<u>59,584</u>	<u>(4,688)</u>	<u>(85,629)</u>	<u>(290)</u>
At 31st March, 2004	1,027,833	700,666	1,131,125	294
Changes in exchange rates	–	1,153	(211)	–
Purchase of subsidiaries	–	12,835	6,031	–
Share of profit	–	11,114	–	–
Net cash used in financing activities	<u>–</u>	<u>(4,643)</u>	<u>(78,798)</u>	<u>(163)</u>
At 31st March, 2005	<u><u>1,027,833</u></u>	<u><u>721,125</u></u>	<u><u>1,058,147</u></u>	<u><u>131</u></u>

Notes to the Accounts

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

(c) Purchase of subsidiaries

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets acquired		
Fixed assets	94	–
Properties held for/under development	14,491	–
Properties held for sale	15,562	–
Debtors and prepayments	3,266	–
Cash and bank balances	273	–
Creditors and accruals	(15,572)	–
Current portion of long-term borrowings	(2,427)	–
Long-term borrowings	(3,604)	–
Minority interests	(12,835)	–
	<u>(752)</u>	<u>–</u>
Goodwill	1,983	–
	<u>1,231</u>	<u>–</u>
Cash consideration	1,231	–
Cash and bank balances acquired	(273)	–
	<u>958</u>	<u>–</u>
Net cash outflow in the purchase of subsidiaries	<u>958</u>	<u>–</u>

The subsidiaries acquired during the year contributed HK\$1,566,000 (2004: N/A) to the Group's cash flows from operating activities and utilised HK\$1,242,000 (2004: N/A) in respect of the Group's cash flows in investing activities.

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

(d) Analysis of cash and cash equivalents

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balances	421,533	525,606
Bank deposits maturing more than three months from date of placement	<u>(25,094)</u>	<u>(24,860)</u>
	<u>396,439</u>	<u>500,746</u>

38. Approval of Accounts

The accounts were approved by the Board of Directors on 12th July, 2005.

39. Principal Subsidiaries

Name	Place of incorporation/ operation	Issued capital/ paid up capital	Effective percentage held by Group		Principal activities
			2005	2004	
Artifull Limited	Hong Kong	100 shares of HK\$1 each	70.0	70.0	Property investment
# Chengdu Palace Development Company Limited	The Mainland	Registered capital of 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
Chinaculture.com Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	60.1	60.1	Investment holding

Notes to the Accounts

39. Principal Subsidiaries (Continued)

Name	Place of incorporation/ operation	Issued capital/ paid up capital	Effective percentage held by Group		Principal activities
			2005	2004	
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
Φ 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

39. Principal Subsidiaries (Continued)

Name	Place of incorporation/ operation	Issued capital/ paid up capital	Effective percentage held by Group		Principal activities
			2005	2004	
Chuang's Finance & Investments Limited	Hong Kong	110,000 shares of HK\$10 each	100.0	100.0	Investment holding, finance and securities trading
Chuang's 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

Notes to the Accounts

39. Principal Subsidiaries (Continued)

Name	Place of incorporation/ operation	Issued capital/ paid up capital	Effective percentage held by Group		Principal activities
			2005	2004	
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
# Farmtec (Malaysia) Sdn. Bhd.	Malaysia	1,000,000 shares of MYR 1 each	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	–	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	Registered capital of RMB60,000,000	51.1	51.1	Property development and investment
# Hunan Han Ye Real Estate Development Company Limited	The Mainland	Registered capital of RMB10,000,000	32.5	–	Property development and investment
Internet PRO Limited	Hong Kong	15,686,340 shares of HK\$0.1 each	33.7	33.7	e-commerce solution provider

39. Principal Subsidiaries (Continued)

Name	Place of incorporation/ operation	Issued capital/ paid up capital	Effective percentage held by Group		Principal activities
			2005	2004	
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
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 MYR 1 each	100.0	100.0	Property investment
Mega Well Limited	Hong Kong	2 shares of HK\$1 each	100.0	100.0	Property investment
Meloberg Limited	Hong Kong	2 shares of HK\$1 each	100.0	100.0	Property investment
Noble Century Investment Limited	Hong Kong	1,000,000 shares of HK\$1 each	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

Notes to the Accounts

39. Principal Subsidiaries (Continued)

Name	Place of incorporation/ operation	Issued capital/ paid up capital	Effective percentage held by Group		Principal activities
			2005	2004	
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
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

Φ Listed in Hong Kong

@ Subsidiaries directly held by the Company

Subsidiaries not audited by PricewaterhouseCoopers

40. Principal Associated Companies

Name	Place of incorporation/ operation	Issued capital/ paid up capital	Effective percentage held by Group		Principal activities
			2005	2004	
# 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	Registered capital of RMB7,000,000	28.8	28.8	Educational information system network development
Φ# Midas International Holdings Limited	Cayman Islands/ Hong Kong	534,290,068 ordinary shares of HK\$0.10 each	26.8	25.8	Books printing, paper products printing and property investment
		39,166,668 (2004: 164,166,668) non-voting series B preference shares of HK\$0.01 each	60.1	60.1	
# Shanghai Yuen Sang Watch and Clock Limited	The Mainland	Registered capital of 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

Φ Listed in Hong Kong

Associated companies not audited by PricewaterhouseCoopers