THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in **Asia Commercial Holdings Limited**, you should at once hand this Composite Document and the accompanying Form(s) of Acceptance to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. This Composite Document should be read in conjunction with the Form(s) of Acceptance, the contents of which form part of the terms of the Offers contained therein.

Century Hero International Limited

(a company incorporated in the British Virgin Islands with limited liability)

Asia Commercial Holdings Limited

(a company incorporated in Bermuda with limited liability)

(Stock code: 104)

Mandatory Unconditional Cash Offer by BNP Paribas Peregrine Capital Limited on behalf of Century Hero International Limited to acquire all the outstanding shares and to cancel all the outstanding share options of Asia Commercial Holdings Limited not already owned by Century Hero International Limited and parties acting in concert with it

Financial adviser to Century Hero International Limited

BNP PARIBAS

Financial adviser to Asia Commercial Holdings Limited

SOMERLEY LIMITED

Independent Financial Adviser to the Independent Board Committee of Asia Commercial Holdings Limited

AMS Corporate Finance Limited

A letter from the Board of ACHL is set out on pages 6 to 9 of this Composite Document.

A letter from BNP Paribas containing, among other things, details of the terms of the Offers are set out on pages 10 to 18 of this Composite Document.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders and the Optionholders in relation to the Offers is set out on page 19 of this Composite Document.

A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee is set out on pages 20 to 35 of this Composite Document.

Acceptances of the Offers should be received by the Registrar no later than 4:00 p.m. on Wednesday, 13 December 2006 or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.

Copies of this Composite Document, the Forms of Acceptance and any related documents are not being and must not be mailed or otherwise distributed or sent in or into the United Kingdom, Malaysia or Canada whether by use of mails or any means or instrumentality of interstate or foreign commerce of, or by any facility of a national securities exchange of the United Kingdom, Malaysia or Canada. Persons receiving such documents, including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and, or, the Forms of Acceptance to any jurisdiction outside of Hong Kong, should read the details in this regard which are contained in the paragraph headed "Overseas Shareholders" in the letter from BNP Paribas and in paragraph 7 of Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Share Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements.

22 November 2006

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	2006
Opening date of the Offers	Wednesday, 22 November
Latest time and date for acceptance of the Offers	4:00 p.m. on Wednesday, 13 December
First Closing Date of the Offers *(Note 1)*	Wednesday, 13 December
Announcement of the results of the Offers as at the First Closing Date posted on the Stock Exchange's website	7:00 p.m. on Wednesday, 13 December
Announcement of the results of the Offers as at the First Closing Date published in newspapers in Hong Kong	Thursday, 14 December
Latest date for despatch of remittances for the amounts due under the Offers in respect of valid acceptances received on or before 4:00 p.m. on the First Closing Date *(Note 2)*	Friday, 22 December

Notes:

1. The latest time to receive acceptances under the Offers will be 4:00 p.m. on Wednesday, 13 December 2006, being the 21st day after the posting of this Composite Document, unless the Offeror extends the Offers in accordance with the Takeovers Code. The Offeror reserves the right to extend the Offers until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). The Offeror will issue an announcement on the Stock Exchange's website by 7:00 p.m. on the First Closing Date stating the results of the Offers and whether the Offers have been extended or have expired. In any announcement of an extension of the Offers, either the next closing date must be stated or a statement may be made that the Offers will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offers are closed to those Shareholders and Optionholders who have not accepted the Offers and an announcement will be published.

2. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty in case of the Share Offer) payable for the Shares and the Share Options tendered under the Offers will be posted to the accepting Shareholders and Optionholders by ordinary post at their own risk as soon as possible but in any event within 10 days of the date of receipt by the Registrar of duly completed Form(s) of Acceptance and the relevant documents of title.

All time and date references contained in this Composite Document refer to Hong Kong time and date which is calculated in accordance with the Takeovers Code.

In this Composite Document, the following expressions shall have the meanings set out below unless the context requires otherwise:

"1997 Share Option Scheme"	the share option scheme adopted by ACHL pursuant to a shareholders' resolution passed on 15 September 1997;
"2002 Share Option Scheme"	the share option scheme adopted by ACHL pursuant to a shareholders' resolution passed on 20 September 2002;
"ACHL"	Asia Commercial Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange;
"ACHL Group"	ACHL, its subsidiaries and/or each person in which ACHL or any of its subsidiaries holds an interest from time to time;
"Acquisition"	the acquisition of an aggregate of 75,000,000 Shares by the Offeror from the Vendors on the Stock Exchange on 25 October 2006, representing approximately 22.47% of the issued share capital of ACHL;
"acting in concert"	has the meaning given to it in the Takeovers Code;
"Announcement"	the joint announcement dated 27 October 2006 issued by the Offeror and ACHL regarding the Offers;
"Board"	the board of directors of the Offeror or ACHL, as applicable;
"BNP Paribas"	BNP Paribas Peregrine Capital Limited (to be renamed BNP Paribas Capital (Asia Pacific) Limited), a licensed corporation for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror in relation to the Offers. A resolution to change the name from BNP Paribas Peregrine Capital Limited to BNP Paribas Capital (Asia Pacific) Limited has been passed on 20 November 2006 and the change shall become effective from the date the Certificate of Change of Name is issued by the Companies Registry of Hong Kong;
"Business Day"	a day on which the Stock Exchange is open for transaction of business;
"BVI"	British Virgin Islands;
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;
"Companies Ordinance"	Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
"Composite Document"	this offer and response document relating to the Offers, jointly issued by the Offeror and ACHL in accordance with the Takeovers Code and including the Forms of Acceptance;
"Concert Parties"	the parties which may be presumed to be acting in concert with the Offeror under the Takeovers Code;

"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates;
"Final Closing Date"	the date on which the Offers close for acceptances, lapse or are withdrawn;
"First Closing Date"	13 December 2006, being the 21st day after the date on which this Composite Document is posted;
"Forms of Acceptance"	the **WHITE** Form of Acceptance and the **PINK** Form of Acceptance;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Independent Board Committee"	the independent committee of the Board of ACHL, comprising Mr. Sit Kien Ping, Peter, Mr. Lai Si Ming and Mr. Frank H. Miu, established for the purpose of advising the Independent Shareholders and the Optionholders in respect of the Offers;
"Independent Financial Adviser"	AMS Corporate Finance Limited, a corporation licensed to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee in relation to the Offers;
"Independent Shareholders"	Shareholders other than the Offeror Parties;
"Last Trading Day"	25 October 2006, the last trading day for the Shares prior to the date of the Announcement;
"Latest Practicable Date"	20 November 2006, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained in this Composite Document;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Mr. Leung"	Mr. Leung Chung Ping, Owen, a director of ACHL, who has disposed 20,000,000 Shares to the Offeror on 25 October 2006 pursuant to the Acquisition;
"Offer Period"	the period commencing on 27 October 2006, being the date of the Announcement, and expiring on the Final Closing Date;
"Offeror"	Century Hero International Limited, a company incorporated in the BVI with limited liability;
"Offeror Parties"	the Offeror and the Concert Parties;
"Offers"	the Share Offer and the Option Offer;

"Option Offer"	the mandatory unconditional cash offer for cancellation of the Share Options at the Option Offer Price;
"Option Offer Price"	the cash amount of HK$0.01 payable by the Offeror for cancellation of each Share Option accepted under the Option Offer;
"Optionholder(s)"	holder(s) of Share Options;
"Overseas Shareholders"	Shareholders whose registered addresses as shown on the register of members of ACHL as at the Latest Practicable Date are outside Hong Kong;
"Pacific Apex"	Pacific Apex International Limited, a wholly-owned subsidiary of Kee Shing (Holdings) Limited (the shares of which are listed on the Stock Exchange), which has disposed 55,000,000 Shares to the Offeror on 25 October 2006 pursuant to the Acquisition. As disclosed in the latest interim report of Kee Shing (Holdings) Limited, Mr. Leung Shu Wing and Mr. Yuen Tin Fan, Francis are its substantial shareholders;
"**PINK** Form of Acceptance"	the form of acceptance and cancellation of Share Options in PINK in respect of the Option Offer which accompanies this Composite Document;
"PRC"	the People's Republic of China;
"Registrar"	Secretaries Limited, the Hong Kong branch share registrar of ACHL which is situated at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong;
"SFC"	The Securities and Futures Commission of Hong Kong;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share Offer"	the mandatory unconditional cash offer to acquire the Shares not already owned by the Offeror Parties at the Share Offer Price;
"Share Offer Price"	the cash amount of HK$0.68 payable by the Offeror for each Share accepted under the Share Offer;
"Share Options"	the outstanding options granted pursuant to the Share Option Schemes which are not yet exercised as at the Latest Practicable Date;
"Share Option Schemes"	the 1997 Share Option Scheme and the 2002 Share Option Scheme;
"Shareholder(s)"	holder(s) of Shares;
"Shares"	the issued shares of HK$1.00 each in ACHL at the Latest Practicable Date and any such further shares which are unconditionally allotted or issued after the Latest Practicable Date while the Offers remain open for acceptances (or such earlier date or dates as the Offeror may decide) including any Shares issued or allotted pursuant to the exercise of share options granted under the Share Option Schemes or otherwise;

"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiaries"	has the meaning given to it in section 2 of the Companies Ordinance;
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers as in force from time to time;
"Vendors"	Mr. Leung and Pacific Apex;
"**WHITE** Form of Acceptance"	the form of acceptance and transfer of Shares in WHITE in respect of the Share Offer which accompanies this Composite Document; and
"%"	per cent.

Asia Commercial Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 104)

Executive Directors:
Leung Chung Ping, Owen *(Chairman)*
Sum Pui Ying, Adrian *(Managing Director)*

Non-executive Director:
Leung Miu King, Marina

Independent Non-executive Directors:
Sit Kien Ping, Peter
Lai Si Ming
Frank H. Miu

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head office and principal place of business:
Flat A–D, 13th Floor
Hong Kong Industrial Building
444–452 Des Voeux Road West
Hong Kong

22 November 2006

To the Shareholders and the Optionholders

Dear Sir or Madam,

Mandatory Unconditional Cash Offer to acquire all the outstanding shares and to cancel all the outstanding share options of Asia Commercial Holdings Limited not already owned by Century Hero International Limited and parties acting in concert with it

INTRODUCTION

Reference is made to the Announcement dated 27 October 2006 and the announcement jointly issued by ACHL and the Offeror dated 9 November 2006 in respect of the Offers. Details of the Offers and information on the Offeror Parties are set out in the "Letter from BNP Paribas" in the Composite Document. Terms used herein shall have the same meanings as those defined in the Composite Document, unless the context requires otherwise.

The Board of ACHL consists of two executive directors, one non-executive director and three independent non-executive directors. In accordance with Rule 2.8 of the Takeovers Code, members of the Independent Board Committee should comprise all non-executive directors who have no direct or indirect interest in the Offers. Miss Leung Miu King, Marina, the younger sister of Mr. Leung and a non-executive director of ACHL, is the managing director of Kee Shing (Holdings) Limited which is the ultimate holding company of Pacific Apex (being one of the Vendors). Hence, Miss Leung Miu King, Marina is not independent and cannot be a member of the Independent Board Committee. As such, the Independent Board

Committee comprising, Mr. Sit Kien Ping, Peter, Mr. Lai Si Ming and Mr. Frank H. Miu, all being independent non-executive directors of ACHL, has been established to advise the Independent Shareholders and the Optionholders in relation to the Offers. AMS Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this regard.

The purpose of the Composite Document is to provide you with, among other matters, information regarding the Offers, the ACHL Group and the Offeror Parties, as well as recommendation from the Independent Board Committee and advice of the Independent Financial Adviser (i) as to whether the Offers are, or are not, fair and reasonable; and (ii) as to acceptance of the Offers.

THE OFFERS

BNP Paribas is making the Offers for and on behalf of the Offeror, subject to the terms set out in the Composite Document (including, without limitation, those in Appendix I thereto) and in the Forms of Acceptance, to acquire all the Shares not already owned by the Offeror Parties and to cancel all the Share Options. Further details of the Offers are set out in the "Letter from BNP Paribas" in the Composite Document.

Principal terms of the Offers

For each Share . . . . HK$0.68 in cash

For cancellation of each Share Option . . . . HK$0.01 in cash

Comparisons of value

The Share Offer Price represents:

(i) a discount of approximately 25.3% to the closing price of HK$0.91 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 3.0% over the closing price of HK$0.66 per Share as quoted on the Stock Exchange on the trading day immediately prior to the Last Trading Day;

(iii) a discount of approximately 9.3% to the average closing price of HK$0.75 per Share, being the average closing price of the Shares for the 30 trading days immediately prior to and including the Last Trading Day;

(iv) an equivalent amount to the average closing price of HK$0.68 per Share for the 90 trading days immediately prior to and including the Last Trading Day;

(v) a discount of approximately 18.1% to the closing price of HK$0.83 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and

(vi) a premium of approximately 33.3% compared to the ACHL Group's audited consolidated net assets of approximately HK$0.51 per Share calculated based on the ACHL Group's audited consolidated net assets as at 31 March 2006 of approximately HK$169.97 million and 333,719,516 Shares in issue as at the Latest Practicable Date.

INFORMATION ON THE ACHL GROUP

The ACHL Group is mainly engaged in watch trading and luxury products retailing. It has been listed on the Stock Exchange since 1987. The audited consolidated net asset value of the ACHL Group was approximately HK$169.66 million and HK$169.97 million as at 31 March 2005 and 31 March 2006, respectively. The ACHL Group recorded an audited consolidated net profit attributable to Shareholders of approximately HK$4.39 million and HK$5.41 million for the years ended 31 March 2005 and 31 March 2006, respectively. Further financial information on the ACHL Group is set out in Appendix II to the Composite Document. As at the Latest Practicable Date, approximately 32.50% of the Shares are held by the public.

INTENTIONS OF THE OFFEROR REGARDING THE ACHL GROUP

Your attention is drawn to the "Letter from BNP Paribas" in the Composite Document for the intentions of the Offeror with respect to the ACHL Group.

STAMP DUTY AND TAXATION

An ad valorem stamp duty arising in connection with acceptance of the Share Offer will be payable by each Shareholder accepting the Share Offer at the rate of HK$1.00 for every HK$1,000 (or part of HK$1,000) of the greater of (i) the consideration for acceptance of the Share Offer; and (ii) the value of the Shares, and will be deducted from the amount payable to the Shareholders who accept the Share Offer.

You are recommended to consult your own professional advisers if you are in any doubt as to the taxation implications of your acceptance of the Offers, in particular, if you are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings. None of ACHL, Somerley Limited, the Independent Financial Adviser and any of their respective directors or any other persons involved in the Offers accepts responsibility for any taxation effects or liabilities of, any person or persons as a result of their acceptance of the Offers.

RECOMMENDATION

Your attention is drawn to (i) the "Letter from the Independent Board Committee" to the Independent Shareholders and the Optionholders on page 19 of the Composite Document which sets out the Independent Board Committee's recommendation relating to the Offers; and (ii) the "Letter from the Independent Financial Adviser" to the Independent Board Committee on pages 20 to 35 of the Composite Document which contains, among other things, its advice in this regard.

ADDITIONAL INFORMATION

You are recommended to read the "Letter from BNP Paribas" on pages 10 to 18 of the Composite Document and the Forms of Acceptance which set out, among other things, details of the Offers, the Offeror Parties, the Offeror's intentions in relation to the ACHL Group, and the procedures for acceptance of the Offers. Your attention is also drawn to the appendices to the Composite Document for further information on the ACHL Group and the Offeror Parties.

Optionholders are also reminded that if they do not intend to accept the Option Offer, pursuant to the terms of the relevant Share Option Scheme, the Optionholders will be entitled to exercise their Share Options within one month from the date on which the Share Offer becomes or is declared unconditional (i.e. within one month from the date of the despatch of the Composite Document as and when the Offers are being made unconditionally), and the Share Options (to the extent not already exercised) will lapse immediately upon the expiry of such one-month period.

By Order of the Board
Asia Commercial Holdings Limited
Sum Pui Ying, Adrian
Managing Director

BNP PARIBAS PEREGRINE

22 November 2006

To the Shareholders and the Optionholders,

Dear Sir or Madam,

**Mandatory Unconditional Cash Offer
by BNP Paribas Peregrine Capital Limited
on behalf of
Century Hero International Limited
to acquire all the outstanding shares and to
cancel all the outstanding share options of
Asia Commercial Holdings Limited (stock code: 104)
not already owned by Century Hero International Limited
and parties acting in concert with it**

1. INTRODUCTION

On 27 October 2006, ACHL and the Offeror jointly announced that the Offeror had acquired 75,000,000 Shares on 25 October 2006, representing approximately 22.47% of the issued share capital of ACHL, of which 55,000,000 Shares were acquired from Pacific Apex and 20,000,000 Shares from Mr. Leung. The price at which the Shares were acquired from the Vendors was HK$0.68 per Share.

Immediately prior to the Acquisition, the Offeror Parties were interested in 53,334,558 Shares, representing approximately 15.98% of the issued share capital of ACHL and immediately after the Acquisition, the Offeror Parties were interested in 128,334,558 Shares, representing approximately 38.46% of the issued share capital of ACHL. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory conditional general offer for all Shares (other than those already owned by the Offeror Parties) and to make comparable offers for all Share Options. As disclosed in the Announcement, the Offers would be made conditional upon the Offeror Parties having owned or controlled over 50% of the voting rights of ACHL.

Subsequent to the Acquisition and up to and including the Latest Practicable Date, the Offeror Parties had acquired an additional 59,400,000 Shares on the Stock Exchange (details of which are disclosed in Appendix III to this Composite Document). As at the Latest Practicable Date, the Offeror Parties were interested in 187,734,558 Shares, representing approximately 56.26% of the issued share capital of ACHL. Since the Offeror Parties have already owned or controlled over 50% of the voting rights of ACHL, the Offeror and ACHL jointly announced on 9 November 2006 that the Offers would be made unconditional.

This letter sets out details of the Offers, together with information regarding the Offeror and its intentions in relation to the ACHL Group. The terms of the Offers are set out in this letter, Appendix I to this Composite Document and the Forms of Acceptance.

BNP PARIBAS

BNP Paribas Peregrine Capital Limited
63/F Two International Finance Centre, 8 Finance Street, Central, Hong Kong

Shareholders and Optionholders are strongly advised to consider carefully the information contained in the letter from the Board of ACHL as set out on pages 6 to 9, the letter from the Independent Board Committee as set out on page 19 and the letter from the Independent Financial Adviser as set out on pages 20 to 35 of this Composite Document of which this letter forms parts.

Terms defined in this Composite Document shall have the same meanings in this letter unless the context requires otherwise.

2. THE OFFERS

The Offers are being made in compliance with the Takeovers Code, which is administered by the Executive.

(1) Consideration of the Offers

BNP Paribas, on behalf of the Offeror, hereby makes the Offers for all Shares (other than those already owned by the Offeror Parties) and all Share Options in cash, on the following basis:

For each Share . . . . HK$0.68 in cash

For cancellation of each Share Option . . . . HK$0.01 in cash

The Offeror does not intend to revise the Share Offer Price and the Option Offer Price.

(2) Comparisons of Value

The Share Offer

The Share Offer Price is equal to the price paid by the Offeror in the Acquisition.

The Share Offer Price also represents:

(i) a discount of approximately 25.3% to the closing price of HK$0.91 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 3.0% over the closing price of HK$0.66 per Share as quoted on the Stock Exchange on the trading day immediately prior to the Last Trading Day;

(iii) a discount of approximately 9.3% to the average closing price of HK$0.75 per Share, being the average closing price of the Shares for the 30 trading days immediately prior to and including the Last Trading Day;

(iv) an equivalent amount to the average closing price of HK$0.68 per Share for the 90 trading days immediately prior to and including the Last Trading Day;

(v) a discount of approximately 18.1% to the closing price of HK$0.83 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(vi) a premium of approximately 33.3% compared to the ACHL Group's audited consolidated net assets of approximately HK$0.51 per Share calculated based on the ACHL Group's audited consolidated net assets as at 31 March 2006 of approximately HK$169.97 million and 333,719,516 Shares in issue as at the Latest Practicable Date.

During the period commencing six months preceding the commencement of the Offer Period and ending on the Latest Practicable Date, the highest closing price of the Shares as quoted on the Stock Exchange was HK$0.92 per Share, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK$0.50 per Share.

The Option Offer

The Option Offer Price is determined by reference to the exercise price of the Share Options of HK$1.00 per Share and the fact that all Share Options are currently out-of-the-money.

(3) Total Consideration for the Share Offer and the Option Offer

As at the Latest Practicable Date, there were 333,719,516 Shares in issue (of which 187,734,558 Shares were owned or controlled by the Offeror Parties) and 7,200,000 Share Options.

Based on the Share Offer Price and the Option Offer Price, the total consideration payable by the Offeror under the Share Offer and the Option Offer amounts to approximately HK$99.27 million and HK$72,000, respectively.

(4) Financial Resources Available for the Offers

BNP Paribas is satisfied that sufficient financial resources are available to the Offeror to meet full acceptance of the Offers. The Offers are financed by the Offeror's own resources and are not conditional on any financing.

(5) Overseas Shareholders

As the making of the Share Offer to Overseas Shareholders may be affected by the laws of the relevant jurisdictions, Overseas Shareholders should inform themselves about and observe any applicable legal requirements.

It is the responsibility of each Overseas Shareholder who wishes to accept the Share Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with any other necessary formalities or legal requirements. Any such Overseas Shareholder will be responsible for any such issue, transfer or other taxes by whomsoever payable and the Offeror Parties, BNP Paribas, ACHL and any person acting on their behalf shall be entitled to be fully indemnified and held harmless by such Overseas Shareholder for any such issue, transfer or other taxes as such person may be required to pay.

Copies of this Composite Document, the Form(s) of Acceptance and any related documents are not being and must not be mailed or otherwise distributed or sent in or into the United Kingdom, Malaysia or Canada whether by use of the mails or any means or instrumentality of interstate or foreign commerce of, or by any facility of a national securities exchange of the United Kingdom, Malaysia or Canada.

Persons receiving such documents, including, without limitation, custodians, nominees and trustees, must not distribute or send them in or into the United Kingdom, Malaysia or Canada.

The Offeror reserves the right to notify any matter in relation to the Share Offer to Overseas Shareholders by announcement or by advertisement in a newspaper which may not be circulated in the jurisdictions in which the Overseas Shareholders are resident. The notice will be deemed to have been sufficiently given, despite any failure by an Overseas Shareholder to receive or see that notice, if it is displayed at the head office of ACHL in Hong Kong.

Pursuant to Rule 8.1 of the Takeovers Code, information about the Offers must be made equally available to all Shareholders as nearly as possible at the same time and in the same manner. The Offeror has applied for a waiver from strict compliance with Rule 8.1 of the Takeovers Code pursuant to Note 3 to Rule 8 of the Takeovers Code from the SFC so that Shareholders from the United Kingdom, Malaysia or Canada may be excluded from receiving this Composite Document and the Forms of Acceptance on the ground that it would be unduly burdensome to do so in such overseas jurisdictions. Such waiver has been granted by the SFC.

The Shareholders, including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and, or, the Form(s) of Acceptance to any jurisdiction outside of Hong Kong, should read the details in this regard which are contained in paragraph 7 of Appendix I to this Composite Document before taking any action.

(6) Effect of Acceptance of the Offers

The Offers shall also be subject to the terms that acceptance of the Offers by any person will constitute a warranty by such person or persons to the Offeror that the Share(s) or the Share Option(s), as the case may be, acquired under the Offers is/are free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of the Announcement. The Offers extend to Shares issued and unconditionally allotted while the Offers remain open for acceptances, including any Shares allotted or issued pursuant to the exercise of Share Options. By accepting the Share Offer, Shareholders will sell their Shares and all rights attaching to them as at the date of the Announcement, including the rights to receive all dividends and distributions declared, paid or made on or after the date of Announcement. By accepting the Option Offer, the Optionholders will surrender their Share Options and all rights attaching to them as at the date of the Announcement for cancellation.

3. THE OFFERS ARE MADE UNCONDITIONAL

As disclosed in the Announcement, the Offers would be conditional on valid acceptances being received in respect of the Share Offer which together with the Shares already held by the Offeror Parties, constitute more than 50% of the voting rights of ACHL.

Subsequent to the Announcement and up to and including the Latest Practicable Date, the Offeror had acquired an additional 59,400,000 Shares at HK$0.68 per Share on the Stock Exchange. As at the Latest Practicable Date, the Offeror Parties were interested in 187,734,558 Shares, representing approximately 56.26% of the issued share capital of ACHL. Thus, the Offers are hereby made unconditional.

4. COMPULSORY ACQUISITION

The Offeror does not intend to apply any right which may be available to it to acquire compulsorily any Shares outstanding after closing of the Offers, but reserves the right to do so.

5. INTENTIONS IN RELATION TO THE ACHL GROUP

(1) Business

The Offeror intends to continue the ACHL Group's existing principal business of watch trading and luxury products retailing and will conduct a more detailed review of the financial position and the operations of the ACHL Group with a view to developing a corporate strategy upon completion of the Offers. Although it does not have any immediate plan for redeployment of the material fixed assets of ACHL, it may consider restructuring its non-core business including the business of sale and design of contract software programs. The Offeror considers it commercially justifiable to make investment in the ACHL Group, in particular, in the business of trading of watches and retailing of luxury products.

(2) Directors, Management and Employees

The Board of ACHL is currently made up of Mr. Leung and Mr. Sum Pui Ying, Adrian as executive directors, Miss Leung Miu King, Marina as non-executive director and Mr. Sit Kien Ping, Peter, Mr. Lai Si Ming and Mr. Frank H. Miu as independent non-executive directors. Except for Mr. Lai Si Ming who would remain on the Board of ACHL, all of the existing directors of ACHL will resign and their resignations will take effect on the First Closing Date.

To ensure a smooth transition, the Offeror intends to nominate Mr. Eav Yin and Mr. Eav Ming Keong, Kinson as executive directors of ACHL as soon as practicable upon the issuance of this Composite Document. The Offeror also intends to nominate Miss Wong Wing Yue, Rosaline and Mr. Lee Tat Cheung, Vincent as independent non-executive directors, both with effect on or around the First Closing Date and Mr. Au Shiu Leung, Alex as executive director with effect in January 2007.

Personal particulars of the proposed new directors are set out below:

Executive directors

Eav Yin (alias Duong Khai Nhon), aged 67, is the founder of ACHL and a member of Chaozhou Committee of Guangdong Province of the Chinese People's Political Consultative Conference (廣東省潮州市政協委員). Mr. Eav is a Cambodian Chinese and prior to his establishing of a Hong Kong company in 1968 as an importing agent for watch distribution business in Cambodia, had extensive experience of distributing watches in Cambodia and Vietnam.

Eav Ming Keong, Kinson, aged 31, holds a Bachelor of Arts degree in Interior Design and Technology and a Master of Arts degree in Art, Design and Visual Culture from the London Guildhall University. After graduation, Mr. Kinson Eav has practised in an architecture firm in London for 2 years. Mr. Kinson Eav is the son of Mr. Eav Yin.

Au Shiu Leung, Alex, aged 41, has held positions as chief financial officer and financial controller of certain Hong Kong listed companies. He was previously employed by ACHL from 1995 to 1997 and was its company secretary from 1996 to 1997. Mr. Au is a member of The

Institute of Chartered Accountants in England and Wales and an associate of The Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Commerce (Accounting) degree with honours from the University of Birmingham.

Independent non-executive directors

Wong Wing Yue, Rosaline, aged 36, graduated with LLB (Hons) at King's College, London University, UK in 1992, and was admitted to both the UK Bar (Middle Temple, UK) and the Hong Kong Bar in 1993. Ms. Wong is a practising barrister in Hong Kong.

Lee Tat Cheung, Vincent, aged 37, has over 16 years experience in accounting and auditing and is the sole proprietor of a firm of Certified Public Accountants practicing in Hong Kong. Mr. Lee is an associate member of The Institute of Chartered Accountants in England and Wales, a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. He holds a Master Degree in Corporate Finance from the Hong Kong Polytechnic University.

The Offeror will conduct a thorough appraisal on the performance of the employees of the ACHL Group upon completion of the Offers. Subject to such performance reviews, the Offeror intends to continue the employment of the employees from the core business of the ACHL Group and would consider appointing certain new directors and senior management to the subsidiaries of ACHL. The Offeror may, however, have to make redundant certain employees from the non-core operation if it has been decided that such non-core business would be discontinued and that the affected employees would not be relocated to other continuing businesses of the ACHL Group.

6. MAINTAINING THE LISTING OF ACHL

It is the intention of the Offeror that the listing of the Shares on the Stock Exchange be maintained. The Offeror will use its reasonable endeavors to maintain the listing of ACHL on the Stock Exchange and to ensure that minimum public float is maintained following the closing of the Offers in compliance with the Listing Rules.

The Stock Exchange has stated that if, at the closing of the Offers, less than 25% of the Shares are held by the public or if the Stock Exchange believes that:

— a false market exists or may exist in the trading of the Shares; or

— there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend trading in the Shares. In this connection, it should be noted that upon completion of the Offers, there may be insufficient public float for the Shares and therefore, trading in the Shares may be suspended until a prescribed level of public float is attained.

7. INFORMATION ON THE OFFEROR PARTIES

(1) The Offeror

The Offeror is a company newly incorporated in the BVI for the purpose of the Offers and is wholly-owned by Mr. Eav Yin, who is also the sole director of the company.

As at the Latest Practicable Date, the Offeror was the beneficial owner of 134,400,000 Shares, representing approximately 40.27% of the issued share capital of ACHL.

(2) Concert Parties

Mr. Eav Yin, together with his spouse and close relatives, are the Concert Parties. As at the Latest Practicable Date, the Offeror, together with the Concert Parties, owned or controlled 187,734,558 Shares, representing approximately 56.26% of the issued share capital of ACHL.

8. HONG KONG STAMP DUTY

An ad valorem stamp duty arising in connection with acceptance of the Share Offer will be payable by each Shareholder accepting the Share Offer at the rate of HK$1.00 for every HK$1,000 (or part of HK$1,000) of the greater of (i) the consideration for acceptance of the Share Offer; and (ii) the value of the Shares, and will be deducted from the amount payable to the Shareholders who accept the Share Offer.

9. ACCEPTANCE AND SETTLEMENT

(1) Procedures for acceptance of the Offers

The Share Offer

To accept the Share Offer, you should complete the accompanying **WHITE** Form of Acceptance in accordance with the instructions printed thereon, which forms part of the terms and conditions of the Share Offer.

The completed **WHITE** Form of Acceptance should be forwarded, together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect of which you intend to accept the Share Offer, by post or by hand to the Registrar at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in an envelope marked "**ACHL Share Offer**" as soon as practicable after receipt of the **WHITE** Form of Acceptance but in any event so as to reach the Registrar no later than 4:00 p.m. on the First Closing Date or such later time and/or date as the Offeror shall determine and announce with the consent of the Executive. No acknowledgement of receipt of any **WHITE** Form of Acceptance, Share certificate(s), transfer receipt(s) and/or other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given. Your attention is drawn to Appendix I to this Composite Document and the **WHITE** Form of Acceptance which set out further details regarding the procedures for acceptance.

The Option Offer

To accept the Option Offer, you should complete the accompanying **PINK** Form of Acceptance in accordance with the instructions printed thereon, which forms part of the terms and conditions of the Option Offer.

The completed **PINK** Form of Acceptance should be forwarded, together with the relevant letter(s) of grant of the Share Option for the number of Share Option(s) in respect of which you intend to accept the Option Offer, by post or by hand to the Registrar at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in an envelope marked "**ACHL Option Offer**" as soon as practicable after receipt of the **PINK** Form of Acceptance but in any event so as to reach the Registrar no later than 4:00 p.m. on the First Closing Date or such later time and/or date as the Offeror shall determine and announce with the consent of the Executive. No acknowledgement of receipt of any **PINK** Form of Acceptance and/or the letter(s) of grant of the Share Option (if any) will be given. Your attention is drawn to Appendix I to this Composite Document and the **PINK** Form of Acceptance which set out further details regarding the procedures for acceptance.

(2) Settlement of the Offers

The Share Offer

Provided that a valid **WHITE** Form of Acceptance and the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order and have been received by the Registrar no later than the latest time for acceptance, a cheque for the amount due to each Shareholder less seller's ad valorem stamp duty in respect of the Shares tendered by him/her/it under the Share Offer will be despatched to the Shareholders by ordinary post at his/her/its own risk within 10 days of the date on which all the relevant documents are received by the Registrar to render such acceptance complete and valid.

The Option Offer

Provided that a valid **PINK** Form of Acceptance and the relevant letter(s) of grant of the Share Option are complete and in good order and have been received by the Registrar no later than the latest time for acceptance, a cheque for the amount due to each Optionholder in respect of the Share Options surrendered by him/her under the Option Offer will be despatched to the Optionholders by ordinary post at his/her own risk within 10 days of the date on which all the relevant documents are received by the Registrar to render such acceptance complete and valid.

Settlement of the consideration to which any Shareholder or Optionholder is entitled under the Offers will be implemented in full in accordance with the terms of the Offers without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder or Optionholder, as the case may be.

10. GENERAL

In order for beneficial owners of Shares, whose investments are registered in nominee's names, to accept the Share Offer, it is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer. To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately.

All documents and remittances sent by or to the Shareholders and/or the Optionholders through post will be sent by or to them at their own risk. Such documents and remittances will be sent to the Shareholders and/or the Optionholders at their respective addresses as stated on the relevant Form(s) of Acceptance or if no such address is stated, as they appear in the register of members of ACHL or the register of optionholders of ACHL (as the case may be) or in the case of joint Shareholders, to the Shareholder whose name appears first in the register of members of ACHL, as applicable. None of ACHL, the Offeror Parties, BNP Paribas or any of their respective directors or any other person involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

11. ADDITIONAL INFORMATION

Your attention is drawn to the Forms of Acceptance and further terms of the Offers and the additional information set out in the appendices, which form part of this Composite Document.

Yours faithfully,
For and on behalf of
BNP Paribas Peregrine Capital Limited
Isadora Li
Head of Investment Banking — North Asia

Asia Commercial Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 104)

22 November 2006

To the Independent Shareholders and the Optionholders

Dear Sir or Madam,

Mandatory Unconditional Cash Offer to acquire all the outstanding shares and to cancel all the outstanding share options of Asia Commercial Holdings Limited not already owned by Century Hero International Limited and parties acting in concert with it

We refer to the Composite Document dated 22 November 2006 of which this letter forms part. Terms used herein shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

As the Independent Board Committee, we have been appointed to make a recommendation to you (i) as to whether the Offers are, or are not, fair and reasonable; and (ii) as to acceptance of the Offers. AMS Corporate Finance Limited has been appointed to advise us in this connection. Details of its advice and the principal factors and reasons taken into consideration in arriving at its advice are set out in the "Letter from the Independent Financial Adviser" on pages 20 to 35 of the Composite Document.

Having considered the terms of the Offers, taking into account the information contained in the Composite Document, and the advice of AMS Corporate Finance Limited, we consider that the Offers are fair and reasonable as far as you are concerned. Accordingly, we recommend that you consider accepting the Offers.

Yours faithfully,
Independent Board Committee
Sit Kien Ping, Peter   Lai Si Ming   Frank H. Miu
Independent non-executive Directors

The following is the full text of the letter to the Independent Board Committee in respect of the Offers from the Independent Financial Adviser for the purpose of incorporation into this Composite Document.

博資財務顧問有限公司
AMS Corporate Finance Limited

20th Floor
Hong Kong Diamond Exchange Building
8–10 Duddell Street
Central, Hong Kong

22 November 2006

To the Independent Board Committee of
Asia Commercial Holdings Limited

Dear Sirs,

MANDATORY UNCONDITIONAL CASH OFFERS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the Offers, details of which are set out in the composite offer document jointly issued by Asia Commercial Holdings Limited (the "Company") and the Offeror to the Shareholders and the Optionholders dated 22 November 2006 (i.e. the Composite Document), of which this letter forms part. This letter contains our advice to the Independent Board Committee as to whether the terms of the Offers are fair and reasonable as far as the Independent Shareholders and the Optionholders are concerned. Unless otherwise stated, terms defined in the Composite Document have the same meanings in this letter.

As at the date hereof, the Company has one non-executive director, namely Miss Leung Miu King, Marina, and three independent non-executive directors, namely Mr. Sit Kien Ping, Peter, Mr. Lai Si Ming and Mr. Frank H. Miu. Miss Leung Miu King, Marina is the younger sister of one of the Vendors and a managing director of the ultimate holding company of the other Vendor and is therefore presumed to be not independent for the purpose of giving advice to the Independent Shareholders and the Optionholders in respect of the Offers. The Independent Board Committee comprising all the independent non-executive directors of the Company has been established for the purpose of advising the Independent Shareholders and the Optionholders on the terms of the Offers. Each of Mr. Sit Kien Ping, Peter, Mr. Lai Si Ming and Mr. Frank H. Miu has confirmed that he does not have any direct or indirect interests in the Offers. Based on such confirmation, we consider that all independent non-executive directors of the Company are eligible to be members of the Independent Board Committee to advise the Independent Shareholders and the Optionholders in respect of the Offers.

Apart from the normal professional fees payable to us in connection with our appointment as the independent financial adviser to the Independent Board Committee in respect of the Offers, no agreement or arrangement exists whereby AMS Corporate Finance Limited will receive any fees or benefits from the Company, the Offeror, or any of their respective associates.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information and representations contained or referred to in the Composite Document and the information and representations provided to us by the Company, its advisers and the directors of the Company (the "Directors"). We have assumed that all information and representations contained or referred to in the Composite Document were true and accurate at the time when they were made and continue to be so at the date hereof. We have also assumed that all statements of belief, opinion and intention made by the Company, the Directors or the Offeror (together with its sole director) in the Composite Document have been arrived at after due and careful consideration.

We consider that we have reviewed sufficient information to enable us to reach an informed view. The Directors and the sole director of the Offeror have confirmed respectively that there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document, including this letter, misleading. We have no reason to doubt the truth, accuracy or completeness of the information provided to us by the Company, its advisers and the Directors. We have not, however, conducted any independent verification of the information provided, nor have we carried out any in-depth investigation into the business and affairs of the Company and its subsidiaries (collectively, the "Group") or the prospects of the markets in which the Group operates.

We have not considered the tax consequences on the Independent Shareholders and the Optionholders of acceptance of the Offers since these are particular to their individual circumstances. In particular, Independent Shareholders and Optionholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS CONSIDERED

In formulating our opinion regarding the terms of the Offers, we have taken into consideration the following principal factors:

I. The Share Offer

1. *Background information*

On 25 October 2006, the Offeror acquired a total of 75,000,000 Shares from Pacific Apex (as to 55,000,000 Shares) and Mr. Leung (as to 20,000,000 Shares), representing approximately 22.47% in aggregate of the issued share capital of the Company. Immediately after the Acquisition, the Offeror Parties were interested in 128,334,558 Shares, representing approximately 38.46% of the issued share capital of the Company. The Offeror is therefore required to make a mandatory conditional general offer for all the issued Shares (other than those already owned by the Offeror Parties) and to make a comparable offer for all the Share Options pursuant to the requirements under Rule 26.1 and Rule 13 of the Takeovers Code. Accordingly, on 27 October 2006, the Company and the Offeror jointly issued an announcement in relation to the Offers. Subsequent to the Announcement and up to and including 9 November 2006, the Offeror acquired an additional 44,400,000 Shares on the Stock Exchange and the Shares held by the Offeror Parties therefore increased to 172,734,558 Shares, representing approximately 51.76% of the issued Shares of the Company as at 9 November 2006. As the total number of Shares held by the Offeror Parties constitutes more than 50% of the voting rights of the Company since 9 November 2006, the Offers are now being made unconditionally.

The Offeror is a company incorporated in the BVI, and wholly owned by Mr. Eav Yin. Immediately prior to the Acquisition, the Offeror Parties were already interested in 53,334,558 Shares, representing approximately 15.98% of the issued share capital of the Company. Subsequent to 9 November 2006 and up to and including the Latest Practicable Date, the Offeror Parties has acquired an additional 15,000,000 Shares on the Stock Exchange, and as at the Latest Practicable Date, the Offeror Parties were interested in 187,734,558 Shares, representing approximately 56.26% of the issued share capital of the Company.

BNP Paribas, as the financial adviser to the Offeror in relation to the Offers, is offering on behalf of the Offeror, and subject to the terms of the Offers set out in Appendix I to the Composite Document, to acquire all the outstanding Shares not already owned by the Offeror Parties and cancel all the outstanding Share Options on the following basis:

For each Share . . . . HK$0.68 in cash

For cancellation of each Share Option . . . . HK$0.01 in cash

As stated in the letter from BNP Paribas (the "Letter from BNP Paribas") contained in the Composite Document, the Offeror does not intend to revise the Share Offer Price and the Option Offer Price.

2. *Share Offer Price*

As stated in the Letter from BNP Paribas, the Share Offer Price of HK$0.68 is the same as the price per Share paid by the Offeror in the Acquisition. Based on 333,719,516 Shares in issue as at the Latest Practicable Date and the Share Offer Price of HK$0.68, the Share Offer values the entire issued share capital of the Company at approximately HK$226.9 million. On the basis of 145,984,958 Shares subject to the Share Offer, the Share Offer is valued at approximately HK$99.27 million.

The Share Offer Price of HK$0.68 represents:

(i) a discount of approximately 25.3% to the closing price of HK$0.91 per Share as quoted on the Stock Exchange on 25 October 2006, i.e. the Last Trading Day;

(ii) a premium of approximately 3.0% over the closing price of HK$0.66 per Share as quoted on the Stock Exchange on the trading day immediately prior to the Last Trading Day;

(iii) a discount of approximately 8.1% to the average closing price of approximately HK$0.74 per Share for the 10 consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 9.3% to the average closing price of approximately HK$0.75 per Share for the last 30 consecutive trading days up to and including the Last Trading Day (the "30-day Average Closing Price");

(v) a discount of approximately 4.2% to the average closing price of approximately HK$0.71 per Share for the last 60 consecutive trading days up to and including the Last Trading Day (the "60-day Average Closing Price");

(vi) an equivalent amount to the average closing price of approximately HK$0.68 per Share for the last 90 consecutive trading days up to and including the Last Trading Day (the "90-day Average Closing Price");

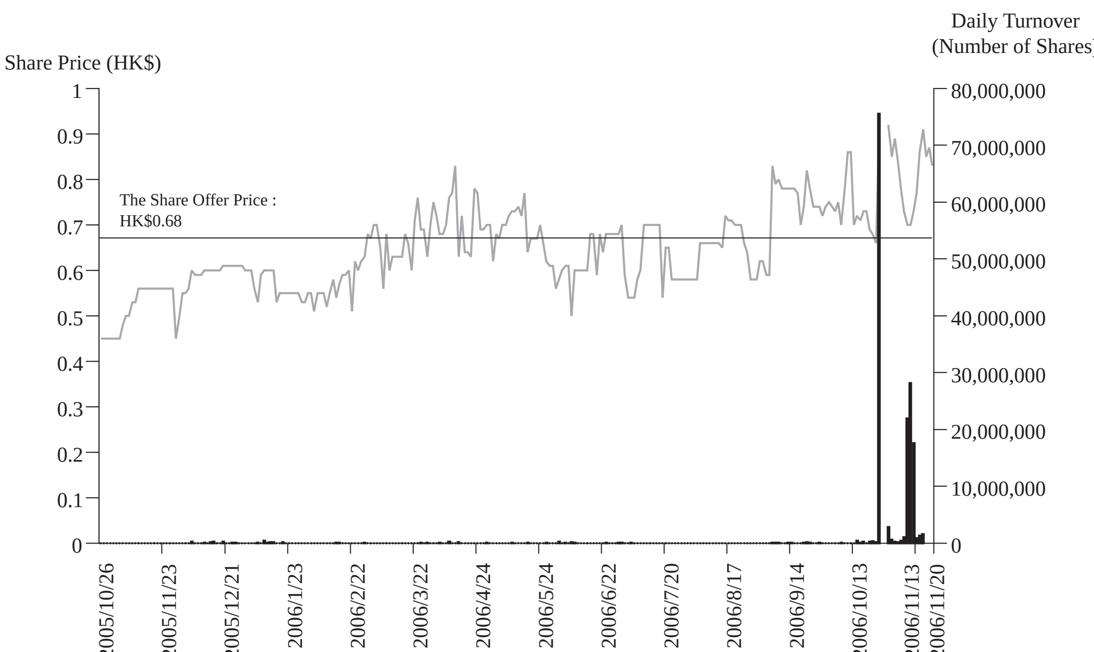
(vii) a discount of approximately 26.1% to the closing price of HK$0.92 on the first trading day immediately after publication of the Announcement;

(viii) a discount of approximately 18.1% to the closing price of HK$0.83 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(ix) a premium of approximately 33.3% over the audited consolidated net asset value of approximately HK$0.51 per Share as at 31 March 2006, being the date of the Group's latest published consolidated balance sheet.

3. *Share performance*

The following chart illustrates the daily turnover and the closing price of the Shares on the Stock Exchange for the period from 26 October 2005 (being the first trading day of the 12-month period up to and including the Last Trading Day) to the Latest Practicable Date:



Source: website of the Stock Exchange — *www.hkex.com.hk*

(i) During the period from 26 October 2005 to the Last Trading Day (the "Review Period"), the highest and lowest closing prices per Share were HK$0.91 (recorded on the Last Trading Day) and HK$0.45 (recorded from 26 October to 3 November 2006) respectively. The Share Offer Price of HK$0.68 represents a discount of approximately 25.3% to and a premium of approximately 51.1% over such highest and lowest closing prices per Share respectively. As shown in the chart above, the Shares had been traded at levels between HK$0.50 and HK0.60 at the beginning of the Review Period and up to late February 2006. Since then, the market prices of the Shares had been picking up but fluctuated within the range between HK$0.60 and HK$0.80 during the rest of the Review Period. At the Last Trading Day, the closing price of the Shares surged by about 37% to HK$0.91 from the closing price of HK$0.66 per Share as quoted on the Stock Exchange on the preceding trading day. While there may be no conclusive reason for such fluctuation in the Share price on the Last Trading Day, we consider that the surge in the market prices of the Shares would probably have been prompted by speculation following the Acquisition, under which the transfer of 75,000,000 Shares was recorded as a share trade on the main board of the Stock Exchange before the end of the trading session on the Last Trading Day.

(ii) During the period from 31 October 2006 (being the first trading day immediately following the Announcement) to the Latest Practicable Date, the closing prices of the Shares fluctuated significantly with the highest and the lowest prices per Share of HK$0.92 recorded on 31 October 2006 and HK$0.70 recorded on 8 and 9 November 2006, respectively. The average closing price during this period was approximately HK$0.82 per Share. The Share Offer Price represents a discount of approximately 17.1% to such average.

(iii) The Share Offer Price represents a discount of approximately 18.1% to the closing price of HK$0.83 per Share on the Latest Practicable Date as quoted on the Stock Exchange.

As indicated from the above, there was significant fluctuation of the market prices of the Shares during the Review Period. While the Share Offer Price of HK$0.68 represents a discount of approximately 25.3% to the closing price of HK$0.91 per Share on the Last Trading Day and is below the closing prices of the Shares during the whole period from 6 September to 20 October 2006, it equals the closing price of the Shares on 23 October 2006 and offers a slight premium over the closing price of HK$0.66 per Share on 24 October 2006, i.e. the trading day immediately prior to the Last Trading Day. The Share Offer Price represents a discount of approximately 9.3% and 4.2% to the 30-day Average Closing Price and the 60-day Average Closing Price respectively, and it approximates the 90-day Average Closing Price. Accordingly, despite the substantial discount as represented by the closing price of the Shares at the Last Trading Day, the Share Offer Price is more in line with the average market prices of the Shares when a longer timeframe prior to the Last Trading Day is taken into account. During the Review Period, the Shares had been traded below the Share Offer Price in 159 days out of a total of 249 trading days. Independent Shareholders and Optionholders are advised to read the price chart above for a better understanding of the price movement of the Shares during the Review Period.

4. *Liquidity*

The following table sets out the average daily trading volume of the Shares and the relative value as a percentage of the total issued share capital of the Company for the Review Period and up to the Latest Practicable Date:

Month	**Average daily trading volume** *(Shares)*	**Percentage to the total issued share capital of the Company** *(%)*
2005		
October (from 26 October)	1,927	Negligible
November	1,542	Negligible
December	67,268	0.02
2006		
January	63,507	0.02
February	14,298	Negligible
March	11,455	Negligible
April	38,283	0.01
May	13,864	Negligible
June	39,197	0.01
July	6,907	Negligible
August	2,061	Negligible
September	41,264	0.01
October*	4,452,205	1.33
November (up to the Latest Practicable Date)	5,372,130	1.61

Source: website of the Stock Exchange — *www.hkex.com.hk*

* Trading of the Shares was suspended on 27 and 28 October 2006 pending the release of the Announcement.

As noted from the table above, the average daily trading volume of the Shares was minimal during the period under review. Independent Shareholders should also note that the relatively high average daily trading volume of over four million Shares in October was due to the Acquisition on 25 October 2005 under which the Offeror had acquired a total of 75,000,000 Shares from the Vendors. If we exclude such Shares for our review, the average daily trading volume in October was only 285,538 Shares, representing approximately 0.09% of the total issued share capital of the Company. From the date of the Announcement to the Latest Practicable Date, the daily trading volume of the Shares increased with relatively high volume on 8 November 2006 (21,963,880 Shares), 9 November 2006 (28,163,800 Shares) and 10 November 2006 (17,581,000 Shares).

In view of the generally low liquidity of the Shares during the Review Period and prior to the Acquisition, we are of the opinion that it may be difficult for the Independent Shareholders who wish to dispose of their Shares in the open market to do so without posing any pressure on the market price of the Shares. We therefore consider that the Share Offer provides an opportunity to these Independent Shareholders to realise their investment in the Company at the Share Offer Price.

5. *Price-to-earnings ratio and dividend yield*

Based on the earnings per Share of HK$0.0162 set out in the Company's audited consolidated income statement for the year ended 31 March 2006 and the Share Offer Price of HK$0.68, the price-to-earnings ratio ("PER") of the Company is approximately 42.0 times. In order to assess the reasonableness of the Share Offer Price, we have attempted to make reference to the PER of those companies which have principal business similar to those of the Group and have their shares listed on the Main Board of the Stock Exchange (the "Comparable Companies"). In this connection, we have identified a total of five Comparable Companies, which represent, to the best of our knowledge, all those companies listed in Hong Kong that are principally engaged in the retail and wholesale of watches in Hong Kong and/or the PRC. Our findings are summarised below:

Stock Code	Company	Closing price as at the Last Trading Day *(HK$)*	Earnings per share set out in the latest published audited financial statements *(HK$)*	Net asset value per share *(HK$)*	PER as at the Last Trading Day *(times)*	Premium/ (discount) of closing price over/ (to) latest published net asset value per share *(%)*	Market capitalisation as at the Last Trading Day *(HK$' million)*
398	Oriental Watch Holdings Limited	1.50	0.2688	2.60	5.6	(42.3)	412.9
304	Peace Mark (Holdings) Limited	5.36	0.2213	1.58	24.2	239.2	5,305.0
444	Sincere Watch (Hong Kong) Limited	0.58	0.141	0.48	4.1	20.8	236.6
84	Stelux Holdings International Limited	0.67	0.1971	0.68	17.6	(1.5)	637.4
3389	Xinyu Hengdeli Holdings Limited	6.56	0.14	0.77	46.9	751.9	6,412.4
Average		*N/A*	*N/A*	*N/A*	*19.7*	*premium: 337.3* *discount: (21.9)*	*2,600.9*
104	**The Company**	**0.68 (being the Share Offer Price)**	**0.0162**	**0.510**	**42.0**	**33.3**	**307.3**

As shown in the table above, the PERs of the Comparable Companies range from approximately 4.1 times to 46.9 times, with an average of approximately 19.7 times. The PER of the Company (as represented by the Share Offer Price) of approximately 42.0 times falls within such range of the Comparable Companies and is significantly higher than their average of approximately 19.7 times. Accordingly, as far as the PER is concerned, we are of the view that the Share Offer Price of HK$0.68 is fair and reasonable. As regards the net asset value, the share closing prices of three Comparable Companies represent a premium ranging from approximately 20.8% to 751.9%, while those of the other two Comparable Companies represent a respective discount of approximately 1.5% and 42.3%. The premium of approximately 33.3% as represented by the Share Offer Price of HK$0.68 over the net asset value per Share is the third highest percentage among all the Comparable Companies. On this basis, we are also of the view that the Share Offer Price is fair and reasonable as far as comparison with the net asset value is concerned.

We note that the Company had not declared or made any dividend for the past two financial years ended 31 March 2006. On the other hand, we understand from the latest published financial statements of the Comparable Companies that all of them had declared or paid dividends for the current financial year. Accordingly, in terms of dividend yield and by way of comparison with the Comparable Companies, the Shares do not appear to be an attractive investment.

6. *Cash offer comparables*

In assessing the fairness and reasonableness of the Share Offer Price, we have also attempted to compare it with the general cash offers made during the Review Period for companies listed on the main board of the Stock Exchange and engaged in a similar business to the Group. However, we are unable to identify any cash offers in such period for companies engaged in watch trading and luxury products retailing. As an alternative, we have sought to compare the Share Offer Price with all cash offers made during the Review Period for companies that are listed on the Main Board of the Stock Exchange (the "Comparable Offers"). Our findings on the Comparable Offers are summarised below:

Stock Code	Company	Date of announcement	Share offer price *(HK$)*	Closing price as at the last trading day *(HK$)*	Net asset value per share *(Note 1)* *(HK$)*	Dividend yield as represented by the share offer price *(Note 1)* *(%)*	PER as represented by the share offer price *(Note 1)* *(times)*	Premium/(discount) of share offer price over/(to) closing price as at the last trading day *(%)*	Premium/(discount) of share offer price over/(to) latest published net asset value per share *(%)*	Market capitalisation as at the last trading day *(HK$' million)*	Principal business
512	Maxx Bioscience Holdings Limited	12/21/2005	0.075	0.103	0.111	n.a.	n.a.	(27.2)	(32.4)	110.6	Manufacture and sales of pharmaceutical and health products and trading of securities
989	China Motion Telecom International Limited	1/12/2006	0.069	0.115	0.468	n.a.	n.a.	(39.7)	(85.2)	60.4	Provision of international telecommunications services, mobile communications services, technical consultancy services, repair and maintenance services for telecommunications equipment, and trunking radio services
979	China Nan Feng Group Limited	1/26/2006	0.093	0.075	0.007	n.a.	0.3	24.0	1228.6	64.1	Construction contractor and provision of management services
711	Chun Woo Holdings Limited	2/22/2006	0.740	0.710	1.016	3.4	10.6	4.2	(27.2)	528.6	Civil engineering, electrical and mechanical engineering, foundation and building construction work, property development and property investment
305	Magnum International Holdings Limited	3/30/2006	0.032	0.080	n.a.	n.a.	n.a.	(60.6)	n.a.	615.0	Securities dealing and margin finance, money lending and property investment
660	Nority International Group Limited	4/4/2006	0.470	0.410	0.780	n.a.	n.a.	14.6	(39.7)	110.0	Manufacture and export of athletic, athletic-style leisure footwear and sport shoes
32	Cross Harbour (Holdings) Limited	4/10/2006	4.083	6.750	7.040	6.9	7.4	(39.5)	(42.0)	2,030.7	Investment holdings, operation of driver training centres and operation of the Western Harbour Tunnel and electronic toll collection system
142	First Pacific Company Limited	4/28/2006	2.200	3.250	0.940	1.4	8.7	(32.3)	134.0	10,363.7	Telecommunications and consumer food products
597	CSMC Technologies Corporation	5/12/2006	0.420	0.400	0.457	n.a.	n.a.	5.0	(8.1)	1,070.1	Operation of semi-conductor foundries in China
650	Shun Cheong Holdings Limited	5/16/2006	0.300	0.370	0.730	n.a.	n.a.	(18.9)	(58.9)	42.9	Provision of building related maintenance services
1031	Golden Resorts Group Limited	7/25/2006	1.940	2.000	1.990	n.a.	n.a.	(3.0)	(2.5)	2,425.3	Operation of hotels with gaming facilities in Macau
662	Asian Financial Holdings Limited	8/9/2006	3.500	4.240	3.490	2.9	20.1	(17.5)	0.3	4,486.0	Provision of insurance and investment services
3333	Senyuan International Holdings Limited	8/22/2006	1.490	1.430	0.640	3.7	8.8	4.2	132.8	436.2	Manufacture of vacuum circuit breakers and other components of switchgears in China

Stock Code	Company	Date of announcement	Share offer price *(HK$)*	Closing price as at the last trading day *(HK$)*	Net asset value per share *(Note 1)* *(HK$)*	Dividend yield as represented by the share offer price *(Note 1)* *(%)*	PER as represented by the share offer price *(Note 1)* *(times)*	Premium/(discount) of share offer price over/(to) closing price as at the last trading day *(%)*	Premium/(discount) of share offer price over/(to) latest published net asset value per share *(%)*	Market capitalisation as at the last trading day *(HK$' million)*	Principal business
996	CASH Retail Management Group Limited	8/28/2006	0.360	0.405	0.220	n.a.	n.a.	(11.1)	63.6	442.5	Operation of department store and provision of store management services in China
275	Hanny Holdings Limited	9/1/2006	3.800	3.530	7.880	2.6	n.a.	7.6	(51.8)	884.1	Trading of securities, property investment and trading, holding of vessels for sand mining and other strategic investments
989	China Motion Telecom International Limited	9/8/2006	0.055	0.110	0.100	n.a.	n.a.	(50.0)	(45.0)	60.6	Provision of international telecommunications services, mobile communications services and distribution and retail chain
120	Cosmopolitan International Holdings Limited	10/4/2006	0.050	0.086	0.139	n.a.	n.a.	(41.9)	(64.0)	45.8	Investments in properties and securities and provision of information technology services
593	Quality HealthCare Asia Limited	10/5/2006	3.250	3.900	0.769	1.8	11.6	(16.7)	322.6	782.2	Health administration, medical scheme administration, and the provision of healthcare services
595	AV Concept Holdings Limited	10/9/2006	0.530	0.490	1.030	3.8	20.4	8.2	(48.5)	198.5	Marketing and distribution of semiconductors and electronic components, and design and manufacture of electronic products and internet appliances
Maximun						*6.9*	*20.4*	*24.0*	*1228.6*		
Minimum						*—*	*—*	*(60.6)*	*(85.2)*		
Average						*3.3 (Note 2)*	*11.0 (Note 2)*	*premium: 9.7 discount: (29.9)*	*premium: 313.7 discount: (42.1)*		
104	**The Company**	**10/27/2006**	**0.680**	**0.910**	**0.510**	**n.a.**	**42.0**	**(25.3)**	**33.3**	**307.3**	Watch trading and luxury products retailing in China

Notes:

1. Based on the financial information set out in the latest published audited financial statements prior to the respective date of the announcement of the Comparable Offers, and n.a. denotes not applicable as the relevant company recorded audited net loss or audited net liabilities or did not declare or pay any dividend for the relevant financial year.

2. Those denoted n.a. as shown in the column above have been excluded in the computation of the relevant average figure.

Source: website of the Stock Exchange — *www.hkex.com.hk*

The table above shows that seven Comparable Offers had the offer prices set at a premium over their respective closing prices as quoted on the last trading day prior to the date of the relevant announcement, ranging from approximately 4.2% to 24.0%, with an average premium of approximately 9.7%. On the other hand, 12 Comparable Offers had the offer prices set at a discount to their respective closing prices as quoted on the last trading day prior to the date of the relevant announcement, ranging from approximately 3.0% to 60.6%, with an average discount of approximately 29.9%. The Share Offer Price of HK$0.68 represents a discount of approximately 25.3% to the closing price of the Shares as at the Last Trading Day which is within the range of the discount and is below the average discount of the 12 Comparable Offers.

Six Comparable Offers had the offer prices set at a premium over their respective latest published net asset value prior to the publication of the announcement in relation to the offers, ranging from approximately 0.3% to 1,228.6% with an average of 313.7%. On the other hand, 12 Comparable Offers had the offer prices set at a discount to their respective latest published net asset value prior to the publication of the announcement in relation to the offers, ranging from approximately 2.5% to 85.2% with an average of 42.1%. The subject company of one of the Comparable Offers recorded audited net liabilities as at its latest published balance sheet date prior to the date of the announcement in relation to the offer. As a majority of the Comparable Offers, i.e. 12 cases out of a total of 19 had offer prices set at a discount to the respective net asset value of the subject companies, we consider that the Share Offer Price, representing a premium of approximately 33.3% over the audited consolidated net asset value of the Company as at 31 March 2006, has been determined at a level which is more favourable than the majority of the offer prices under the Comparable Offers as far as the net asset value is taken into account.

As regards the dividend yield of the companies under the Comparable Offers, eight out of a total of 19 companies under the Comparable Offers had declared or paid dividends for their respective last financial years, with dividend yield ranging from 1.4% to 6.9%. As mentioned above, the Company had not declared or made any dividend for the past two financial years ended 31 March 2006. Therefore, in terms of dividend yield and by way of comparison with the companies under the Comparable Offers, the Shares do not appear to be an attractive investment.

As regards the PER, eight companies under the Comparable Offers recorded net profit for their respective last financial years and the relevant PERs as represented by the respective share offer price range from 0.3 times to 20.4 times, which are all below the PER of the Company of 42.0 times as represented by the Share Offer Price. It should however be noted that the subject companies of the Comparable Offers listed above are engaged in various businesses different from that of the Group. Accordingly, the respective PER of the subject companies under the Comparable Offers may not be directly comparable to that of the Company.

Based on the above analysis on the Share Offer Price by comparison with those under the cash offers made for companies that are listed on the main board of the Stock Exchange during the Review Period, we are of the view that the Share Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

7. *Financial performance of the Group*

The Group is principally engaged in watch trading and luxury products retailing in the PRC. The businesses of the Group also include property investment and sale and design of contract software programs; however, based on the latest published financial information of the Group for the year ended 31 March 2006, these business segments were loss-making and the sales generated from them amounted to less than 1% of the Group's total consolidated revenue for the year. Set out below is a summary of the Group's audited financial information for the past five financial years extracted from the Company's latest annual report for the year ended 31 March 2006:

	For the year ended 31 March				
	2002	**2003**	**2004**	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(as restated)	*(as restated)*	*(as restated)*	*(as restated)*	
Turnover	189,360	245,596	261,477	255,650	330,233
Profit/(loss) for the year attributable to equity holders of the Company	152	(32,293)	32,743	4,386	5,414

For the year ended 31 March 2004, the Group recorded a net profit attributable to the Shareholders of approximately HK$32.7 million, representing a significant improvement over the net loss of approximately HK$32.3 million for the preceding financial year. As noted in the Company's annual report for 2004, the favourable financial results for the financial year was largely attributable to the receipt of the partial payment of approximately HK$47 million from the disposal of the Group's interests in a property development project in Dongguan, the PRC in August 2003 (the "Disposal"). Without taking into account such receipt from the Disposal, the loss attributable to the Shareholders for 2004 would have amounted to approximately HK$14 million.

For the year ended 31 March 2005, the Group recorded a net profit attributable to the Shareholders of approximately HK$4.4 million. However, as noted in the Company's annual report for 2005, the Group received the final payment of approximately HK$21 million from the Disposal during the financial year 2005. Had the final receipt of approximately HK$21 million from the Disposal not be taken into account, the Group would have recorded a loss attributable to the Shareholders of approximately HK$17 million.

For the year ended 31 March 2006, the Group's turnover increased substantially by approximately 29% from approximately HK$255.7 million for 2005 to approximately HK$330.2 million. As explained in the Company's annual report for 2006, such increase in the Group's turnover was mainly attributable to the Group's efforts in enhancing its brand awareness as well as the competitiveness of its retail chain in the PRC by redecorating the shops, expanding the store space and enriching the product assortment. As a result of the significant improvement in its sales of watches during the financial year 2006, the Group recorded a net profit attributable to the Shareholders of approximately HK$5.1 million. As noted in the annual report, given the fact that the Group had completed the disposal of its major property interests in Dongguan in the financial year 2005 (i.e. the Disposal), gross rental income generated from the Group's property investment business amounted to less than HK$1 million for the year ended 31 March 2006.

Based on our review of the financial performance of the Group in recent years, we are of the view that its principal business, i.e. watch trading and luxury products retailing in the PRC, is yet to demonstrate a stable track record of profitable results. In addition, the Company had not declared or made any dividend for the past two financial years ended 31 March 2006. While the Group had recorded profitable results for each of the past three financial years ended 31 March 2006, the Independent Shareholders should note that the favourable financial results of the Group for the two financial years 2004 and 2005 were principally attributable to the receipts from the disposal of the Group's major property interests in the PRC which was not recurring in nature.

As regards the prospects of the Group's watch trading and luxury products retailing in the PRC, although the income and consuming power of urban and suburban citizens of China are expected to grow along with the general economic development of the nation, retail business for luxury products in the PRC will become increasingly competitive as large foreign retailers continue their efforts in targeting the Chinese market. This is of particular relevance as China's retailing industry has been moving toward full liberalisation to foreign enterprises following China's accession to the World Trade Organisation. In addition, distribution cost, being the major cost component of a luxury products retail business after inventories, has been rising substantially in recent years due to the increases in salaries and commission, rental expenses and advertising and promotional expenses. Based on our discussion with the management of the Company, we understand that the Chinese authorities have recently introduced a consumption tax of 20% for jewellery including luxury watches which has come into effect since 1 April 2006, and that the Group has managed to mitigate only partially the adverse effect of such consumption tax through its pricing policy for certain products. As stated in its 2006 annual report, the Company believes that it is important to cultivate strong brand loyalty and recognition of the Group's retail chain and brand products, and that the Group will continue to implement a series of strategies such as advertising, renovating the shops, joint co-operative programs with international brands and participating in their public functions so as to promote the corporate image of the retail chain. All these may increase the Group's operating costs.

Given the unstable historical financial performance of the Group and the recent developments in the watch and luxury products retailing business in the PRC, in particular, the introduction of the consumption tax for jewellery, and the intensifying competition in the retailing industry in China following the liberalisation to foreign enterprises, it is uncertain as to whether the Group will be able to maintain the significant growth in revenue and profitability in the future as seen in its financial results for 2006. As such, the Share Offer provides an opportunity to the Independent Shareholders who are not optimistic about the future business prospects of the Group to dispose of their investments in the Company at the Share Offer Price.

8. *Intention of the Offeror*

As stated in the Letter from BNP Paribas, it is the intention of the Offeror to continue the existing business of the Group. The Offerer will conduct a more detailed review of the financial position and the operations of the Group with a view to developing a corporate strategy upon completion of the Offers. Although the Offeror does not have any immediate plan for redeploying the material fixed assets of the Group, it may consider restructuring the Group's non-core businesses including the sale and design of contract software programs. The Offeror will also conduct a thorough appraisal on the performance of the employees of the Group upon completion of the Offers. Subject to such performance reviews, the Offeror intends to continue the employment of the employees for the core business of the Group and would consider appointing certain new directors and senior management to the subsidiaries of the Company. The Offeror may have to make redundant certain employees from the Group's non-core businesses if it has decided that any non-core business would be discontinued and that the affected employees would not be relocated to the continuing businesses of the Group.

The Board of the Company currently comprises two executive Directors, one non-executive Director and three independent non-executive Directors. As stated in the Letter from BNP Paribas, except for Mr. Lai Si Ming, all of the existing Directors will resign and their resignations will take effect on the First Closing Date. The Offeror intends to nominate Mr. Eav Yin and Mr. Eav Ming Keong, Kinson as executive Directors as soon as practicable upon the issuance of the Composite Document. The Offeror also intends to nominate Miss Wong Wing Yue, Rosaline and Mr. Lee Tat

Cheung, Vincent as independent non-executive Directors, both with effect on or around the First Closing Date and Mr. Au Shiu Leung, Alex as executive Director with effect in January 2007. Biographical details of the proposed Directors are set out in the Letter from BNP Paribas.

Based on the biographical details of the proposed Directors, we note that Mr. Eav Yin is the founder of the Company and has extensive experience of distributing watches in Cambodia and Vietnam and Mr. Au Shiu Leung, Alex was previously employed by the Company from 1995 to 1997 and was its company secretary from 1996 to 1997. However, we understand from the Company that although Mr. Eav Yin is the founder of the Company, he has not been involved in the management of the Company since 1999. As stated in the Letter from BNP Paribas, subject to the performance reviews by the Offeror, it is the intention of the Offeror to continue the employment of the employees for the watch trading and luxury products retailing business of the Group after the Offers. Accordingly, we consider that the Offers may not give rise to any adverse impact on the continuity of the Group's existing core business. However, in the absence of a concrete business strategy, there are uncertainties as to the effects of the new management on the overall business, operating performance and financial position of the Group after the close of the Offers. There may also be short-term impact on the overall business performance of the Group if the new management decides to dispose of or discontinue the Group's non-core business.

II. The Option Offer

As at the Latest Practicable Date, there were 7,200,000 outstanding Share Options entitled the Optionholders to subscribe for a total of 7,200,000 new Shares, at an exercise price of HK$1.00 per Share.

BNP Paribas, on behalf of the Offeror, is making the Option Offer to the Optionholders in respect of all the outstanding Share Options as part of the Offers. The Optionholders will receive HK$0.01 in cash for each Share Option. By accepting the Option Offer, the Optionholders will surrender the subscription rights attaching to the Share Options granted to them, which will be cancelled by the Company.

Based on the prevailing market prices of the Shares and the exercise price of HK$1.00 per Share of the Share Options, the Share Options are currently out-of-the-money. On this basis, we consider that the determination of the Option Offer Price at a nominal value of HK$0.01 is fair and reasonable.

RECOMMENDATION

In formulating our advice to the Independent Board Committee, we have considered the above principal factors and reasons, in particular, the following:

(i) The principal business of the Group, i.e. watch trading and luxury products retailing in the PRC, is yet to demonstrate a stable track record of profitable results. The favourable financial results of the Group for the two financial years 2004 and 2005 were principally attributable to the receipts from the disposal of the Group's major property interests in the PRC. Without taking into account such receipts which were non-recurring in nature, the Group would have recorded net losses for the relevant financial years. Given the recent introduction of the consumption tax for jewellery and the growing competition in luxury products retailing business in the PRC, it is uncertain as to whether the Group will be able to maintain its revenue and profitability at levels comparable to those for the financial year 2006. Therefore, the Share Offer provides an opportunity to the Independent Shareholders who are not optimistic about the business prospects of the Group to dispose of their investments in the Company.

(ii) The liquidity of the Shares was extremely low before the release of the Announcement.

(iii) Having compared the PER of the Company and the premium over the net asset value per Share as represented by the Share Offer Price with those of companies which are listed on the Main Board of the Stock Exchange and have principal business similar to that of the Group, the Share Offer Price is fair and reasonable, details of which are set out in the section headed "Price-to-earnings ratio and dividend yield" above. Investment in the Shares did not offer any dividend yield for the last two years.

(iv) The Share Offer Price is fair and reasonable by comparison with those offer prices under the cash offers made for companies that are listed on the main board of the Stock Exchange during the Review Period, details of which are set out in the section headed "Cash offer comparables" above.

(v) Although the Shares were traded at a premium to the Share Offer Price during most of the time in September 2006 and after the release of the Announcement and up to the Latest Practicable Date, the trading volume of the Shares has been small. It should also be noted that the Share Offer Price approximates the 90-day Average Closing Price, and that the Shares had been traded below the Share Offer Price in 159 days out of a total of 249 trading days during the Review Period. Accordingly, the Share Offer Price is more in line with the average market prices of the Shares when a longer timeframe prior to the Last Trading Day is taken into account. The price of the Shares is vulnerable to fluctuations caused by small trading volume and may or may not sustain at the current level after the close of the Offers.

(vi) The Option Offer Price of HK$0.01 per Share Option is fair and reasonable given the fact that the Share Options are currently out-of-the-money.

Based on the above factors, we consider the terms of the Offers to be fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and the Optionholders that they should consider accepting the Share Offer or, as the case may be, the Option Offer.

However, it should be noted that the Shares had been traded at a premium over the Share Offer Price after the Announcement and the Share Offer Price represented a discount of approximately 18.1% to the closing price of the Shares as at the Latest Practicable Date. Independent Shareholders who intend to accept the Share Offer should closely monitor the market prices and the liquidity of the Shares before the close of the Offers and should sell their Shares in the open market rather than accepting the Share Offer if the net proceeds from the sale of Shares in the open market after deducting all transaction costs are more than the net amount to be received under the Share Offer.

The Optionholders are also advised to exercise their Share Options and dispose of the Shares so converted in the open market if the market price per Share exceeds the exercise price of the Share Option before the close of the Offers and if the net proceeds from the sale of the Shares in the open market after deducting all transaction costs are more than the net amount to be received under the Option Offer. In addition, those Optionholders who do not intend to accept the Option Offer are reminded that pursuant to the terms of the relevant Share Option Scheme, the Optionholders will be entitled to exercise their Share Options within one month from the date on which the Share Offer becomes or is declared unconditional (i.e. within one month from the date of the despatch of the Composite Document as and when the Offers are being made unconditionally), and the Share Options (to the extent not already exercised) will lapse immediately upon the expiry of such one-month period.

Yours faithfully,
For and on behalf of
AMS Corporate Finance Limited
Jinny Mok
Director

1. FURTHER PROCEDURES FOR ACCEPTANCE OF THE OFFERS

A. The Share Offer

(a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Share Offer, you must send the duly completed **WHITE** Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) by post or by hand to the Registrar at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your Shares, you must either:

(i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the duly completed **WHITE** Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(ii) arrange for the Shares to be registered in your name by ACHL through the Registrar, and send the duly completed **WHITE** Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set by HKSCC Nominees Limited, in this case, on Tuesday, 12 December 2006 which is one Business Day before the latest date on which acceptances of the Share Offer must be received by the Registrar. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

(iv) if your Shares have been lodged with your Investor Participant's Account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System not later than one Business Day before the latest date on which acceptances of the Share Offer must be received by the Registrar, which is Tuesday, 12 December 2006 in this case.

(c) If the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Share Offer in respect of your Shares, the **WHITE** Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

(d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete the **WHITE** Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to BNP Paribas and/or the Offeror or their respective agent(s) to collect from the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the **WHITE** Form of Acceptance.

(e) Acceptance of the Share Offer will be treated as valid only if the completed **WHITE** Form of Acceptance is received by the Registrar no later than 4:00 p.m. on the First Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, and is:

(i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or

(ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or

(iii) certified by the Registrar or the Stock Exchange.

If the **WHITE** Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

(f) Seller's ad valorem stamp duty for transfer of Shares registered on the Registrar arising in connection with acceptance of the Share Offer will be payable by each accepting Shareholder at the rate of HK$1.00 for every HK$1,000 (or part thereof) of the greater of (i) the consideration payable by the Offeror in respect of the relevant acceptance; and (ii) the value of the Shares, and will be deducted from the cash amount due to such person under the Share Offer. The Offeror will arrange payment of the seller's ad valorem stamp duty on behalf of the accepting Shareholders and will pay the buyer's ad valorem stamp duty in respect of Shares accepted under the Share Offer.

(g) No acknowledgement of receipt of any **WHITE** Form of Acceptance Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

(h) If the Share Offer is withdrawn or lapses, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) lodged with the **WHITE** Form of Acceptance to the relevant Shareholder.

B. The Option Offer

(a) If you accept the Option Offer, you should complete the **PINK** Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Option Offer.

(b) The completed **PINK** Form of Acceptance should he forwarded, together with the relevant letter(s) of grant of the Share Option stating the number of Share Options for not less than the number of the Share Options in respect of which you intend to accept the Option Offer, by post or by hand to the Registrar at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event so as to reach the Registrar at the aforesaid address no later than 4:00 p.m. on the First Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive.

(c) If the Option Offer is withdrawn or lapses, the Offeror shall, as soon as possible, but in any event within 10 days thereof, return by ordinary post the letter(s) of grant of the Share Option lodged with the **PINK** Form of Acceptance to the relevant Optionholder(s).

(d) No stamp duty will be deducted from the amount paid to the Optionholders who accept the Option Offer.

(e) No acknowledgement of receipt of any **PINK** Form of Acceptance and/or letter(s) of grant of the Share Option will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

(a) Unless the Offers have previously been extended with the consent of the Executive, all acceptances must be received by 4:00 p .m. on the First Closing Date in accordance with the instructions printed on the relevant Form(s) of Acceptance and the Offers will be closed on the First Closing Date.

(b) The Offeror does not intend to revise the Share Offer Price and the Option Offer Price but reserves the right to extend the Offers in accordance with the relevant provisions of the Takeovers Code.

(c) If the Offers are extended, the announcement of such extension will state the next closing date or that the Offers will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offers are closed to those Independent Shareholders and those Optionholders who have not accepted the Offers and an announcement will be published.

(d) Except with the consent of the Executive, the Offers shall not be capable of remaining open for acceptance after four months from posting of this Composite Document in the event that the Offeror chooses to exercise its power of compulsory acquisition, unless, by that time, the Offeror has become entitled to exercise rights of compulsory acquisition.

(e) If the closing date of the Offers is extended, any reference in this Composite Document and in the Form(s) of Acceptance to the closing date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offers so extended.

3. ANNOUNCEMENTS

(a) By 6:00 p.m. on the First Closing Date (or such later time as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the extension or expiry of the Offers. The Offeror must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the First Closing Date stating the results of the Offers and whether the Offers have been extended or have expired. Such announcement must be published in accordance with the requirements set out in item (c) below on the next Business Day.

The announcement must state the following:

(i) the total number of Shares and rights over Shares for which acceptances of the Share Offer have been received;

(ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror Parties before the Offer Period;

(iii) the total number of Shares and rights over Shares acquired or agreed to be acquired by the Offeror Parties during the Offer Period;

(iv) the total number of Share Options for which acceptances of the Option Offer have been received;

(v) the total number of Share Options held by the Offeror Parties before the Offer Period; and

(vi) the total number of Share Options acquired or agreed to be acquired by the Offeror Parties during the Offer Period.

The announcement must specify the percentages of the issued share capital of ACHL and the percentages of voting rights of ACHL represented by these numbers of Shares and Share Options.

(b) In computing the total number of Shares and Share Options represented by acceptances, only valid acceptances that are complete and in good order and which have been received by the Registrar no later than 4:00 p.m. on the First Closing Date, being the latest time and date for acceptance of the Offers, shall be included.

(c) As required under the Takeovers Code and the Listing Rules, any announcement in relation to the Offers, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, must be published as a paid announcement in at least one leading English language newspaper and one leading Chinese newspaper, being in each case a newspaper which is published daily and circulated generally in Hong Kong.

4. RIGHT OF WITHDRAWAL

(a) Acceptance of the Offers tendered by the Shareholders and the Optionholders, as the case may be, shall be irrevocable and cannot be withdrawn, except in the circumstances set out in (b) below or in compliance with Rule 17 of the Takeovers Code which provides that an acceptor shall be entitled to withdraw his acceptance after 21 days from the First Closing Date, if the Offers have not by then become unconditional as to acceptances. Since the Offers are unconditional, acceptances by the Shareholders and the Optionholders under the Offers shall be irrevocable and cannot be withdrawn except in circumstances set out in (b) below.

(b) If the Offeror is unable to comply with the requirements set out in the paragraph headed "Announcements" in this Appendix, the Executive may require that the Shareholders and the Optionholders who have tendered acceptances to the Offers, as the case may be, be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

If the Offers are withdrawn with the consent of the Executive in accordance with the Takeovers Code, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) lodged with the **WHITE** Form of Acceptance to the relevant Shareholder(s) or the letter(s) of grant of the Share Option lodged with the **PINK** Form of Acceptance to the relevant Optionholder(s).

5. SETTLEMENT OF THE OFFERS

(a) The Share Offer

Provided that a valid **WHITE** Form of Acceptance and the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order and have been received by the Registrar no later than the latest time for acceptance, a cheque for the amount due to each of the Shareholders less seller's ad valorem stamp duty in respect of the Shares tendered by him/her/it under the Share Offer will be despatched to the Shareholders by ordinary post at his/her/its own risk within 10 days of the date on which all the relevant documents are received by the Registrar to render such acceptance complete and valid.

(b) The Option Offer

Provided that a valid **PINK** Form of Acceptance and the relevant letter(s) of grant of the Share Option are complete and in good order and have been received by the Registrar no later than the latest time for acceptance, a cheque for the amount due to each of the Optionholders in respect of the Share Options surrendered by him/her under the Option Offer will be despatched to the Optionholders by ordinary post at his/her own risk within 10 days of the date on which all the relevant documents are received by the Registrar to render such acceptance complete and valid.

The settlement of the consideration to which any Shareholder(s) or Optionholder(s) is/are entitled under the Offers will be implemented in full in accordance with the terms of the Offers without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder(s) or Optionholder(s).

6. GENERAL

(a) All communications, notices, Form(s) of Acceptance, certificate(s) of Shares or letter(s) of grant of the Share Options, transfer receipt(s), other documents of title or indemnity and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Shareholders and the Optionholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and none of ACHL, the Offeror Parties nor any of their respective directors or other parties involved in the Offers or any of their respective agents accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

(b) The provisions set out in the Form(s) of Acceptance form part of the terms of the Offers.

(c) The accidental omission to despatch this Composite Document and/or Form(s) of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way. The deliberate omission, if any, to despatch this Composite Document and/or the Form(s) of Acceptance to the Overseas Shareholders will not invalidate the Share Offer in any way.

(d) The Offers are, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.

(e) Due execution of the Form(s) of Acceptance will constitute an authority to any of the Offeror or such person or persons as the Offeror may direct to complete and execute any document on behalf of the person accepting the Offers and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as it may direct, the Shares and the Share Options (as the case may be) in respect of which such person has accepted the Offers.

(f) Acceptance of the Offers by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and ACHL:

  (i) that the Shares and the Share Options acquired under the Offers are sold by any such person or persons free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto as at the date of the Announcement, including, without limitation, in the case of the Shares, the rights to receive all future dividends or other distributions declared, paid or made, if any, on or after the date of the Announcement;

  (ii) that such Shareholder or nominee has not utilized in connection with the Share Offer, directly or indirectly, the mails of, or any means or instrumentality, including, without limitation, facsimile transmission, telex and telephone or electronic means, of interstate or foreign commerce of, or any facilities of a national securities exchange of the United Kingdom, Malaysia or Canada;

(iii) that such Shareholder or nominee was outside the United Kingdom, Malaysia or Canada when the Form(s) of Acceptance was, or were delivered and at the time of accepting the Share Offer;

(iv) that such Shareholder or nominee is not an agent or fiduciary acting on a non-discretionary basis for a principal, unless such agent or fiduciary is an authorised employee of such principal who is outside the United Kingdom, Malaysia or Canada at the time of accepting the Share Offer and when the Form(s) of Acceptance is, or are, delivered or such principal has given any instructions with respect to the Share Offer from outside the United Kingdom, Malaysia or Canada; and

(v) that if such accepting Shareholder is an Overseas Shareholder, he, she or it has observed the laws of all relevant territories, obtained any requisite governmental, exchange control or other consents, complied with all requisite formalities or legal requirements and paid any issue, transfer or other taxes or other required payments due from him or her in connection with such acceptance in any territory, that he or she has not taken or omitted to take any action which will or may result in the Offeror Parties, ACHL or BNP Paribas or any other person acting in breach of the legal or regulatory requirements of any territory in connection with the Share Offer or his, her, its acceptance thereof, and is permitted under all applicable laws to receive and accept the Share Offer, and any revision thereof, and that such acceptance is valid and binding in accordance with all applicable laws.

The Optionholders will surrender to ACHL all of their existing rights, if any, in respect of their outstanding Share Options, following which such Share Options will be cancelled and extinguished.

(g) Acceptance of the Share Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the **WHITE** Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owners who are accepting the Share Offer.

(h) References to the Offers in this Composite Document and in the Form(s) of Acceptance shall include any extension thereof.

(i) The English texts of this Composite Document and the Form(s) of Acceptance shall prevail over the Chinese texts for the purpose of interpretation.

7. OVERSEAS SHAREHOLDERS

(a) The making of the Share Offer to Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each Overseas Shareholder wishing to accept the Share Offer to satisfy himself or herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Any such Overseas Shareholder will be responsible for any such issue, transfer or other taxes by whomsoever payable and the Offeror Parties, ACHL, BNP Paribas and any person acting on their behalf shall be entitled to be fully indemnified and held harmless by such overseas shareholder for any such issue, transfer or other taxes as such person may be required to pay. Acceptances of the Share Offer by any such person will constitute a warranty by such person that such person is permitted under all applicable laws to receive and accept the Share Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws.

(b) Copies of this Composite Document, the Forms of Acceptance and any related documents are not being and must not be mailed or otherwise distributed or sent in or into the United Kingdom, Malaysia or Canada whether by use of mails or any means or instrumentality of interstate or foreign commerce of, or by any facility of a national securities exchange of the United Kingdom, Malaysia or Canada. Persons receiving such documents, including, without limitation, custodians, nominees and trustees, must not distribute or send them in or into the United Kingdom, Malaysia or Canada.

(c) All accepting Shareholders must provide addresses outside the United Kingdom, Malaysia or Canada for the receipt of the consideration entitled to receive under the Share Offer or the return of the relevant Forms of Acceptance, Share certificate(s) and, or, transfer receipt(s) and, or other document(s) of title and, or, any satisfactory indemnity or indemnities in respect thereof.

1. FINANCIAL SUMMARY

An unqualified opinion in respect of the audit of the consolidated financial statements of the ACHL Group has been issued for each of the three years ended 31 March 2004, 2005 and 2006. A summary of the audited results, assets and liabilities of the ACHL Group as extracted from the annual reports of ACHL is set out below:

Results

	For the year ended 31 March		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	*(Restated)*
Turnover	330,233	255,650	261,477
Profit before taxation	7,435	5,028	32,409
Taxation	(2,249)	(933)	(250)
Profit for the year	5,186	4,095	32,159
Attributable to:			
Equity holders of ACHL	5,414	4,386	32,743
Minority interest	(228)	(291)	(584)
	5,186	4,095	32,159
Earnings per Share			
— basic *(HK cents)*	1.62	1.31	9.81
Dividends	—	—	—

Note: For each of the three years ended 31 March 2004, 2005 and 2006, there were no extraordinary items or exceptional items recorded.

Assets and liabilities

	As at 31 March		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	*(Restated)*
Total assets	308,627	303,831	290,168
Total liabilities	(138,657)	(134,171)	(127,076)
Minority interests	(321)	(531)	(822)
Shareholders' funds	169,649	169,129	162,270

2. AUDITED FINANCIAL STATEMENTS

Set out below are the audited consolidated financial statements of the ACHL Group together with accompanying notes as extracted from the annual report of ACHL for the year ended 31 March 2006:

Consolidated Income Statement
Year ended 31st March, 2006

	Notes	2006 HK$'000	2005 HK$'000
TURNOVER	7	330,233	255,650
COST OF SALES		(200,614)	(155,961)
GROSS PROFIT		129,619	99,689
OTHER REVENUE	7	12,801	9,069
DISTRIBUTION COSTS		(104,992)	(88,454)
ADMINISTRATIVE EXPENSES		(10,811)	(14,515)
OTHER OPERATING EXPENSES, NET	9	(16,640)	(10,026)
FINANCE COSTS	10	(1,348)	(1,349)
OTHER (EXPENSES)/INCOME, NET	11	(1,094)	10,781
SHARE OF RESULTS OF AN ASSOCIATE		(100)	(167)
PROFIT BEFORE TAXATION	12	7,435	5,028
INCOME TAX	14	(2,249)	(933)
PROFIT FOR THE YEAR		5,186	4,095
ATTRIBUTABLE TO			
— EQUITY HOLDERS OF THE PARENT		5,414	4,386
— MINORITY INTERESTS		(228)	(291)
		5,186	4,095
DIVIDEND	16	—	—
EARNINGS PER SHARE	17	1.62 cents	1.31 cents

Consolidated Balance Sheet
31st March, 2006

	Notes	**2006** *HK$'000*	**2005** *HK$'000 (Restated)*
Non-current Assets			
Property, plant and equipment	18	24,391	19,844
Prepaid lease payments	19	8,839	3,272
Investment properties	20	13,133	20,146
Goodwill	21	2,081	3,261
Intangible assets	22	—	—
Interest in an associate	25	1,123	1,190
Available-for-sale investments	26	430	—
Investments in securities — investment securities	27	—	984
		49,997	48,697
Current Assets			
Inventories — goods for resale		106,295	100,349
Prepaid lease payments	19	110	30
Trade and other receivables, deposits and prepayments	28	34,983	28,060
Short-term bank deposits		95,109	95,214
Bank balances and cash		22,133	25,251
Properties held for resale		—	6,230
		258,630	255,134
Current Liabilities			
Trade and other payables and accrued charges	29	63,572	60,225
Income tax payable		946	260
		64,518	60,485
Net Current Assets		194,112	194,649
Total Assets Less Current Liabilities		244,109	243,346
Non-current Liabilities			
Rental received in advance		2,643	2,996
Convertible notes	30	71,496	70,690
		74,139	73,686
NET ASSETS		169,970	169,660

	Notes	2006 *HK$'000*	2005 *HK$'000* *(Restated)*
CAPITAL AND RESERVES			
Share capital	31	333,719	333,719
Reserves		(164,070)	(164,590)
Equity attributable to			
Equity holders of the parent		169,649	169,129
Minority interests		321	531
TOTAL EQUITY		169,970	169,660

Approved and authorized for issue by the Board of Directors on 18th July, 2006 and are signed on its behalf by:

Leung Chung Ping, Owen
Director

Sum Pui Ying, Adrian
Director

Consolidated Statement of Changes in Equity

Year ended 31st March, 2006

	Attributable to equity holders of the Company									
	Share capital	Share premium	Investment property revaluation reserve	Other property revaluation reserve	Currency translation reserve	Capital reserve	Accumulated losses	Total	Minority interest	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1st April, 2004	333,719	84	2,466	557	4,866	156,970	(336,392)	162,270	822	163,092
Surplus arising from valuation of investment properties	—	—	2,166	—	—	—	—	2,166	—	2,166
Net off with provision for impairment loss of leasehold property	—	—	—	(289)	—	—	—	(289)	—	(289)
Excess depreciation on revalued properties	—	—	—	(13)	—	—	13	—	—	—
Exchange differences arising from translation of financial statements of operation outside Hong Kong	—	—	—	—	596	—	—	596	—	596
Profit for the year	—	—	—	—	—	—	4,386	4,386	(291)	4,095
Balance at 31st March, 2005	333,719	84	4,632	255	5,462	156,970	(331,993)	169,129	531	169,660
Effect of changes in accounting policies	—	—	(4,632)	—	—	95,411	(90,779)	—	—	—
Balance at 1st April, 2005, as restated	333,719	84	—	255	5,462	252,381	(422,772)	169,129	531	169,660
Excess depreciation on revalued properties	—	—	—	(13)	—	—	13	—	—	—
Exchange differences arising from translation of financial statements of operation outside Hong Kong	—	—	—	—	(4,894)	—	—	(4,894)	—	(4,894)
Exchange adjustment	—	—	—	—	—	—	—	—	18	18
Profit for the year	—	—	—	—	—	—	5,414	5,414	(228)	5,186
Balance at 31st March, 2006	333,719	84	—	242	568	252,381	(417,345)	169,649	321	169,970

Balance Sheet
31st March, 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
Non-current Assets			
Interest in subsidiaries	23	—	—
Current Assets			
Other receivables and prepayments		400	206
Amounts due from subsidiaries	24	298,080	280,884
Short-term bank deposits		71,746	95,214
Bank balances and cash		105	121
		370,331	376,425
Current Liabilities			
Other payables and accrued charges		3,046	2,925
Amounts due to subsidiaries	24	71,993	75,662
		75,039	78,587
Net Current Assets		295,292	297,838
Total Assets less Current Liabilities		295,292	297,838
Non-current Liabilities			
Convertible notes	30	71,496	70,690
NET ASSETS		223,796	227,148
CAPITAL AND RESERVES			
Share capital	31	333,719	333,719
Reserves	33	(109,923)	(106,571)
TOTAL EQUITY		223,796	227,148

Approved and authorized for issue by the Board of Directors on 18th July, 2006 and are signed on its behalf by:

Leung Chung Ping, Owen
Director

Sum Pui Ying, Adrian
Director

Consolidated Cash Flow Statement
Year ended 31st March, 2006

	Notes	**2006** *HK$'000*	**2005** *HK$'000*
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	34	1,498	(20,992)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(4,464)	(10,522)
Purchase of property held for resale		—	(5,910)
Proceeds from disposal of leasehold properties, investment properties and other fixed assets		—	19,185
Final receipt of consideration from the disposal of Lakeview Project		—	21,107
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		(4,464)	23,860
FINANCING ACTIVITIES			
Interest paid on convertible notes	36	(542)	(542)
NET CASH USED IN FINANCING ACTIVITIES		(542)	(542)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(3,508)	2,326
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		120,465	118,092
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		285	47
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		117,242	120,465
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Short-term bank deposits		95,109	95,214
Bank balances and cash		22,133	25,251
		117,242	120,465

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st March, 2006

1. General

The Company is a limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal office of the Company are disclosed in the section of "Corporate Information" to this Annual Report.

The financial statements are presented in Hong Kong Dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 23.

2. Application of Hong Kong Financial Reporting Standards/Changes in Accounting Policies

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INT") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has also resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting years are prepared and presented:

(i) *Share-based payments*

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options over shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from accounting period commencing from 1st January, 2005, in order to comply with HKFRS 2, the Group has adopted a new policy for share options. Under the new policy, the Group recognises the fair value of such share options as an expense with a corresponding increase recognised in a capital reserve within equity.

The new accounting policy has been applied retrospectively with comparatives restated, except that the Group has taken advantage of the transitional provisions set out in HKFRS 2, under which the new recognition and measurement policies have not been applied to the following grants of options:

(a) all options granted to employees on or before 7th November, 2002; and

(b) all options granted to employees after 7th November, 2002 but which had vested before 1st April, 2005.

No adjustments to the opening balances as at 1st April, 2004 are required as no options existed at that time which were unvested at 1st April, 2005.

Details of the share option schemes are set out in note 32.

(ii) ***Amortisation of positive and negative goodwill (HKFRS 3, Business combinations and HKAS 36, Impairment of assets)***

In prior years:

— positive or negative goodwill which arose prior to 1st January, 2001 was taken directly to reserves at the time it arose, and was not recognised in the income statement until disposal or impairment of the acquired business;

— positive goodwill which arose on or after 1st January, 2001 was amortised on a straight line basis over its useful life and was subject to impairment testing when there were indications of impairment; and

— negative goodwill which arose on or after 1st January, 2001 was amortised over the weighted average useful life of the depreciable/amortisable non-monetary assets acquired, except to the extent it related to identified expected future losses as at the date of acquisition. In such cases it was recognised in the income statement as those expected losses were incurred.

With effect from accounting period commencing from 1st January, 2005, in order to comply with HKFRS 3 and HKAS 36, the Group has changed its accounting policies relating to goodwill. Under the new policy, the Group no longer amortises positive goodwill but tests it at least annually for impairment. Also with effect from accounting period commencing from 1st January, 2005 and in accordance with HKFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which would have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in profit or loss as it arises. Further details of these new policies are set out in note 4(f).

The new policy in respect of the amortisation of positive goodwill has been applied prospectively in accordance with the transitional arrangements under HKFRS 3. The adjustments for each consolidated financial statement line affected for the year ended 31st March, 2006 are set out in note 3.

Also in accordance with the transitional arrangements under HKFRS 3, goodwill which had previously been taken directly to reserves (i.e. goodwill which arose before 1st January, 2001) will not be recognised in profit or loss on disposal or impairment of the acquired business, or under any other circumstances.

The change in policy relating to negative goodwill had no effect on the financial statements as there was no negative goodwill deferred as at 31st March, 2005.

(iii) ***Financial instruments***

HKAS 32 "Financial Instruments: Disclosure and Presentation" requires retrospective application whereas HKAS 39 "Financial Instruments: Recognition and Measurement", which is effective for accounting periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The adoption of HKAS 32 has had no material effect on the Group's accumulated losses. The principal effects on the Group as a result of implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Financial assets and financial liabilities

From 1st April, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". "Financial liabilities at fair value through profit or loss" are measured at fair value, with changes in fair value being recognised in profit or loss directly. "Other financial liabilities" are carried at amortised cost using the effective interest method after initial recognition. The adoption of HKAS 39 has had no material effect on the Group's accumulated losses.

Convertible Notes

HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into the liability and equity components on its initial recognition and to account for these components separately.

In subsequent periods, the liability component as carried at amortised cost using the effective interest method. The principal impact of HKAS 32 on the Group is in relation to convertible notes issued by the Company that contain both liability and equity components. Given the convertible notes of the Company contain only liability components and was previously classified as liabilities on the balance sheet, comparative figures need not be restated. The fair value of the Convertible Notes at 31st March, 2006 approximated the corresponding carrying amount in accordance with a valuation report prepared by an independent valuer.

(iv) *Leasehold land and buildings (HKAS 17, Leases)*

Leasehold land and buildings held for own use

In prior years, leasehold land and buildings held for own use were stated at revalued amounts less accumulated depreciation and accumulated impairment losses. Movements of revaluation surpluses or deficits were normally taken to the land and buildings revaluation reserve.

With effect from accounting period commencing from 1st January, 2005, in order to comply with HKAS 17, the Group has adopted a new policy for leasehold land and buildings held for own use. Under the new policy, the leasehold interest in the land held for own use is accounted for as being held under an operating lease where the cost of the interest in any buildings situated on the leasehold land could be measured separately from the cost of the leasehold interest in the land at the time the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

Further details of the new policy are set out in notes 4(d) and 4(p).

(v) *Investment property (HKAS 40, Investment property and HKAS Interpretation 21, Income taxes — Recovery of revalued non-depreciable assets)*

Changes in accounting policies relating to investment properties are as follows:

Timing of recognition of movements in fair value in the income statement

In prior years, movements in the fair value of the Group's investment property were recognised directly in the investment property revaluation reserve except when, on a portfolio basis, the reserve was insufficient to cover a deficit on the portfolio, or when a deficit previously recognised in the income statement had reversed, or when an individual investment property was disposed of. In these limited circumstances movements in the fair value were recognised in the income statement.

In addition, in prior years, land (including leasehold land) which the Group held for an undetermined future purpose was accounted for under the valuation model in SSAP 17, Property, plant and equipment, whereby the land was carried at fair value, with any movements in the fair value of the land being normally taken to the land and buildings revaluation reserve, net of deferred tax thereon.

Upon adoption of HKAS 40 as from accounting period commencing from 1st January, 2005, the Group has adopted a new policy for investment property. Under this new policy:

— all changes in the fair value of investment property are recognised directly in the income statement ("profit or loss") in accordance with the fair value model in HKAS 40; and

— land held for an undetermined future purpose is recognised as investment property if the property is freehold or, if the property is leasehold, the Group has chosen to recognise such land as investment property rather than as land held under an operating lease.

Further details of the new policy for investment property are set out in note 4(e).

Measurement of deferred tax on movements in fair value

In prior years, the Group was required to apply the tax rate that would be applicable to the sale of investment property to determine whether any amounts of deferred tax should be recognised on the revaluation of investment property. Consequently, deferred tax was only provided to the extent that tax allowances already given would be clawed back if the property were disposed of at its carrying value, as there would be no additional tax payable on disposal.

As from accounting period commencing from 1st January, 2005, in accordance with HKAS Interpretation 21, the Group recognises deferred tax on movements in the value of an investment property using tax rates that are applicable to the property's use, if the Group has no intention to sell it and the property would have been depreciable had the Group not adopted the fair value model. Further details of the policy for deferred tax are set out in note 4(l).

(vi) *Definition of related parties (HKAS 24, Related party disclosures)*

As a result of the adoption of HKAS 24, Related party disclosures, the definition of related parties as disclosed in note 4(q) has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group. The clarification of the definition of related parties has not resulted in any material changes to the previously reported disclosures of related party transactions nor has it had any material effect on the disclosures made in the current period, as compared to those that would have been reported had SSAP 20, Related party disclosures, still been in effect.

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impacts on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HK (IFRIC) — INT 4	Determining whether an Arrangement Contains a Lease[2]
HK (IFRIC) — INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK (IFRIC) — INT 6	Liabilities Arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment[3]
HK (IFRIC) — INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK (IFRIC) — INT 8	Scope of HKFRS 2[5]
HK (IFRIC) — INT 9	Reassessment of Embedded Derivatives[6]

1 Effective for annual periods beginning on or after 1st January, 2007.
2 Effective for annual periods beginning on or after 1st January, 2006.
3 Effective for annual periods beginning on or after 1st December, 2005.
4 Effective for annual periods beginning on or after 1st March, 2006.
5 Effective for annual periods beginning on or after 1st May, 2006.
6 Effective for annual periods beginning on or after 1st June, 2006.

3. Summary of the Effect of the Changes in Accounting Policies

The effects of the changes in the accounting policies described in note 2 on the results is as follows:

The adoption of HKFRS 3 resulted in an increase in goodwill as at 31st March, 2006 by HK$461,000 and decrease in administrative expenses for the year ended 31st March, 2006 by the same amount.

There was no impact on the balance sheet and income statement upon the adoption of HKFRS 2.

The cumulative effects of the changes in accounting policies on 31st March, 2005 and 1st April, 2005 are summarized below:

	At 31st March, 2005 (Originally stated) *HK$'000*	HKAS 1 and HKAS 27 Adjustment *HK$'000*	HKAS 17 Adjustment *HK$'000*	At 31st March, 2005 (Restated) *HK$'000*	HKAS 39 Adjustment *HK$'000*	HKAS 40 Adjustment *HK$'000*	HKFRS 3 Adjustment *HK$'000*	At 1st April, 2005 (Restated) *HK$'000*
Property, plant and equipment	23,146	—	(3,302)	19,844	—	—	—	19,844
Prepaid lease payments								
— non current portion	—	—	3,272	3,272	—	—	—	3,272
— current portion	—	—	30	30	—	—	—	30
Investment in securities								
— investment securities	984	—	—	984	(984)	—	—	—
Available-for-sale investments	—	—	—	—	984	—	—	984
Total effects on assets	24,130	—	—	24,130	—	—	—	24,130
Accumulated losses	(331,993)	—	—	(331,993)	—	4,632	(95,411)	(422,772)
Investment property revaluation reserve	4,632	—	—	4,632	—	(4,632)	—	—
Capital reserve	156,970	—	—	156,970	—	—	95,411	252,381
Minority interests	—	531	—	531	—	—	—	531
Total effects on equity	(170,391)	531	—	(169,860)	—	—	—	(169,860)
Minority interests	531	(531)	—	—	—	—	—	—

As a result of the application of HKAS 1 "Presentation of Financial Statements" and HKAS 27 "Consolidated and Separate Financial Statements", minority interests amounting to HK$531,000 as at 1st April, 2005 is presented within equity.

4. Significant Accounting Policies

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Companies Ordinance.

(a) *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Before qualifying as a business combination, a transaction may qualify as an investment in an associate or a jointly controlled entity and be accounted for using the equity method. If so, the fair values of the investee's identifiable net assets at the date of each earlier exchange transaction will have been determined previously in applying the equity method to the investment.

To the extent that the fair value of the investee's net assets at the date of achieving significant influence/ joint control differs from the fair value at the date of achieving control, a revaluation will be required to ensure that the net assets are recorded at their fair value at the date of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) *Subsidiaries and controlled entities*

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital or controls more than half the voting power or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra- group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale.

(c) *Associates*

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates recognize for the year.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's balance sheet, its investments in associates and jointly controlled entities are stated at cost less impairment losses, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) ***Property, plant and equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

(e) ***Investment property***

Investment properties are land and buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 4(m).

(f) ***Goodwill***

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree' identifiable assets, liabilities and contingent liabilities. Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 4(j)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in profit or loss.

On disposal of a cash generating unit, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) *Intangible assets*

Intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and impairment losses (see note 4(j)). Intangible assets with indefinite useful lives that are acquired by the Group are stated in the balance sheet at cost less impairment losses (see note 4(j)).

Both the period and method of amortisation and any conclusion that the useful life of an intangible asset is indefinite are reviewed annually.

(h) *Non-current assets classified as held for sale*

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the assets' or disposal groups' previous carrying amount and fair value less costs to sell.

(i) *Inventories*

Inventories are measured at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) *Impairment of assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— pre-paid interests in leasehold land classified as being held under an operating lease;

— Intangible assets;

— investment in associates and joint ventures (except for those classified as held for sale or included in a disposal group that is classified as held for sale); and

— goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

An impairment loss is recognised in income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

(k) *Financial instruments*

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held-for-trading. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, loan receivables and bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse through profit or loss in subsequent periods.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of the Group's other financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including bank and other borrowings and trade and other payables are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's balance sheet when, and only when, it is extinguished (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

(l) *Income tax*

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(m) ***Revenue recognition***

Sales of goods are recognised when goods are delivered and title has been passed.

Revenue from provision of services is recognized when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income, including rental invoiced in advance from letting of properties under operating leases, is recognised on a straight-line basis over the period of the respective leases.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(n) ***Retirement benefits costs***

Payments to defined contribution retirement benefits schemes are charged as expenses as they fall due. Payments made to state-managed retirement benefits schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefits scheme.

(o) ***Translation of foreign currencies***

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after accounting period commencing from 1st January, 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

(p) *Leasing*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) *The Group as lessor*

Rental income from operating leases is recognised in the income statement on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight line basis over the lease term.

(ii) *The Group as lessee*

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

(iii) *Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property. Information on accounting policies for land held under operating leases as investment property is provided in accounting policy note 4(e).

(q) *Related parties*

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the group or of any entity that is a related party of the Group.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In preparing these financial statements, management is required to exercise significant judgments in the selection and application of accounting principles, including making estimates and assumptions. The following is a review of the more significant accounting policies that are impacted by judgments and uncertainties and for which different amounts may be reported under a different set of conditions or using different assumptions.

(i) *Estimated impairment test of goodwill*

The Group conducts tests for impairment of goodwill annually in accordance with the relevant accounting standards. Determining whether the goodwill is impaired requires an estimation of the value in use on basis of data available to the Group. Where the future cash flows are less than expected, an impairment loss may arise.

(ii) *Write-downs of inventories*

Inventories are written down to net realizable value based on an assessment of the realisability of inventories. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgments and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the periods in which such estimate has been changed.

With effect from 1st April, 2005, based on the management experience with a view to reflect the trends in the market, the impairment for the inventory obsolescence changed from 30% on book value to approximately between 10% and 36% per annum. The financial effect of the change is an increase of allowances for slow-moving inventories amounted to approximately HK$4,445,000 charged to the income statements during year ended 31st March, 2006.

6. Financial Risk Management Objectives and Policies

The Group's major financial instruments include equity and debt investments, borrowings, trade receivables, trade payables, loan receivables and bank balances and cash. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Credit risk*

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31st March, 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management has implemented internal control procedures for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

(ii) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims at maintaining the flexibility in funding by arranging banking facilities and other external financing. Therefore, the risk is considered minimal.

(iii) *Currency risk*

The Group mainly operates in the Mainland China and Hong Kong and the exposure in exchange rate risks mainly arises from fluctuations in the United States Dollars, Hong Kong Dollars and Renminbi exchange rates. In addition, some subsidiaries have foreign currency transactions, mainly in United States Dollars and Swiss Francs. Exchange rate fluctuations and market trends have always been the concern of the Group. As Hong Kong Dollars and Renminbi are both under managed floating system, after reviewing the Group's current exposure, the Group has not entered into any derivative contracts aimed at minimising exchange rate risks during the year. However, the Company will monitor foreign exchange exposure closely.

(iv) *Cash flow interest rate risk*

The Group's fair value interest rate risk relates primarily to fixed-rate convertible notes, the details of which have been disclosed in note 30 to the financial statements. The Group will continue to review the market trend, as well as its business operation needs and its financial position in order to identify the most effective tools for interest rate risk management.

7. Turnover and Other Revenue

Turnover represents the gross proceeds received and receivable derived from the sales of watches, property rental and provision of programming service and is summarized as follows:

	2006	2005
	HK$'000	*HK$'000*
Turnover		
Sales of watches	327,125	249,378
Rental income		
Investment properties	964	3,633
Others	—	83
	964	3,716
Programming service	2,144	2,556
	330,233	255,650
Other revenue		
Interest income from other than short-term bank deposits	301	104
Interest income from short-term bank deposits	2,633	802
Customer services income and others	9,867	8,163
	12,801	9,069
	343,034	264,719

8. Segment Information

In accordance with the Group's internal financial reporting, the Group has determined that business segments are its primary reporting format and geographical segments are its secondary reporting format.

For management purposes, the Group's operating businesses are organized and managed separately into three segments: sales of watches, property-related business and programming service.

According to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Principal activities of each business segment during the year under review are as follows:

Sales of watches	—	trading and retailing of watches
Property-related business	—	holding of properties
Programming service	—	sale and design of contract software programs

(i) ***Business segment***

Details of the segment information by business segments are as follows:

	Year ended 31st March, 2006					
	Sales of watches *HK$'000*	Property-related business *HK$'000*	Programming service *HK$'000*	Corporate *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
Segment revenue						
— External sales	327,125	964	2,144	—	—	330,233
— Inter-segment sales	—	—	1,553	—	(1,553)	—
	327,125	964	3,697	—	(1,553)	330,233
Segment results	18,483	(632)	(2,018)	(5,856)	—	9,977
Finance costs						(1,348)
Other expenses, net	(88)	728	(5)	(1,729)	—	(1,094)
Share of results of an associate	—	—	(100)	—	—	(100)
Profit before taxation						7,435
Income tax						(2,249)
Profit for the year						5,186
Segment assets	203,490	24,284	3,079	76,651	—	307,504
Interest in an associate	—	—	1,123	—	—	1,123
Total assets	203,490	24,284	4,202	76,651	—	308,627
Segment liabilities	57,140	4,125	1,550	75,842	—	138,657
Other segment information extracted from the income statement and balance sheet:						
Capital expenditure	3,537	757	34	136	—	4,464
Depreciation and amortization	6,125	788	124	132	—	7,169
Impairment on available-for-sale investments	—	—	—	554	—	554
Impairment loss recognized in respect of goodwill	—	—	—	1,180	—	1,180

	Year ended 31st March, 2005					
	Sales of watches	**Property-related business**	**Programming service**	**Corporate**	**Elimination**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue						
— External sales	249,378	3,716	2,556	—	—	255,650
— Inter-segment sales	—	4	1,191	—	(1,195)	—
	249,378	3,720	3,747	—	(1,195)	255,650
Segment results	4,304	231	(2,420)	(6,352)	—	(4,237)
Finance costs						(1,349)
Other income, net	(212)	11,453	(29)	(431)	—	10,781
Share of results of an associate	—	—	(167)	—	—	(167)
Profit before taxation						5,028
Income tax						(933)
Profit for the year						4,095
Segment assets	174,492	23,714	3,093	101,342	—	302,641
Interest in an associate	—	—	1,190	—	—	1,190
Total assets	174,492	23,714	4,283	101,342	—	303,831
Segment liabilities	52,636	4,496	1,141	75,898	—	134,171
Other segment information extracted from the income statement and balance sheet:						
Capital expenditure	9,908	115	127	372	—	10,522
Depreciation and amortization	4,220	933	109	109	—	5,371
Impairment on leasehold property	—	747	—	—	—	747
Amortization on goodwill	—	—	30	431	—	461

(ii) *Geographical segment*

Details of the segment information by geographical segments are as follows:

	Year ended 31st March, 2006 Segment revenue HK$'000	2006 Contribution to operating profit HK$'000	2005 Segment revenue HK$'000	2005 Contribution to operating loss HK$'000
The Mainland China, excluding Hong Kong	318,729	20,279	247,999	3,666
Hong Kong	7,499	(10,006)	3,169	(7,866)
Others	4,005	(296)	4,482	(37)
	330,233		255,650	
Profit/(loss) from operations		9,977		(4,237)

An analysis of the carrying amount of segment assets and additions to property, plant and equipment by the geographical area in which the assets are located is as follows:

	Year ended 31st March, 2006 Carrying amount of segment assets HK$'000	2006 Additions to property, plant and equipment HK$'000	2005 Carrying amount of segment assets HK$'000	2005 Additions to property, plant and equipment HK$'000
The Mainland China, excluding Hong Kong	134,168	2,882	125,413	7,051
Hong Kong	128,538	1,512	134,000	2,327
Switzerland	41,986	45	41,551	1,132
Others	3,935	25	2,867	12
	308,627	4,464	303,831	10,522

9. Other operating expenses, net

	2006 HK$'000	2005 HK$'000
Impairment for bad and doubtful debts	—	1,169
Impairment on properties held for resale	—	10
Impairment for slow-moving inventories	16,934	10,280
Reversal of impairment on properties held for resale	(294)	—
Reversal of impairment for bad and doubtful debts	—	(1,086)
Reversal of trade and other payables	—	(347)
	16,640	10,026

10. Finance costs

	2006	**2005**
	HK$'000	*HK$'000*
Convertible notes:		
Interest payable	376	377
Amortization of premium on redemption	972	972
Total borrowing costs	1,348	1,349

11. Other (expenses)/income, net

	2006	**2005**
	HK$'000	*HK$'000*
Impairment loss recognized in respect of goodwill	(1,180)	—
Impairment on available-for-sale investments	(554)	—
Write off of property, plant and equipment	(93)	(212)
Amortization on goodwill	—	(461)
Management fee *(Note 37)*	—	(6,013)
Impairment for leasehold property	—	(747)
Surplus/(deficit) arising from valuation of investment properties	728	(3,006)
Loss on disposal of property interests in Dongguan *(Note 37)*	—	(170)
Profit on disposal of leasehold property	—	283
Profit on liquidation of a subsidiary	5	—
Final receipt of consideration from disposal of the Lakeview Project	—	21,107
	(1,094)	10,781

12. Profit before taxation

Profit before taxation has been arrived at after crediting and charging the following:

	2006	**2005**
	HK$'000	*HK$'000*
Crediting:		
Gross rental income from investment properties	964	3,633
Rental income from others, net of outgoings of Nil (2005: Nil)	—	83
Interest income from other than short-term bank deposits	301	104
Interest income from short-term bank deposits	2,633	802
Reversal of impairment on properties held for resale	294	—
Profit on disposal of property, plant and equipment	—	79
Profit on disposal of leasehold property	—	283
Surplus arising from valuation of investment properties	728	—
Net exchange gain	2,609	406
Charging:		
Auditors' remuneration	585	545
Depreciation and amortization	7,169	5,371
Amortization on goodwill	—	461
Impairment loss recognized in respect of goodwill	1,180	—
Impairment on available-for-sale investments	554	—
Write off of property, plant and equipment	93	212
Staff costs excluding directors' fees and emoluments *(Note 13)*	39,808	34,143
Operating lease rentals in respect of rented premises	23,942	20,950
Loss on disposal of property interest in Dongguan *(Note 37)*	—	170
Impairment on leasehold property	—	747
Deficit arising from valuation of an investment property	—	3,006
Management fee *(Note 37)*	—	6,013
Retirement benefits scheme contributions, net of forfeited contributions of HK$Nil (2005: HK$Nil)	677	479
Cost of inventories recognized as expenses	217,273	167,442

13. Emoluments of directors and employees

Directors

	Director's fees	**Basic salaries**	**Allowances and other benefits**	**Employer's contribution to pension scheme**	**2006 Total**
	HK$'000	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*
Executive Directors					
Leung Chung Ping, Owen	210	126	—	7	343
Sum Pui Ying, Adrian	210	784	332	52	1,378
Non Executive Director					
Leung Miu King, Marina	210	—	—	—	210
Independent Non-Executive Directors					
Sit Kien Ping, Peter	210	—	—	—	210
Lai Si Ming	210	—	—	—	210
Frank H. Miu	210	—	—	—	210

	Director's fees HK$'000	Basic salaries HK$'000	Allowances and other benefits HK$'000	Employer's contribution to pension scheme HK$'000	2005 Total HK$'000
Executive Directors					
Leung Chung Ping, Owen	200	628	—	7	835
Sum Pui Ying, Adrian	200	1,305	—	53	1,558
Non Executive Director					
Leung Miu King, Marina	200	—	—	—	200
Independent Non-Executive Directors					
Sit Kien Ping, Peter	200	—	—	—	200
Lai Si Ming	200	—	—	—	200
Frank H. Miu	133	—	—	—	133

Note: Included in allowances and other benefits are mainly rentals of HK$290,000 paid in respect of the director's accommodation for the year.

In addition to the above emoluments, certain directors had outstanding share options granted under the Company's 1997 Share Option Scheme as referred in note 32. Details of these benefits in kind are disclosed under the section headed "DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES" in the DIRECTORS' REPORT.

In the absence of a ready market for the share options granted on the shares of the Company, the directors are unable to arrive at an accurate assessment of the value of the share options granted to the respective directors.

Employees

The five highest paid individuals for the year included one (2005: one) director, details of whose emoluments are set out above. The emoluments of the remaining four (2005: four) individuals during the year are as follows:

	2006 HK$'000	2005 HK$'000
Salaries and benefits in kind	3,657	3,608
Performance related incentive payments	3,535	1,394
Retirement benefits contributions	90	87
	7,282	5,089

The emoluments of the four (2005: four) individuals were within the following bands:

	Number of employee(s) 2006	2005
Up to HK$1,000,000	1	1
HK$1,000,001–HK$1,500,000	—	2
HK$1,500,001–HK$2,000,000	1	1
HK$2,000,001–HK$2,500,000	1	—
HK$2,500,001–HK$3,000,000	1	—
	4	4

14. Income tax

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
Current:		
Hong Kong	—	—
Outside Hong Kong	2,249	933
	2,249	933

Hong Kong Profits Tax is calculated at a rate of 17.5% (2005: 17.5%) of the estimated assessable profit for the year. No Hong Kong Profits Tax is provided because the assessable profits generated during the year is set off by the taxable losses carried forward.

Taxation for overseas subsidiary companies is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

The charge for the year can be reconciled to the profit per the income statement as follows:

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
Profit before tax	7,435	5,028
Tax at the applicable tax rates to profits in the countries concerned	2,603	947
Tax effect of expenses not deductible for tax purpose	2,505	4,930
Tax effect of income not taxable for tax purpose	(4,464)	(3,791)
Tax effect of tax losses not recognized	3,293	3,313
Tax effect of utilization of previously unrecognized tax losses	(1,784)	(4,573)
Tax effect of others	96	107
Taxation charge for the year	2,249	933

The Group has allowable tax losses arising in Hong Kong of approximately HK$306 million, which are mainly arised prior to the capital restructuring in 1997, (2005: HK$323 million) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognized in respect of these losses due to the unpredictability of future profit streams.

15. Profit attributable to equity holders of the parent

The consolidated profit attributable to equity holders of the parent includes a loss of HK$3,352,000 (2005: loss of HK$5,138,000) which has been dealt with in the financial statements of the Company.

16. Dividend

The Directors do not recommend payment of any dividend for the year ended 31st March, 2006 (2005: Nil).

17. Earnings per Share

	2006	**2005**
Earnings for the year attributable to equity holders of the parent and earnings for the purpose of basic earnings per share	HK$5,414,000	HK$4,386,000
Average number of ordinary share	333,719,516	333,719,516

No disclosure of the diluted earning per share for the year under review and the corresponding previous year is shown as the issue of potential ordinary shares during both years from the exercise of the outstanding share options will be anti-dilutive.

18. Property, plant and equipment

The Group

	Land and building HK$'000	Furniture, fixtures and fittings HK$'000	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation						
At 1st April, 2004, as originally stated	22,005	2,848	9,587	5,666	224	40,330
Effect on adoption of HKAS 17	(6,777)	—	—	—	—	(6,777)
At 1st April, 2004, as restated	15,228	2,848	9,587	5,666	224	33,553
Currency realignment	—	—	—	13	—	13
Reclassification	5,567	—	—	—	—	5,567
Additions	—	274	6,799	3,141	308	10,522
Disposal	(6,045)	—	—	(93)	(224)	(6,362)
Write off	—	(2,116)	(2,381)	(305)	—	(4,802)
At 31st March, 2005	14,750	1,006	14,005	8,422	308	38,491
Currency realignment	(406)	3	337	38	—	(28)
Reclassification	7,520	—	—	—	—	7,520
Additions	—	287	2,750	1,427	—	4,464
Write off	—	(106)	(1,334)	(279)	—	(1,719)
At 31st March, 2006	21,864	1,190	15,758	9,608	308	48,728
Comprising:						
At cost	11,379	1,190	15,758	9,608	308	38,243
At valuation — 1995	670	—	—	—	—	670
At valuation — 2003	4,895	—	—	—	—	4,895
At valuation — 2005	4,440	—	—	—	—	4,440
At valuation — 2006	480	—	—	—	—	480
At 31st March, 2006	21,864	1,190	15,758	9,608	308	48,728
Depreciation and amortization						
At 1st April, 2004 as originally stated	9,611	2,295	7,139	4,105	168	23,318
Effect on adoption of HKAS 17	(3,583)	—	—	—	—	(3,583)
At 1st April, 2004, as restated	6,028	2,295	7,139	4,105	168	19,735
Currency realignment	2	—	—	10	—	12
Provided for the year	426	191	3,070	1,482	59	5,228
Impairment loss recognized in the reserve	289	—	—	—	—	289
Impairment loss recognized in the income statement	747	—	—	—	—	747
Eliminated on disposal	(2,506)	—	—	(93)	(175)	(2,774)
Eliminated on write off	—	(2,021)	(2,281)	(288)	—	(4,590)
At 31st March, 2005	4,986	465	7,928	5,216	52	18,647
Currency realignment	(12)	3	234	79	—	304
Provided for the year	360	180	4,532	1,879	61	7,012
Eliminated on write off	—	(106)	(1,256)	(264)	—	(1,626)
At 31st March, 2006	5,334	542	11,438	6,910	113	24,337
Net book values						
At 31st March, 2006	16,530	648	4,320	2,698	195	24,391
At 31st March, 2005	9,764	541	6,077	3,206	256	19,844

Other property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land	2% or over the remaining terms of the leases, if shorter
Buildings	2–4%
Furniture, fixtures and fittings	15–20%
Leasehold improvement	5–50%
Machinery and equipment	20–50%
Motor vehicles	20%

The Group's properties outside Hong Kong with carrying value of HK$94,000 (2005: HK$97,000) are registered under the name of other persons in trust for the Group.

Had the leasehold properties which were previously revalued been carried at cost less accumulated depreciation and accumulated impairment losses, the carrying value at 31st March, 2006 would have been approximately HK$7,279,000 (2005: HK$7,243,000).

The carrying amount of land amounting to HK$772,000 held by the Group as at 31st March, 2006 represented land held freehold outside Hong Kong.

During the year under review, certain premises stated as Properties held for Resale, in the Group's current assets has been reclassified as Leasehold Properties in the non-current assets. The aggregate amount of the reclassification is approximately HK$3,080,000. The reclassification was a result of the usage of certain properties by the Group's own operation.

19. Prepaid lease payments

The Group's prepaid lease payments comprise:

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
Long-term leases in Hong Kong	5,269	2,793
Long-term land use rights in the PRC	3,680	509
	8,949	3,302
Analysed for reporting purpose as:		
Current portion	110	30
Non-current portion	8,839	3,272
	8,949	3,302

20. Investment properties

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
Valuation		
At 1st April	20,146	31,490
Currency realignment	(941)	—
Reclassification	(6,800)	7,609
Disposal	—	(18,113)
Increase in fair value during the year	728	—
Surplus on revaluation	—	2,166
Revaluation deficit recognized in the income statement	—	(3,006)
At 31st March	13,133	20,146

The carrying amount of investment properties held by the Group at 31st March, 2006 and 2005 comprises:

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
In Hong Kong under long term leases	1,335	7,700
Outside Hong Kong:		
Medium term leases	730	740
Freehold	11,068	11,706
	13,133	20,146

The Group's investment properties are held for rental purposes under operating leases and were revalued by DTZ Debenham Tie Leung Limited and Pierre Berset s.a., firms of independent professional valuers, at 31st March, 2006 on an open market basis.

21. Goodwill

	The Group
	HK$'000
Cost	
At 1st April, 2004 and 1st April, 2005	36,415
Elimination of accumulated amortization upon the Application of HKFRS 3	(4,728)
At 31st March, 2006	31,687
Amortization	
At 1st April, 2004	4,267
Provide for the year	461
At 31st March, 2005 and 1st April, 2005	4,728
Elimination of accumulated amortization upon the Application of HKFRS 3	(4,728)
At 31st March, 2006	—
Impairment	
At 1st April, 2004 and 1st April, 2005	28,426
Impairment loss recognized for the year	1,180
At 31st March, 2006	29,606
Net book values	
At 31st March, 2006	2,081
At 31st March, 2005	3,261

Prior to 1st April, 2005, goodwill is amortized over its estimated useful life of 20 years.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the cash generated unit (the "CGU") is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. The estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flows forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years. The projected growth rate used in the budgets does not exceed the average long-term growth rate for the relevant markets. Given the different market risk faced by each different geographical CGU, the rate used to discount the individual forecast cash flow of different CGU is 14.8% and 23.6% respectively.

An impairment loss of approximately HK$1,180,000 has been recognised in the income statement in accordance with a valuation report prepared by a professional valuer as at 31st March, 2006.

22. Intangible assets

	Computer Software
	HK$'000
The Group	
Cost	
At 1st April, 2005 and 31st March, 2006	281
Amortisation	
At 1st April, 2005 and 31st March, 2006	281
Net book values	
At 31st March, 2006	—
At 31st March, 2005	—

The amortization period for computer software is one year.

23. Interest in subsidiaries

	The Company	
	2006	**2005**
	HK$'000	*HK$'000*
Unlisted shares, at cost	320,837	320,837
Impairment loss recognized	(320,837)	(320,837)
	—	—

Particulars of the Company's principal subsidiaries as at 31st March, 2006 are as follows:

Name of subsidiary	Place of Incorporation or establishment or registration/ operation	Paid up issued ordinary share capital/ registered capital held by the Company	Proportion of nominal value of issued share capital/registered capital		Principal activities
			Directly	Indirectly	
AC (Overseas) Limited	British Virgin Islands	HK$10,000	100%	—	Investment holding
Asia Commercial Company, Limited	Hong Kong	HK$10,000	—	100%	Investment holding & watch trading
Juvenia Montres S.A.	Switzerland	SFr.1,875,000	—	100%	Assembling and marketing of gold and jewellery watches
Time City (Hong Kong) Limited	Hong Kong	HK$3,000,000	—	100%	Watch trading
Juvenia (Hong Kong) Company Limited	Hong Kong	HK$5,000,000	—	100%	Brand development & watch trading
Accord Watch & Jewellery (International) Limited	Hong Kong	HK$3,500,100	—	100%	Brand development & watch trading
Asia Commercial Property Holdings Limited	British Virgin Islands/Hong Kong	US$1	100%	—	Property holding and investment
上海冠亞鐘表有限公司*	The PRC	RMB600,000	—	100%	Watch retailing and trading
Ming Biao Cheng Corporation	British Virgin Islands	US$1	—	100%	Watch retailing and trading
KB Quest Holdings Limited	British Virgin Islands	US$150,000	—	54%	Investment holding
KB Quest Hong Kong Limited	Hong Kong	HK$3,510,000	—	49%	Sale and design of contract software programs

The above list includes the subsidiaries of the Company, which in the opinion of the Directors, materially affected the results of the year or net assets of the Group. To give details of all the other subsidiaries would, in the opinion of the Directors, result in providing particulars of excessive length.

None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.

* Registered under the laws of the PRC as a limited liability company.

24. Amounts due from/(to) subsidiaries

At 31st March, 2006, the amounts due from subsidiaries were unsecured and repayable on demand. Except for an amount of approximately HK$17,503,000 (2005: HK$16,686,000) which interest at prevailing prime rate less 2%, the balances were non-interest bearing.

The amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand.

The fair value of the amounts due from/(to) subsidiaries as at 31st March, 2006 approximated to the corresponding carrying amount.

25. Interest in an associate

	The Group	
	2006	**2005**
	HK$'000	*HK$'000*
Share of net assets	1,123	1,190

Particular of the Group's associate as at 31st March, 2006 is as follows:

Name of associate	Place of registration and operation	Registered capital	Percentage of equity interest attributable to the Group	Principal activity
Shanghai Forward KB Quest Inc.	The PRC	US$1,000,000	21%	Sale and design of computing software and related consultancy services

Summary financial information on associate:

	Assets	Liabilities	Equity	Revenue	Loss
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006					
100 per cent	2,314	(21)	2,293	—	(203)
Group effective interest	1,133	(10)	1,123	—	(100)
2005					
100 per cent	2,429	(1)	2,428	—	(341)
Group effective interest	1,190	—	1,190	—	(167)

26. Available-for-sale investments

The Group

	The Group 2006 HK$'000	2005 HK$'000
Investments in		
— unlisted equity securities in Hong Kong	3,785	—
— club debentures	984	—
Impairment loss recognized in prior years	(3,785)	—
Impairment loss for the year	(554)	—
	430	—

The above investments in unlisted equity securities are measured at cost less impairment at each balance sheet. The aforesaid impairment losses are recognized before 1st April, 2005.

The club debentures are measured at fair value. Fair value of the investment has been determined by reference to the bid price quoted in the market.

27. Investments in securities — investment securities

The Group

	Notes	The Group 2006 HK$'000	2005 HK$'000
Unlisted shares			
Golden Crown Watch-Band Manufacturing Company Limited ("Golden Crown"), at carrying value	(i)	—	2,285
Asia Commercial Watch Company Limited ("AC Watch"), at cost	(ii)	—	1,500
Club debentures		—	984
		—	4,769
Impairment loss recognized		—	(2,285)
Provision for diminution in value		—	(1,500)
		—	984

Notes:

(i) At 31st March, 2006, the Group held a 19% interest in Golden Crown, a company that was incorporated in Hong Kong and is engaged in the manufacturing of watchbands. The investment in Golden Crown is accounted for as investment securities as the Group does not have significant influence over this company. The Board, having taken into account the accounting treatment under SSAP 31 "Impairment of Assets", recognized impairment loss of approximately HK$2,285,000 in the year of 2003.

(ii) At 31st March, 2006, the Group held a 15% interest in AC Watch, a company that was incorporated in Hong Kong. The Group does not have any influence and/or control over this company, which is still under the process of being winding up. Full provision for diminution in value amounting to HK$1,500,000 was provided in the year of 1999.

Up to 31st March, 2005, the Group classified and measured its investments in debt and equity securities in accordance with the benchmark treatment of Statement of Accounting Practice No. 24. Upon the adoption of new HKASs, they were reclassified to note 26 to the financial statements.

28. Trade and other receivables, deposits and prepayments

The Group allows credit period of ranging from cash on delivery to 90 days to its trade debtors. The aged analysis of the trade receivables of HK$23,065,000 (2005: HK$16,287,000) which are included in the Group's trade and other receivables, deposits and prepayments at the balance sheet date is as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Trade receivables		
Up to 90 days	21,247	14,918
91 to 180 days	1	71
Over 180 days	1,817	1,298
	23,065	16,287
Other receivables, deposits and prepayments	11,918	11,773
	34,983	28,060

The Company did not have any trade receivables at 31st March, 2006 and 2005.

The fair value of the Group's trade and other receivables, deposits and prepayments at 31st March, 2006 approximated to the corresponding carrying amount.

29. Trade and other payables and accrued charges

Included in trade and other payables and accrued charges are trade payables of HK$16,389,000 (2005: HK$15,218,000), the aged analysis of which at the balance sheet date is as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Trade payables		
Up to 90 days	15,651	14,617
91 to 180 days	3	66
Over 180 days	735	535
	16,389	15,218
Other payables and accrued charges	47,183	45,007
	63,572	60,225

The Company did not have any trade payables at 31st March, 2006 and 2005.

The fair value of the Group's trade and other payables and accrued charges at 31st March, 2006 approximated to the corresponding carrying amount.

30. Convertible Notes

	The Group and the Company	
	2006	2005
	HK$'000	*HK$'000*
Swiss Francs 11,800,000 7/8% Convertible Notes (the "Notes") due 2010, at par	61,912	61,912
Premium on redemption	8,909	7,937
Accrued interest	1,217	1,383
Interest paid during the year	(542)	(542)
	71,496	70,690

Pursuant to the original note agreement, holders of the Notes had the right at any time on or before 8th February, 2000 to convert all or some of the Notes into shares of the Company at the conversion price of HK$8.6 per share, subject to adjustment. Interest on the Notes was waived for a period of five years with effect from 23rd February, 1996 to and including 22nd February, 2001. The rate at which interest is charged on the Notes is 0.875% per annum for a period of nine years with effect from 23rd February, 2001. Interest is accrued over the revised duration of the Notes so as to produce a constant periodic rate of charge for each accounting period.

There is also an option granted to the holders of the Notes to cause the Company to redeem in US$ at a fixed exchange rate of SFr.1.00 = US$0.67933 any Note on 23rd February, 2008 at a redemption price of 117.375% of its principal amount together with interest accrued up to the date of redemption.

The Company has the right, having given not less than 30 days and not more than 60 days' notice to the financial adviser in respect of the Notes, to redeem all, but not some only, of the Notes at par, together with interest accrued up to the date of redemption if the closing price of the Company's shares listed on The Stock Exchange of Hong Kong Limited, converted into US$ at the prevailing exchange rate, is at least 130% of the conversion price for 30 consecutive dealing days.

The fair value of the Convertible Notes at 31st March, 2006 approximated to the corresponding carrying amount in accordance with a valuation report prepared by an independent valuer.

31. Share capital

	Number of shares	Value
	'000	*HK$'000*
Ordinary shares of HK$1 each		
Authorized:		
At 1st April, 2005 and 31st March, 2006	400,000	400,000
Issued and fully paid:		
At 1st April, 2005 and 31st March, 2006	333,719	333,719

32. Share Option Schemes

The Company's 1997 Share Option Scheme was adopted pursuant to a resolution passed on 15th September, 1997 and expired on 15th September, 2000. The Company has, in accordance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), adopted a new share option scheme (the "2002 Share Option Scheme"), as approved by the shareholders of the Company at the special general meeting held on 20th September, 2002. The details of the 2002 Share Option Scheme as pursuant to the Listing Rules, are set out in the Company's circular dated 30th July, 2002.

The following is a summary of the principal terms of these two share option schemes (for the 1997 Share Option Scheme, only those terms applying to the outstanding share options are set out below):

1997 Share Option Scheme

The 1997 Share Option Scheme was designed to providing incentives to any executive directors or full time employees of the Company or any of its subsidiaries (the "Eligible Employees").

According to the Scheme, the maximum number of shares issued cannot exceed 10% of the issued share capital of the Company excluding any shares issued pursuant to the Scheme from time to time. The number of shares in respect of which options granted to any Eligible Employee is not permitted to exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

Option to executive directors may be exercised at any time during a period commencing from the date the option is accepted and ten years from 15th September, 1997. Option to full time employees may be exercised at any time during a period commencing 2 years after the date of the option is accepted and ten years from 15th September, 1997.

The exercise price is determined by the Directors of the Company, and will be the higher of the nominal value of the shares and 80% of the average of the closing prices of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the five trading days immediately preceding the offer of the options.

Details of the options, which have been granted under the 1997 Share Option Scheme are listed below in accordance with Rule 17.07 of the Listing Rules:

		Number of options held at 01/04/2005 and 31/3/2006	Exercise price	Grant date	Exercise period
1.	**Directors**				
	Leung Chung Ping, Owen	3,000,000	HK$1.00	24/09/1997	24/09/1997 – 14/09/2007
	Sum Pui Ying, Adrian	3,000,000	HK$1.00	24/09/1997	24/09/1997 – 14/09/2007
2.	**Continuous Contract Employees**	1,200,000	HK$1.00	24/09/1997	24/09/1999 –14/09/2007
		7,200,000			

Except 200,000 options were lapsed and cancelled during the year 2005, no option was granted or exercised during the two years ended 31st March, 2006.

In the opinion of the Board, any valuation of the options granted based on any option pricing model is not appropriate and meaningful to the shareholders, taking into account of number of variables which are crucial for the calculation of the option value which have not been determined.

The options granted are exercisable in accordance with the terms and restrictions contained in the respective offer letters.

2002 Share Option Scheme

The purpose of the 2002 Share Option Scheme is to encourage qualifying grantees to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Qualifying grantees of the 2002 Share Option Scheme means (i) any employee including officer and director or any business-related consultant, agent, representative or adviser of the Company or any subsidiary or any affiliate; or (ii) any supplier, agent or consultant who provide goods or services to the Company or any subsidiary or any affiliate; or (iii) any customer of the Company or any subsidiary or any affiliate; or (iv) any business ally or joint venture partner of the Company or any subsidiary or any affiliate.

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme (and under any other scheme of the Company) shall not in aggregate exceed 10 per cent of the shares in issue as at the date of the adoption of the 2002 Share Option Scheme (the "Scheme Mandate Limit") provided that the Company may at any time as the Board of Directors of the Company may think fit seek approval from its shareholders to refresh the Scheme Mandate Limit, save that the maximum number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme (and under any other scheme of the Company) shall not be exceed 10 per cent. of the shares in issue as at the date of approval by the shareholders of the Company in general meeting where such limit is refreshed. Options previously granted under the 2002 Share Option Scheme and any other scheme of the Company (including those outstanding, cancelled, and lapsed in accordance with the terms of the 2002 Share Option Scheme or any other scheme of the Company or exercised options under the said scheme) shall not be counted for the purpose of calculating the limit as refreshed. Notwithstanding aforesaid in this paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Share Option Scheme (and under any other scheme of the Company) shall not exceed 30 per cent. of the Shares in issue from time to time. As at the date of the annual report, a total of 33,371,951 shares (representing approximately 10 per cent. of the existing issued share capital of the Company) are available for issue under the 2002 Share Option Scheme and the 1997 Share Option Scheme.

The total number of shares issued and to be issued upon exercise of the options granted to each individual under the 2002 Share Option Scheme and any other option scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1 per cent of the total number of shares in issue.

The period within which an option may be exercised will be determined by the Board of Directors of the Company in its absolute discretion, save that no option may be exercised later than 10 years from the date on which the option is granted. Subject to the provisions of the 2002 Share Option Scheme, the Board may in its absolute discretion when offering the grant of an option impose any conditions in relation thereto in addition to those set forth in the 2002 Share Option Scheme as it may think fit (to be stated in the letter containing the offer of the grant of the option) including (without prejudice to the generality of the foregoing) continuing eligibility criteria conditions and the satisfactory performance. However the 2002 Share Option Scheme itself does not specify any minimum holding period for which an option must be held before it can be exercised.

The offer of a grant of share options may be accepted within 14 days from the date of the offer, upon payment of a nominal value of HK$1.00 in total by the grantee. The exercise period of the share options granted is determined by the Board of Director, and shall not exceed a period of ten years after the date of grant.

The subscription price in respect of any particular option under the 2002 Share Option Scheme shall be such price as the Board may at its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the subscription price shall not be less than whichever is the highest of: (a) the nominal value of a share; (b) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the Board resolution approving the grant of options; and (c) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the Board resolution approving the grant of options.

The 2002 Share Option Scheme will expire on 19th September, 2012.

As at the balance sheet date, no share option has been granted under the 2002 Share Option Scheme since its adoption.

33. Reserves

The Company

	Share premium *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
Balance at 1st April, 2004	84	(101,517)	(101,433)
Loss for the year	—	(5,138)	(5,138)
Balance at 31st March, 2005	84	(106,655)	(106,571)
Balance at 1st April, 2005	84	(106,655)	(106,571)
Loss for the year	—	(3,352)	(3,352)
Balance at 31st March, 2006	84	(110,007)	(109,923)

The application of the share premium is governed by Section 40 of the Companies Act 1981 of Bermuda (as amended). The capital reserve, currency translation reserve, investment property revaluation reserve and other property revaluation reserve have been set up and will be dealt with in accordance with the accounting policies adopted for goodwill and capital reserve arising on acquisitions, foreign currency translation and revaluation of investment properties and leasehold properties.

The Company did not have any reserves available for distribution at 31st March, 2006 and 2005.

34. Reconciliation of profit before taxation to net cash generated from/(use in) operating activities

	2006 *HK$'000*	2005 *HK$'000*
Profit before taxation	7,435	5,028
Non-cash items		
— Other operating expenses, net	16,640	10,026
— Other expenses, net	1,094	3,965
— Amortization of premium on redemption of convertible notes	972	972
Other income from final receipt of consideration from disposal of the Lakeview Project	—	(21,107)
Interest income from other than short-term bank deposits	(301)	(104)
Interest income from short-term bank deposits	(2,633)	(802)
Interest expenses	376	377
Depreciation and amortization	7,169	5,371
Amortisation on goodwill	—	461
Share of results of an associate	100	167
Profit on disposal of property, plant and equipment	—	(79)
Loss on disposal of leasehold property and investment property	—	2,595
Operating profit before working capital changes	30,852	6,870
Increase in inventories	(23,817)	(30,786)
Decrease/(increase) in trade and other receivables, deposits and prepayments	72	(2,199)
(Decrease)/increase in trade and other payables and accrued charges	(6,419)	5,027
Decrease in rental received in advance	(353)	(83)
Cash generated from/(used in) operations	335	(21,171)
Interest received from other than short-term bank deposits	301	104
Interest received from short-term bank deposits	2,439	748
Overseas taxation paid	(1,577)	(673)
Net cash generated from/(used in) operating activities	1,498	(20,992)

35. Net cash flow from liquidation of a subsidiary

	2006	**2005**
	HK$'000	*HK$'000*
Net liabilities disposed of:		
Trade and other payables and accrued charges	(5)	—
	(5)	—
Profit on liquidation of a subsidiary	5	—
	—	—
Satisfied by:		
Cash consideration received	—	—

36. Analysis of changes in financing during the year

	Share capital and premium	**Convertible notes**	**Minority interests**
	HK$'000	*HK$'000*	*HK$'000*
At 1st April, 2004	333,803	69,883	822
Premium on redemption and interest accrued	—	1,349	—
Repayment of interest	—	(542)	—
Share of loss for the year	—	—	(291)
At 31st March, 2005	333,803	70,690	531
At 1st April, 2005	333,803	70,690	531
Premium on redemption and interest accrued	—	1,348	—
Repayment of interest	—	(542)	—
Share of loss for the year	—	—	(228)
Exchange adjustment	—	—	18
At 31st March, 2006	333,803	71,496	321

37. Disposal of property interests in the PRC

On 13th January, 2005, a wholly owned subsidiary of the Group entered into a sale and purchase agreement (the "Agreement") with an independent third party (the "Purchaser") to dispose (the "Disposal") of its entire interests (i.e. all the rights and obligations) derived from an agreement dated 8th June, 1992 (the "Old Agreement") entered into with Dongguan Houjie Town Economic Development Head Company (the "Chinese Partner") in relation to the grant of the land use right of industrial buildings in Dongguan, the PRC (the "Properties") for a term of 50 years. The total cash consideration for the disposal is RMB19.9 million (or approximately HK$18.8 million) and was paid by the Purchaser upon signing of the Agreement.

The Properties comprises three blocks of industrial buildings and four blocks of dormitory buildings and two buildings accommodating a staff canteen and a power generator with a total gross floor area of approximately 48,900 square meters within an industrial complex located at No. 5, Industrial Zone, Houjie Town, Dongguan, the PRC. Pursuant to the Old Agreement, the subsidiary had to pay monthly management fee to the Chinese Partner for the grant of the land use right of the Properties.

Details of the disposal of Property Interests are set out in the press announcement and the Company's Circular dated 19th January, 2005 and 7th February, 2005 respectively.

As set out in the interim report for the period ended 30th September, 2004, the Chinese Partner requested the Group to reactive its OEM manufacturing activities in the joint venture in Dongguan, which had been dormant subsequent to the business restructuring in 1997. Such request was considered by the Group inconsistent with the Group's corporate strategy since 1997. The Chinese Partner later issued a written notice dated 15th September, 2004 demanding for management fee for prior years amounting to RMB6,374,200 (approximately HK$6 million) (the "Claim"). The Group did not admit the validity of the Claim, however would consider any appropriate settlement proposals if deemed to be in the best interest to the Group. The Disposal served an opportunity for the Group to settle the Claim because pursuant to the Agreement, the Purchaser would assume the responsibility of settling the Claim.

The assumption of responsibility for settling the Claim by the Purchaser gave rise to approximately HK$6 million of gain on disposal of the Properties, which thereby reduced the overall loss on disposal of property interests in Dongguan to approximately HK$170,000.

Moreover, the Board is of the view that the Disposal represents an opportunity to the Group to realise its non- core investments and proceeds thereof could strengthen the working capital position for the operations of the core business of the Group.

38. Contingent liabilities

At 31st March, 2006, the Company had contingent liabilities as follows:

(1) The Company has given corporate guarantees of HK$11,000,000 (2005 HK$11,000,000) to banks to secure general banking facilities granted to the Group. As at 31st March, 2006, bank guarantees given in lieu of utility deposit amounting to approximately HK$404,000 (2005: HK$404,000).

Except the aforesaid banking guarantees utilized during the year under review, the unutilized general banking facilities are acted as standby nature for potential business development of the Group's subsidiaries.

(2) The Company is a nominal defendant of a derivative action brought by Galmare Investment Limited ("Galmare") with 2 Executive Directors on 27th April, 2001, suing on behalf of itself and all other shareholders, other than the Executive Directors. Galmare is seeking a declaration that the acquisition of the information technology business in May 2001 is not in the best interests of the Company or the Shareholders and other appropriate declarations or further ancillary reliefs. As the Company is only a nominal defendant to a derivative action (the "Action"), the role of the Company is limited i.e. not to take any active role in the proceedings and any damages recovered in such Action are paid to the Company directly. Pursuant to the Court Order made on 4th January, 2002, the Company is granted a leave to dispense with the filing and service of a defence in relation to the Action. Further to the subsequent Court Orders made on 3rd and 4th September, 2003, the Company successfully denied the Plaintiff's application regarding claiming the Company to indemnify their legal costs incurred in this Action. On 31st March, 2006, the 1st and 2nd defendants consent to the Court upon Galmare's request to bring in Miss Leung Miu King, Marina, who is the sister of the 1st defendant and the non-executive director of the Company, to be the 4th defendant of the case so as to assist the defence. Given such development has no any effect on the role of the Company as nominal defendant and its duty to indemnify the plaintiff's legal costs incurred in this Action, the Board does not anticipate any significant adverse financial effect to the Company up to the date of this report.

The Board shall inform the shareholders by press announcement, should there be any significant progress or major development in the litigation, which affects the interests of the shareholders in due course.

Save as disclosed herein, so far as the Directors are aware, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration or claims which is, in the opinion of the Directors, of material importance and no litigation or claims which is, in the opinion of the Directors, of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

39. Related party transactions and balance

The following is a summary of the significant transactions and balance with a related party during the year and as at year end.

(1) *Summary of income item*

	2006	**2005**
	HK$'000	*HK$'000*
Consultancy services rendered to a substantial shareholder of the Company	263	70

(2) *The above amounts are included in the balance sheet of the Group and the Company as follows:*

	The Group		**The Company**	
	2006	**2005**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables and accrued charges *(Note)*	150	83	—	—

Note: As at 31st March, 2006, the entire annual fee for the current maintenance services period has been received in accordance with the prevailing industry's practices.

The above transactions have been entered into on terms agreed by the parties concerned.

(3) *Key management personnel remuneration*

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 13 and the five highest paid employees as disclosed in note 13 is amounted to approximately HK$8,660,000 (2005: HK$6,647,000) as short term benefits.

40. Pledge of assets

As at 31st March, 2006, certain of the Group's investment properties, leasehold properties and prepaid lease payments with carrying value of HK$1,335,000 (2005: HK$7,700,000), HK$8,451,000 (2005: HK$ 4,239,000) and HK$5,007,000 (2005: HK$2,792,000) respectively were pledged to secure the general banking facilities to the extent of HK$ 11,000,000.

As at 31st March, 2006 and 2005, the Company had not pledged any assets.

41. Operating lease arrangements

As lessor

Property rental income earned during the year was HK$964,000 (2005: HK$3,633,000). As at 31st March, 2006, the properties held have committed tenants, whose tenancy agreements includes paying security deposits, expire or are terminable ranging from 0.6 year to 2.2 years.

At 31st March, 2006, the Group had contracted with tenants for the following future minimum lease payments:

	2006	**2005**
	HK$'000	*HK$'000*
Within one year	701	197
In the second to fifth year inclusive	579	—
	1,280	197

As lessee

The Group leases certain of its office properties and retail outlets under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 year to 7.5 years. Certain rentals for the use of retail outlets are determined by reference to the revenue of the relevant outlets for the year and the rentals for certain retail outlets will be escalated by a fixed percentage per annum.

At the balance sheet date, the Group had total future minimum lease payments under the non-cancellable operating leases falling due as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Within one year	8,822	10,157
In the second to fifth year inclusive	6,475	13,948
	15,297	24,105

The Company had no operating lease arrangements at 31st March, 2006 and 2005.

42. Retirement benefits scheme

The Group operates a Mandatory Provident Fund ("MPF") scheme for all Hong Kong eligible employees including executive directors. The assets of the MPF scheme are held separately from those of the Group in funds under the control of trustees.

The retirement benefit cost for the MPF scheme charged to the consolidated income statement represents contributions payable to the MPF scheme by the Group at rates specified in the rules of the MPF scheme.

Employees who are employed in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The Group is required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme.

The amount of unvested benefits utilized by the Group to reduce contributions is nil during the year. The amount of unvested benefits available for future reduction of employer's contribution as at 31st March, 2006 is approximately HK$67,000 (2005: HK$116,000).

43. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

3. INDEBTEDNESS

As at the close of business on 30 September 2006, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, ACHL had outstanding notes of approximately HK$72,169,000 (inclusive of interest and redemption premium accrued up to and including 30 September 2006) and bank guarantees given in lieu of an utility deposit of approximately HK$404,000.

Save as disclosed above, as at the close of business on 30 September 2006, the ACHL Group did not have any bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

As at the Latest Practicable Date, the Board of ACHL was not aware of any material changes in the financial or trading position or outlook of ACHL subsequent to 31 March 2006, being the date to which the latest audited financial statements of ACHL were made up.

1. RESPONSIBILITY STATEMENTS

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Shareholders and the Optionholders with regards to the Offers, the ACHL Group and the Offeror Parties.

The directors of ACHL jointly and severally accept full responsibility for the accuracy of the information (other than that in respect of the Offeror Parties) in this Composite Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those in respect of the Offeror Parties) have been arrived at after due and careful consideration and there are no other facts (other than those in respect of the Offeror Parties) not contained in this Composite Document the omission of which would make any of the statements in this Composite Document misleading.

Mr. Eav Yin, the sole director of the Offeror, accepts full responsibility for the accuracy of the information (other than that in respect of the ACHL Group) in this Composite Document and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those in respect of the ACHL Group) have been arrived at after due and careful consideration and there are no other facts (other than those in respect of the ACHL Group) not contained in this Composite Document the omission of which would make any of the statements in this Composite Document misleading.

2. CORPORATE INFORMATION OF ACHL

ACHL was incorporated in Bermuda on 23 June 1989 as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its Shares are listed on the Stock Exchange. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its head office and principal place of business is at Flat A–D, 13/F., Hong Kong Industrial Building, 444–452 Des Voeux Road West, Hong Kong.

3. SHARE CAPITAL AND SHARE OPTIONS

Share capital

The authorised and issued share capital of ACHL as at the Latest Practicable Date is shown below:

Authorised:	*HK$'000*
400,000,000 Shares	400,000
Issued and fully paid up:	
333,719,516 Shares	333,719

All Shares in issue rank *pari passu* in all respects with each other including all rights as regards rights to dividends, voting and return of capital.

No Shares have been issued since 31 March 2006 (being the end of the financial year for which the latest audited consolidated financial statements of ACHL were made up) up to and including the Latest Practicable Date.

Share Options

ACHL adopted the 1997 Share Option Scheme on 15 September 1997 to enable the directors of ACHL to grant share options to eligible participants, including executive directors and full-time employees of any members of the ACHL Group, to subscribe for Shares. The 1997 Share Option Scheme was terminated and replaced by the 2002 Share Option Scheme on 20 September 2002.

As at the Latest Practicable Date, ACHL had 7,200,000 Share Options that were granted pursuant to the 1997 Share Option Scheme but which were not yet exercised. ACHL confirmed that no share option had been granted under the 2002 Share Option Scheme as at the Latest Practicable Date. The exercise in full of the Share Options would result in the issue of additional 7,200,000 Shares.

Details of the Share Options as at the Latest Practicable Date are as follows:

Optionholder	Exercise period *(note)*	Exercise price	Number of Share Options
Directors	24 September 1997 – 14 September 2007	HK$1.00	6,000,000
Employees	24 September 1999 – 14 September 2007	HK$1.00	1,200,000

Note: As stated in the "Letter from the Board of ACHL" in this Composite Document, Optionholders are reminded that if they do not intend to accept the Option Offer, pursuant to the terms of the relevant Share Option Scheme, the Optionholders will be entitled to exercise their Share Options within one month from the date on which the Share Offer becomes or is declared unconditional (i.e. within one month from the date of the despatch of the Composite Document as and when the Offers are being made unconditionally), and the Share Options (to the extent not already exercised) will lapse immediately upon the expiry of such one-month period.

As at the Latest Practicable Date, save for the Share Options, ACHL had no other convertible securities, options, warrants or derivatives outstanding and had not entered into any agreement for the issue thereof.

4. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the directors of ACHL in ACHL

As at the Latest Practicable Date, the interests and short positions, if any, of each director and chief executive of ACHL in the shares, underlying shares and debentures of ACHL and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to ACHL and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by ACHL pursuant to Section 352 of the SFO, or which were required to be notified to ACHL and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by ACHL ("Model Code") were as follows:

Director	Nature of interests	Number of Share Options	Approximate percentage to the issued share capital of ACHL %
Mr. Leung	Personal	3,000,000	0.89
Mr. Sum Pui Ying, Adrian	Personal	3,000,000	0.89

Save as disclosed above, none of the directors or chief executives of ACHL had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares and debentures of ACHL or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to ACHL and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by ACHL pursuant to Section 352 of the SFO, or which were required to be notified to ACHL and the Stock Exchange pursuant to the Model Code.

(b) Interests and short positions of substantial Shareholders

So far as is known to the directors or chief executive of ACHL, as at the Latest Practicable Date, Shareholders (other than directors or chief executive of ACHL) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to ACHL under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by ACHL under Section 336 of the SFO were as follows:

Long positions in the Shares

Shareholder	*Notes*	**Number of Shares**	**Approximate percentage to the issued share capital of ACHL** %
Mr. Leong Lou Teck	*1*	37,550,540#	11.25
Mr. Yap Han Hoe	*1*	37,508,000#	11.24
Galmare Investment Limited ("Galmare")	*1&4*	37,500,000#	11.24
Mr. Eav Yin	*2*	185,348,500	55.54
Ms. Lam Kim Phung	*2*	185,348,500	55.54
The Offeror		134,400,000	40.27
Eav An Unit Trust		32,876,000#	9.85
Mr. Li Ka-Shing	*3*	17,767,259	5.32
Li Ka-Shing Unity Trustcorp Limited	*3*	17,767,259	5.32
Li Ka-Shing Unity Trustee Corporation Limited	*3*	17,767,259	5.32
Li Ka-Shing Unity Trustee Company Limited	*3*	17,767,259	5.32
Cheung Kong (Holdings) Limited ("CKH")	*3*	17,767,259	5.32
Ivory Limited	*3*	17,767,259	5.32
Ebony Limited	*3*	17,767,259	5.32
Borneo Limited ("Borneo")	*3*	17,767,259	5.32

Notes:

1. These Shares include 37,500,000 Shares held through Galmare. Galmare is equally owned by Mr. Leong Lou Teck and Mr. Yap Han Hoe.

2. These Shares include 10,851,000 Shares held by Mr. Eav Yin, 447,000 Shares held by Ms. Lam Kim Phung, Mr. Eav Yin's wife, 141,174,500 Shares held through corporates (including the Offeror) controlled by Mr. Eav Yin and 32,876,000 Shares held by the Eav An Unit Trust, a discretionary trust of which Mr. Eav Yin is the founder.

3. These Shares refer to the same holding of 17,767,259 Shares held by Borneo. The entire issued share capital of Borneo is held by Ebony Limited, a wholly-owned subsidiary of Ivory Limited, which is in turn a wholly-owned subsidiary of CKH.

   Li Ka-Shing Unity Trustee Company Limited ("TUTI") as trustee of The Li Ka-Shing Unity Trust, together with certain companies which TUTI as trustee of The Li Ka-Shing Unity Trust was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of CKH.

   Li Ka-Shing Unity Trustee Corporation Limited ("TDTI") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2") both held units in The Li Ka-Shing Unity Trust.

   Mr. Li Ka-Shing is the settlor of each of DT1 and DT2 and may be regarded as a founder of each of them for the purpose of the SFO. The entire issued share capital of TUT1, TDT1 and TDT2 are owned by Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-Shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the issued share capital.

   CKH, TUT1, TDT1, TDT2 and Mr. Li Ka-Shing were all deemed to be interested in these 17,767,259 Shares which were taken to be interested in by Borneo under the SFO.

   The capacity of the persons in which ordinary Shares were held are set out as below:

   (a) Borneo holds the interests as beneficial owner;

   (b) Ebony Limited, Ivory Limited and CKH hold the interests through interest of controlled corporation(s);

   (c) TUT1 holds the interests as trustee;

   (d) TDT1 and TDT2 hold the interests as trustee and beneficiary of trust; and

   (e) Mr. Li Ka-Shing holds the interests through interest of controlled corporations and as founder of discretionary trusts.

(4) Pursuant to a ruling by the SFC dated 21 November 1996, Kee Shing (Holdings) Limited, Galmare and Mr. Leung, as parties acting in concert and on this basis, if taking into account the 3,000,000 Share Options held by Mr. Leung, as at the Latest Practicable Date, their aggregate long position in the Shares and the underlying Shares was 40,500,000 Shares, representing approximately 12.1% of the total issued share capital of ACHL.

These notifications were filed under the repealed Securities (Disclosure of Interests) Ordinance.

Save as disclosed above, as at the Latest Practicable Date, ACHL had not been notified by any persons (other than the directors or chief executive of ACHL) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to ACHL under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the ACHL Group, or any options in respect of such capital.

(c) Other interests

(i) As at the Latest Practicable Date, the Offeror Parties were interested in 187,734,558 Shares, representing approximately 56.26% of the issued share capital of ACHL. Details of the interests in ACHL of the Offeror Parties are as follows:

Name of the Offeror Party	Personal Interest	Interests held by his spouse or close relatives	Interests held by controlled corporations	Other interests	Total
The Offeror	134,400,000	—	—	—	134,400,000
Mr. Eav Yin *(Note 1)*	10,851,000	2,833,058	6,774,500 *(Note 2)*	32,876,000 *(Note 3)*	53,334,558

Note 1: Mr. Eav Yin is the sole director and shareholder of the Offeror.

Note 2: Interests held by corporations controlled by Mr. Eav Yin do not include interests held by the Offeror.

Note 3: Other interests represent the interests held by a discretionary trust of which Mr. Eav Yin is the founder.

Save as disclosed above, the Offeror Parties (including Mr. Eav Yin, being the sole director and sole shareholder of the Offeror) did not have any other interest in any securities in ACHL which carry voting rights, convertible securities, warrants, options and derivatives in respect of any of them as at the Latest Practicable Date.

(ii) As at the Latest Practicable Date, none of any subsidiary of ACHL, or any pension fund of ACHL or of a subsidiary of ACHL, or any advisers to ACHL as specified in class (2) of the definition of associate but excluding exempt principal traders owned or controlled any of the Shares or the Share Options or any other securities in ACHL which carry voting rights, and convertible securities, warrants, options and derivatives in respect of any of them.

(iii) As at the Latest Practicable Date, none of any person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with ACHL or any of its associate by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code owned or controlled any of the Shares or the Share Options or any other securities in ACHL which carry voting rights, and convertible securities, warrants, options and derivatives in respect of any of them.

(iv) As at the Latest Practicable Date, none of any fund managers (other than exempt fund managers) connected with ACHL who manage funds on a discretionary basis owned or controlled any of the Shares or the Share Options or any other securities in ACHL which carry voting rights, and convertible securities, warrants, options and derivatives in respect of any of them.

(d) Interests in the Offeror

As at the Latest Practicable Date, the Offeror was wholly-owned by Mr. Eav Yin. None of ACHL and its directors were interested in or owned or controlled any shares, convertible securities, warrants, options or derivatives of the Offeror as at the Latest Practicable Date.

5. DEALINGS IN SECURITIES

(a) None of ACHL and its directors had dealt for value in any of the Shares or the Share Options or any other securities in ACHL or any securities in the Offeror which carry voting rights, and convertible securities, warrants, options and derivatives in respect of any of them during the period beginning six months prior to the Offer Period and ending on the Latest Practicable Date.

(b) None of any subsidiary of ACHL, or any pension fund of ACHL or of a subsidiary of ACHL, or any advisers to ACHL as specified in class (2) of the definition of associate but excluding exempt principal traders had dealt for value in any of the Shares or the Share Options or any other securities in ACHL which carry voting rights, and convertible securities, warrants, options and derivatives in respect of any of them during the period beginning six months prior to the Offer Period and ending on the Latest Practicable Date.

(c) None of any person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with ACHL or any of its associate by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code had dealt for value in any of the Shares or the Share Options or any other securities in ACHL which carry voting rights, and convertible securities, warrants, options and derivatives in respect of any of them during the period beginning six months prior to the Offer Period and ending on the Latest Practicable Date.

(d) None of any fund managers (other than exempt fund managers) connected with ACHL who manage funds on a discretionary basis had dealt for value in any of the Shares or the Share Options or any other securities in ACHL which carry voting rights, and convertible securities, warrants, options and derivatives in respect of any of them during the period beginning six months prior to the Offer Period and ending on the Latest Practicable Date.

(e) The following Offeror Parties have acquired Shares during the period beginning six months prior to the Offer Period and ending on the Latest Practicable Date:

Date	**Name of the Offeror Parties**	**Price paid** *(HK$ per Share)*	**No. of Shares acquired**
25 October 2006	the Offeror	0.68	75,000,000
8 November 2006	the Offeror	0.68	18,917,000
9 November 2006	the Offeror	0.68	25,483,000
10 November 2006	the Offeror	0.68	15,000,000

Save as disclosed above, none of the Offeror Parties (including the sole director and sole shareholder of the Offeror) has dealt for value in any of the Shares or Share Options or any other securities in ACHL which carry voting rights, convertible securities, warrants, options and derivatives in respect of any of them during the period beginning six months prior to the Offer Period and ending on the Latest Practicable Date.

6. MARKET PRICES

(a) The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the period beginning six months prior to the Offer Period and ending on the Latest Practicable Date are HK$0.92 per Share and HK$0.50 per Share, respectively.

(b) The table below shows the closing price of the Shares as quoted on the Stock Exchange on (i) the last Business Day on which dealings took place in each of the six calendar months immediately preceding the date of the Announcement; (ii) 25 October 2006, being the Last Trading Day; and (iii) the Latest Practicable Date.

Date	**Closing price per Share** *(HK$)*
28 April 2006	0.70
30 May 2006	0.61
30 June 2006	0.70
31 July 2006	0.58
31 August 2006	0.62
29 September 2006	0.74
Last Trading Day	0.91
Latest Practicable Date	0.83

7. MATERIAL CONTRACT

On 13 January 2005, Asia Commercial Enterprises Limited, an indirect wholly owned subsidiary of ACHL, as vendor entered into an agreement with 東莞市京揚實業投資有限公司 (Dongguan Jing Yang Industrial Investment Company Limited) as purchaser at a consideration of RMB19.9 million (or approximately HK$18.8 million) for: (i) the sale of certain property interests over land use rights of properties comprising three blocks of industrial building and four blocks of dormitory building and two other miscellaneous buildings located at No. 5 Industrial Zone, Houjie Town, Dongguan, the PRC; and (ii) the assumption by the purchaser of a claim relating to certain management fees in connection with the property interests in previous years demanded by Dongguan Houjie Town Economic Development Head Company against Asia Commercial Enterprises Limited.

Save as disclosed above, in the two years immediately preceding the date of the Announcement and up to and including the Latest Practicable Date, there were no contracts that are or may be material, not being contracts entered into in the ordinary course of business, entered into by ACHL or its subsidiaries.

8. LITIGATION

ACHL is a nominal defendant of a derivative action brought by Galmare with two executive directors of ACHL on 27 April 2001, suing on behalf of itself and all other Shareholders, other than the executive directors of ACHL. Galmare is seeking a declaration that the acquisition of the information technology business in May 2001 is not in the best interests of ACHL or the Shareholders and other appropriate declarations or further ancillary reliefs. As ACHL is only a nominal defendant to a derivative action (the "Action"), the role of ACHL is limited i.e. not to take any active role in the proceedings and any damages recovered in such Action are paid to ACHL directly. Pursuant to the Court Order made on 4 January 2002, ACHL is granted leave to dispense with the filing and service of a defence in relation to the Action. Further to the subsequent Court Orders made on 3 and 4 September 2003, ACHL successfully denied the plaintiff's application to require ACHL to indemnify the plaintiff's legal costs incurred in this Action. On 31 March 2006, the 1st and 2nd defendants consented to the Court upon Galmare's request to join Miss Leung Miu King, Marina, who is the sister of the 1st defendant and the non-executive director of ACHL, as the 4th defendant. Given such development has no effect on the role of ACHL as nominal defendant and the Court's rejection to the plaintiff's application of ACHL to indemnify the plaintiff's legal costs incurred in this Action, the Board of ACHL expects to continue to incur the usual legal costs of participating in the Action and accordingly does not anticipate any significant adverse financial effect to ACHL up to the Latest Practicable Date. As at the Latest Practicable Date, no settlement has been reached among Galmare, the executive directors of ACHL and ACHL in relation to the Action.

Save as disclosed above, as at the Latest Practicable Date, neither ACHL nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was pending or threatened against ACHL or any of its subsidiaries.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given an opinion or advice on the information contained in this Composite Document:

Name	Qualifications
AMS Corporate Finance Limited	a corporation licensed under the SFO to conduct Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
BNP Paribas	a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

AMS Corporate Finance Limited and BNP Paribas have given and have not withdrawn their respective written consents to the issue of this Composite Document with the inclusion of their letters and references to their names in the form and context in which they respectively appear herein.

10. GENERAL

(a) As at the Latest Practicable Date, none of the directors of ACHL has indicated whether or not to accept the Offers.

(b) The company secretary of ACHL is Mr. Lai Kwok Hung, Alex *ACS, ACIS*.

(c) As at the Latest Practicable Date, none of the directors of ACHL had any service contract with ACHL or any of its subsidiaries or associated companies (i) which is continuous with a notice period of 12 months or more; (ii) which is of a fixed term with more than 12 months to run irrespective of the notice period; or (iii) which (being either continuous or of a fixed term) had been entered into or amended within six months before the date of the Announcement.

(d) As at the Latest Practicable Date, there were no material contracts entered into by the Offeror in which any director of ACHL had a material personal interest.

(e) As at the Latest Practicable Date, there were no agreements, arrangements or understandings (including any compensation arrangement) existed between the Offeror Parties and any of the directors or recent directors of ACHL or Shareholders or recent Shareholders having any connection with or dependence upon the Offers.

(f) As at the Latest Practicable Date, there were no agreements or arrangements between any director of ACHL and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers.

(g) As at the Latest Practicable Date, no benefit has been or will be given to any director of ACHL as compensation for loss of office or otherwise in connection with the Offers (other than statutory compensation).

(h) As at the Latest Practicable Date, there were no agreements or arrangements to which the Offeror was a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Offers.

(i) As at the Latest Practicable Date, none of the Offeror Parties has any arrangements with any persons of the kind referred to in Note 8 of Rule 22 of the Takeovers Code.

(j) As at the Latest Practicable Date, none of the securities acquired in pursuance to the Offers were or will be transferred, charged or pledged to any other persons.

(k) As at the Latest Practicable Date, no Shareholder or Optionholder had irrevocably committed to accepting or rejecting the Offers.

(l) The Offeror is a company incorporated in the BVI with limited liability and is wholly owned by Mr. Eav Yin.

(m) The registered office of the Offeror is at the office of Offshore Incorporations Limited, G.P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI. Its correspondence address in Hong Kong is 18/F, 9 World Trust Tower, 50 Stanley Street, Central, Hong Kong.

(n) The address of BNP Paribas is 59th–63rd Floors, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

(o) The sole director of the Offeror is Mr. Eav Yin.

(p) All references to times in this Composite Document refer to Hong Kong time.

(q) The English text of this Composite Document (including the appendices) and the Forms of Acceptance shall prevail over the Chinese text, in case of any inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection between 9:00 a.m. and 5:00 p.m. from Monday to Friday (except for public holidays) at the office of ACHL at Flat A–D, 13/F., Hong Kong Industrial Building, 444–452 Des Voeux Road West, Hong Kong and will also be displayed on the website of SFC at www.sfc.hk and on the website of ACHL at http://www.asiacommercialholdings.com until (and including) the First Closing Date or the close of the Offers (whichever is the later):

(a) the memorandum of association and bye-laws of ACHL;

(b) the memorandum and articles of association of the Offeror;

(c) the annual report of ACHL for each of the two years ended 31 March 2005 and 2006;

(d) the letter from the Board of ACHL, the text of which is set out on pages 6 to 9 of this Composite Document;

(e) the letter from BNP Paribas, the text of which is set out on pages 10 to 18 of this Composite Document;

(f) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 19 of this Composite Document;

(g) the letter of advice from AMS Corporate Finance Limited, the text of which is set out on pages 20 to 35 of this Composite Document;

(h) the contract referred to in paragraph 7 headed "Material contract" of this appendix;

(i) a copy of the Composite Document; and

(j) the written consents referred to in paragraph 9 headed "Experts and consents" of this appendix.