



CHUANG'S CHINA  
INVESTMENTS LIMITED

(Incorporated in Bermuda with limited liability) Stock Code: 298

*Annual Report 2012*



# **Our Mission**

Build Your Home  
From Our Heart

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# Chairman's Statement

## Responsive Operating Strategies

During the year under review, the operating environment for property developers in the People's Republic of China (the "PRC") faced a tough tightening of liquidity and weakening of market sentiments as affected by the stringent regulations such as restricting home purchases. Whilst residential property sales slowed down, the Group had undertaken the disposal of a series of property projects as follows and generated additional revenues:

- In April 2011, the disposal of Chuang's Tower in Central at HK\$790 million was completed.
- In June 2011, the disposal of the wholly-owned subsidiary which held the property development project in Xingsha at RMB526 million (equivalent to HK\$625.4 million) was completed.
- In March 2012, the disposal of three development sites in Huizhou at RMB158.9 million (equivalent to HK\$193.5 million) was completed.
- After the year end date, the disposal of the remaining site in Huizhou at RMB27.5 million (equivalent to HK\$34.0 million) was completed in April 2012. This disposal will be recorded as revenues of the Group for the financial year ending 31st March, 2013.

The Group also adjusted the property development schedule and product mix by increasing the supply of flats for first time home buyers and postponing the launch of larger flat size. In addition, the Group noticed that transaction volumes of commercial properties were rising as this sector was not affected by the housing regulatory policies. The Group therefore revised its investment holding strategy and launched its completed commercial properties in Guangzhou, Dongguan and Changsha to the market for sale.

## **Improved Financial Results and Strengthened Balance Sheet**

As a result of the successful operating strategies implemented by the Group during the year, the Group achieved an improved financial results and a much stronger and healthy balance sheet.

For the year ended 31st March, 2012, the Group generated a substantial increase in property sales to approximately HK\$2,262.4 million. This comprised sales of development properties and sites in the PRC amounting to approximately HK\$1,472.4 million (2011: HK\$156.5 million) and sales of investment properties in Hong Kong amounting to HK\$790 million.

Profit attributable to equity holders of the Company for the year ended 31st March, 2012 was HK\$448.8 million (2011: HK\$31.9 million), a 13-fold increase over last year. Earnings per share was 29.46 HK cents (2011: 2.09 HK cents).

The Group maintains a strong net cash position. As at 31st March, 2012, the Group had cash and bank balances of HK\$836.8 million (2011: HK\$351.7 million), while bank borrowings were HK\$41.9 million (2011: HK\$154.4 million), resulted in a net cash position of HK\$794.9 million (2011: HK\$197.3 million). As at 31st March, 2012, the net asset value attributable to equity holders of the Company was HK\$2,458.9 million. The Group is placed in a more advantageous position to capture attractive investment opportunities, as well as to replenish its land reserve.

## Property Development

Since November 2011, in order to stimulate the economic growth, the PRC Government has reduced the bank reserve rate in aggregate by 1.5% and cut interest rate by 0.25%. These measures have provided additional liquidity to the market and created a positive environment for the property market in the PRC. Though the home purchase restriction policy has not been relaxed, it is generally believed that no further restrictive measures will be imposed.

Against this background and given its healthy and strong financial position, the Group will in the coming financial year actively seek for opportunities to replenish its land reserve, with focus in the Guangdong Province, Fujian Province, Jiangsu Province and Zhejiang Province.

The table below contains the list of existing major projects of the Group:

Locations	Projects	Completed properties (GFA in sq. m.)	Developable properties (GFA in sq. m.)
<b>Southern China</b>			
Guangzhou	Chuang's Le Papillon	113,400	313,000
Dongguan	Imperial Garden	95,700	423,000
Xiamen	Resort and Villa		18,000
<b>Sub-total</b>		<b>209,100</b>	<b>754,000</b>
<b>Northern China</b>			
Anshan	Chuang's Mid-town		100,000
Anshan	Chuang's Plaza		390,000
<b>Sub-total</b>			<b>490,000</b>
<b>Central China</b>			
Changsha	Beverly Hills	80,200	
<b>TOTAL</b>		<b>289,300</b>	<b>1,244,000</b>



*Provinces where property development projects of the Group are located*



# Southern China

Enjoy the spectacular lifestyle of  
the Pearl River Delta region

**all within  
an hour's  
distance**



**1 hr**





Master Layout Plan



## Chuang's Le Papillon, Guangzhou, Guangdong (100% owned)



## Chairman's Statement

# Business Review

The project has a total gross floor area ("GFA") of over 420,000 *sq. m.* and consists of various ancillary facilities, including luxurious club houses, commercial facilities and abundant greenery.

Phase I comprises completed residential properties (Block A to E) of 113,400 *sq. m.*, commercial podium and club house with total GFA of 3,400 *sq. m.*. Block A with 135 flats has been sold out. Block B consists of 98 flats providing 4-bedroom ranging from 202 *sq. m.* as well as duplex flats of over 400 *sq. m.*. As affected by the tightening of end users' mortgage and limited purchase policies, the Group held back the launch of Block B to the market. Block C consists of 124 flats with flat size of 175 *sq. m.* and has 28 unsold flats with aggregate GFA of 4,900 *sq. m.*. Block D and E consist of 432 flats with total GFA of 50,200 *sq. m.* and were virtually sold out. Occupancy was handed over to buyers in February 2012.

### Completed Block A to C





## Chairman's Statement Business Review

Phase II comprising Block F, G, H, I, J, K, L, M, N and P has an aggregate residential GFA of about 147,300 sq. m., details as follows:

Block	Residential GFA (sq. m.)	Flat size (sq. m.)	Number of flats
F	7,291	59 – 86	97
G	7,665	59 – 86	102
H	18,945	105 – 145	151
I	16,394	137 – 150	116
J	16,437	105 – 138	136
K	17,446	134 – 157	114
L	16,437	105 – 138	136
M	23,396	57 – 88	321
N	16,325	137 – 150	116
P (low rise villas)	6,987	318	22
<b>Total</b>	<b>147,323</b>		<b>1,311</b>



The Group planned its construction works closely in line with market conditions and prioritised the launch of receptive flats size ranging from 70 *sq. m.* to 120 *sq. m.*. Currently, Block F, G, H and I with total GFA of 50,295 *sq. m.* have been topped off. Superstructure works for Block J, L and M with total GFA of 56,270 *sq. m.* are in progress. Superstructure works for Block K and N which provide larger size flats of 134 *sq. m.* to 157 *sq. m.* and Block P (comprising 22 low rise villas) will commence in the second half of this year.

Marketing and presales of Block F, G and H were in progress with the average selling price of about RMB9,000 per *sq. m.*. Block I, J, L and M providing flat sizes from 57 *sq. m.* to 150 *sq. m.* will be launched for presales in a couple of months.

## Completed Block D and E

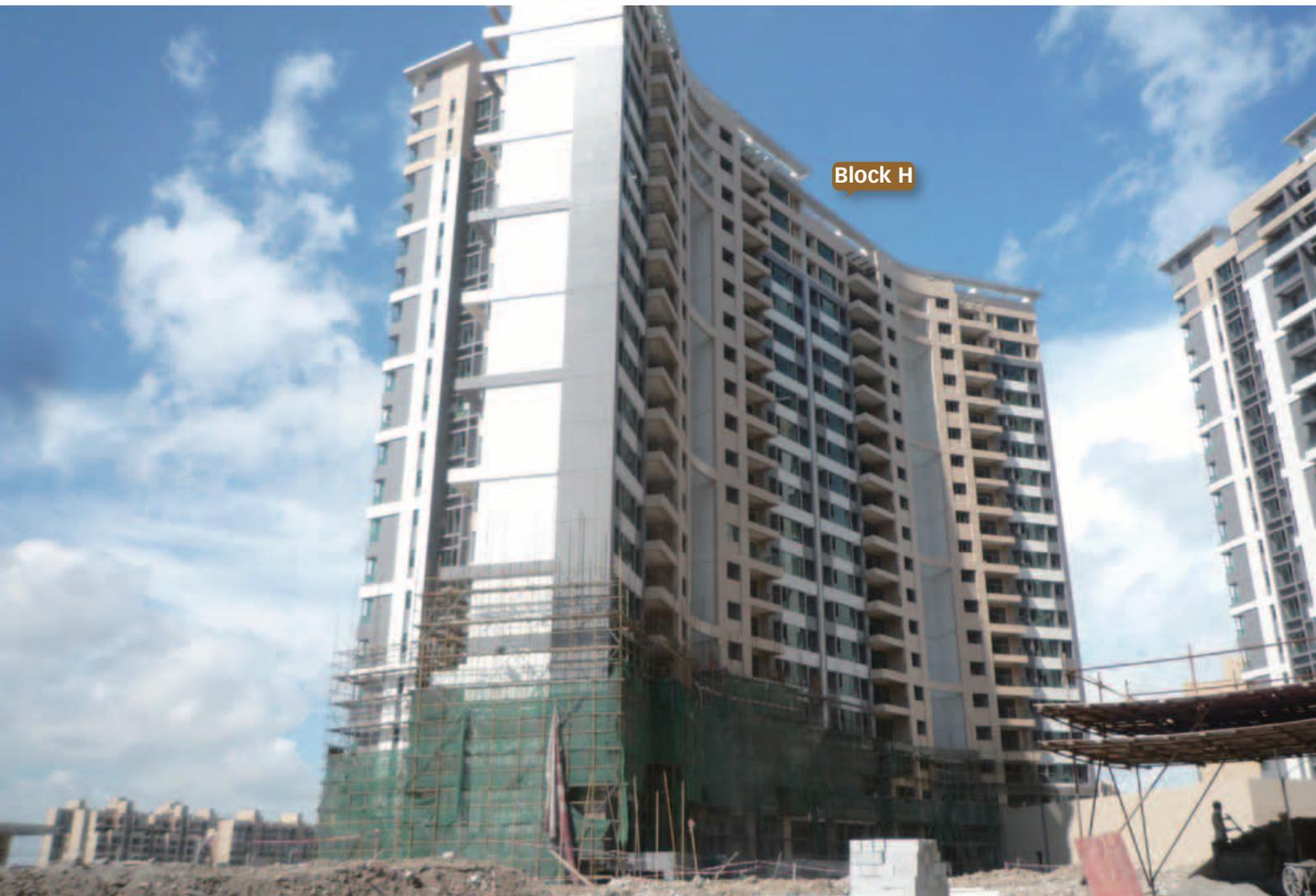


# Construction in Progress





Block K



Block H

## Chairman's Statement Business Review

Phase III has total GFA of about 165,700 sq. m., comprising residential towers from Block Q to Block V, Block W (GFA of 2,639 sq. m.) for commercial use and Block X of 14 low rise villas. The Group is planning to raise the existing plot ratio from 1.92 to 2.5, thereby increasing GFA by about 45,000 sq. m. for commercial purpose.

The sales target for Guangzhou in the financial year ending 2013, including the unsold properties of Block F, G, H, I, the commercial properties and the presales of Block J, L and M, amounted to about RMB1.85 billion as follows:

		Contracted sales not yet recognised as revenues		Sales target		
		sq. m.	RMB	sq. m.	2012/13 RMB	2013/14 and beyond RMB
<b>Residential</b>						
Completed properties	Block A,B,C,D,E	4,760	33,084,000	28,654	271,534,000	
Phase II	Block F, G, H, I	15,790	143,065,000	34,505	316,197,000	
	Block J, L, M			56,270	506,490,000	
	Block K, N, P			40,758	684,652,000	
Phase III	Block Q, R			50,175		602,100,000
	Block S, T, U, V, X			112,879		1,473,324,000
<b>Commercial</b>						
Completed properties				1,826	54,780,000	
Phase II				900	18,500,000	
Phase III				2,639		31,668,000
<b>TOTAL</b>		<b>20,550</b>	<b>176,149,000</b>	<b>328,606</b>	<b>1,852,153,000</b>	<b>2,107,092,000</b>

(Note)

Note: These contracted sales are expected to be recognised as revenues of the Group for the year ending 31st March, 2013 when these flats are delivered to buyers.





Phase III — Perspective

# Imperial Garden







# Imperial Garden, Chuang's New City, Dongguan, Guangdong (100% owned)

Embarking on the riverside park overlooking the Pearl River, Chuang's New City is well equipped with ancillary facilities such as club house, kindergarten, sports arena and shopping mall to meet residents' pursuit of a refined lifestyle. The project has a total GFA of about 520,000 sq. m., comprising 95,700 sq. m. of completed properties and 423,000 sq. m. for development.





### Completed Block 1 to 8

Phase I consists of 8 completed residential towers totaling about 89,000 *sq. m.* in GFA, a modern commercial shopping complex of about 6,666 *sq. m.* and 184 carparking spaces. Block 1 to Block 8 comprise 665 apartments with size ranging from 80 *sq. m.* to 160 *sq. m.*, 27 executive duplex of about 280 *sq. m.* and 3 simplex of 445 *sq. m.*. Up to date, a total of 511 flats have been sold at an average selling price of about RMB5,100 per *sq. m.*.

Phase II comprises Block 9 to Block 14 providing 6 residential towers (total GFA of 61,272 *sq. m.*) with flats size ranging from 56 *sq. m.* to 127 *sq. m.*. Foundation works for Block 9 to Block 14 were completed and superstructure works will commence shortly. The Group will also commence on the construction of the commercial complex with an area of 3,217 *sq. m.*.

The Group will embark on Phase III development plan of Block 15 to Block 55 comprising GFA of about 356,000 *sq. m.* in accordance with local market sentiments and sales progress.

The sales target for Dongguan for the financial year ending 2013, including the unsold properties of Block 1 to Block 8, the commercial properties and the presales of Block 9 to Block 14, amounted to about RMB662 million as follows:



		Contracted sales not yet recognised as revenues		Sales target		
		sq. m.	RMB	sq. m.	2012/13 RMB	2013/14 and beyond RMB
<b>Residential</b>						
Completed properties	Block 1 to 8	5,134	29,124,000	20,583	142,118,000	
Phase II	Block 9 to 14			61,272	376,376,000	
Phase III	Block 15 to 55			355,842		3,844,663,000
<b>Commercial</b>						
Completed properties				6,666	100,000,000	
Phase II				3,217	43,429,500	
				2,809		37,921,500
<b>TOTAL</b>		<b>5,134</b>	<b>29,124,000</b>	<b>450,389</b>	<b>661,923,500</b>	<b>3,882,584,500</b>

(Note)

Note: These contracted sales are expected to be recognised as revenues of the Group for the year ending 31st March, 2013 when these flats are delivered to buyers.

Chairman's Statement  
Business Review





Perspective

# Resort and Villa in Xiamen





## Resort and Villa, Xiamen, Fujian (59.5% owned)

The exquisite environment of the site, surrounded by natural landscape and nearby the popular sunbathing sandy beach, will be best delivering an exclusive high-end resort experience. The unique and private environment is specially designed to support the

concept of life and health enhancement and deliver an exceptional hospitality experience in Xiamen.

Our luxurious resort development occupies a site with an area of about 27,574 *sq. m.*. Focusing on a low density development of just 0.3 time, the development has 18,000 *sq. m.* in GFA and stands out in its master planning, architectural and landscape design. Within this development, 27 private pool villas with aggregate GFA of about 8,400 *sq. m.* will either be rented out



on long lease or for sale. An exclusive resort with 80 keys and 3 private pool villas (total GFA of 9,600 sq. m.) will be operated as hotel and resort. There are nice landscape gardening and big body water in the centre of private villas. Through the use of waterways (including waterfalls, cascades and infinity pool concept with pavilions), gardens, landscapes and colors will be incorporated. Its accommodation options include open suites and spacious villas overlooking the glamorous water feature.



Resort - Perspective





Master planning of this development has been approved by the relevant PRC bureau. Construction works have commenced and superstructure works will be completed around mid-2013.



# Northern China



# Anshan





## Chuang's Mid-town, Anshan, Liaoning (100% owned)

Situated right next to the Anshan rail station, this site is located at the core city centre of Tie Dong Qu (鐵東區), embracing the perfect geographical advantages of pouring crowds and flourishing logistics. The site, which has just been handed over by the local government to the Group in April 2012, will be developed into a landmark complex in Anshan allowing multi-faceted and vibrant living environment.

Master planning for the project is progressing. The development will provide integrated community with residential, shopping areas, specialty business activities, SOHO and office space with total GFA of 100,000 sq. m..





## Chuang's Plaza, Anshan, Liaoning (100% owned)

Adjacent to Chuang's Mid-town, the second site acquired by the Group is located in the prime city centre of Tie Dong Qu (鐵東區). Located in the hustle and bustle commercial and shopping district in Anshan and the nearby popular outdoor walking mall, the site is well supported by comprehensive transportation network. With developable GFA of 390,000 sq. m., the site will provide a mega integrated development including office towers, retail, food and beverage and entertainment facilities together with residential blocks. Ground investigation works will commence once the site is delivered by the local government.

# Central China

## **Beverly Hills, Changsha, Hunan (54% owned)**

Situated in Changsha County, Beverly Hills comprises completed residential and commercial properties of about 80,200 *sq. m.*. It comprises 172 bungalows, link houses and semi-detached houses and 144 units of high rise apartments with a total GFA of 70,000 *sq. m.*. Construction works of the commercial and SOHO properties with a total GFA of about 10,200 *sq. m.* have been completed. Interior fittings and marketing are in progress. The sales target of Beverly Hills for the remaining 67 unsold residential units and commercial properties amounted to RMB222 million.

## **Chuang's Le Printemps, Chengdu, Sichuan (51% owned)**

Situated in the prominent district within the second-ring road, Wu Hou Qu (武侯區) of Chengdu, the Group has a 51% joint development interest in a site at Hong Pai Lou (紅牌樓). As the development will involve resettlements and will take longer planning time, the Group is evaluating different alternatives and the appropriate strategy for this investment.

## Other Businesses

As at 31st March, 2012, the aggregate book value of the Group's other major assets amounted to approximately HK\$114.2 million. These include the Group's wholly-owned subsidiary, Yuen Sang Watch Industries Limited, which is engaged in the manufacture and sale of watch components for export, the 25% interests in Treasure Auctioneer International Limited and approximately 10.4% interests in a quoted investment in CNT Group Limited. Furthermore, the Group holds Level 6 of the commercial podium at Chengdu Digital Plaza in Chengdu with GFA of 4,255 sq. m.. The property was subject to a ten-year tenancy which is due to expire in October 2012. In view of the appreciated value of the property, the Group is evaluating the disposal of this property. In addition, the Group will actively continue investing in securities and bond markets in Hong Kong, focusing on stocks relating to China property developers, in order to generate an additional source of revenue to the Group.

## Prospects

While short-term market uncertainty is expected to continue, the fundamental demand for residential housing will remain strong given the rising per capita income, accelerating urbanisation and increasing demand for better living environment. The Group is fully confident about the long-term development of the property market in the PRC.



In the coming financial years, the Group will actively launch our projects in Guangzhou, Dongguan and Changsha for sales. The total sales value of these projects amount to over HK\$10 billion. With the sales of these projects, the Group is confident that its value will be significantly enhanced.



## Results and Dividends

### Financial Review

Property sales of the Group during the period substantially increased to approximately HK\$2,262.4 million, comprising sales of investment properties in Hong Kong amounting to HK\$790 million and sales of development properties and sites in the PRC amounting to approximately HK\$1,472.4 million (2011: HK\$156.5 million). Sales of development properties and sites in the PRC were recorded as revenues of the Group. The remaining revenues of the Group comprise income from manufacturing business of HK\$11.8 million (2011: HK\$13.4 million) and rental and its related income of HK\$2.9 million (2011: HK\$28.1 million). Accordingly, total revenues of the Group for the year ended 31st March, 2012 increased to HK\$1,487.1 million (2011: HK\$198.0 million).

During the year under review, gross profit increased to HK\$805.2 million (2011: HK\$55.7 million) mainly as a result of profit from property sales. Other income decreased to HK\$20.4 million (2011: HK\$34.4 million) and does not contain the one-off land resumption compensation received by the Group in the last corresponding year. A detailed analysis of other income is shown in note 7 to the financial statements.

On the costs side, selling and marketing expenses increased to HK\$46.8 million (2011: HK\$16.9 million) as a result of increased sales of properties during the year. Administrative and other operating expenses increased to HK\$125.5 million (2011: HK\$95.7 million) and that was due to general increase in overheads and increase in business activities of the Group for the year under review.

Finance costs reduced to HK\$4.2 million (2011: HK\$13.3 million) as a result of reduced bank borrowings. Share of results of an associated company amounted to HK\$3.5 million (2011: HK\$3.2 million) in relation to the Group's 25% interests in Treasure Auctioneer International Limited. Taxation increased to HK\$220.3 million (2011: HK\$9.7 million) mainly related to increase in sales of properties in the PRC.

Taking into account the above, profit attributable to equity holders of the Company for the year ended 31st March, 2012 was HK\$448.8 million (2011: HK\$31.9 million), representing an increase of about 13 times over that of the last corresponding year. Earnings per share was 29.46 HK cents (2011: 2.09 HK cents).

### Dividends

After taking into account the need to maintain sufficient financial resources for the acquisition of additional landbank and as working capital for the Group's projects and businesses, the Board of Directors (the "Board") has resolved to recommend for the shareholders' approval at the forthcoming annual general meeting the payment of a final dividend of 2.0 HK cents (2011: Nil) per share for the year ended 31st March, 2012. The final dividend, if approved, will be paid on or before 1st November, 2012 by allotment of new shares with a cash option to the shareholders whose names appear on the Company's register of members on 12th September, 2012.

Subject to the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of and permission to deal in the new shares to be issued pursuant to the scrip dividend scheme, new share entitlements will be calculated by reference to the par value of the shares of the Company, being HK\$0.05, or the average of the closing prices on the Stock Exchange of the shares of the Company for the five consecutive trading days up to and including 12th September, 2012, whichever is higher. A circular giving full details of the scrip dividend scheme and a form of election will be sent to the shareholders as soon as practicable.

An interim dividend of 1.0 HK cent (2011: Nil) per share has been paid in respect of the current financial year. Total dividends for the year amounted to 3.0 HK cents (2011: Nil) per share.

## Financial Positions

During the year, the Group's financial positions have significantly improved. As at 31st March, 2012, the Group's cash and bank balances amounted to HK\$836.8 million (2011: HK\$351.7 million including restricted bank balance which was released as bank balances of the Group in April 2011). As at the same date, bank borrowings of the Group amounted to HK\$41.9 million (2011: HK\$154.4 million excluding bank borrowings related to assets to be disposed of). The Group has net cash of HK\$794.9 million (2011: HK\$197.3 million). The calculation of net debt to equity ratio was therefore not applicable (2011: N/A).

Approximately 51.8% of the Group's cash and bank balances were in Hong Kong dollar and United States dollar with the remaining 48.2% in Renminbi. The Group's entire bank borrowings were in Renminbi and were repayable within one year. Risk in exchange rate fluctuation would not be material.

As at 31st March, 2012, the net asset value attributable to equity holders of the Company was HK\$2,458.9 million. Net asset value per share amounted to HK\$1.61, which is calculated based on the historical cost of the Group's land bank, before taking into account the appreciated value.

## Staff

The Group puts emphasis on training and cultivating elite talent. We are committed to providing a dynamic and enthusiastic working atmosphere and increase hiring talents of all fields. As at 31st March, 2012, the Group employed 523 staff. The Group provides its staff with other benefits including discretionary bonus, contributory provident fund, share options and medical insurance. Staff training is also provided as and when required.

## Appreciation

On behalf of the Board, I would like to thank my fellow Directors and our dedicated staff for their hard work and contribution during the year.

### **Abraham Shek Lai Him**

*Chairman*

Hong Kong, 25th June, 2012

# Corporate Information

## Honorary Chairman

Alan Chuang Shaw Swee

## Directors

Abraham Shek Lai Him, S.B.S., J.P.\* (*Chairman*)

Lee Sai Wai (*Deputy Chairman*)

Albert Chuang Ka Pun (*Deputy Chairman*)

Ann Li Mee Sum (*Managing Director*)

Candy Chuang Ka Wai

Sunny Pang Chun Kit

Wong Chung Wai

Hwang Jen\*

David Chu Yu Lin, S.B.S., J.P.\*

Peter Po Fun Chan, B.B.S., M.B.E., J.P.\*

\* *Independent Non-Executive Directors*

## Audit Committee/ Nomination Committee/ Remuneration Committee

Hwang Jen

David Chu Yu Lin, S.B.S., J.P.

Peter Po Fun Chan, B.B.S., M.B.E., J.P.

## Corporate Governance Committee

Albert Chuang Ka Pun

Ann Li Mee Sum

Candy Chuang Ka Wai

## Company Secretary

Lee Wai Ching

## Auditor

PricewaterhouseCoopers

22nd Floor, Prince's Building,

10 Chater Road,

Central, Hong Kong

## Registrars

### Bermuda:

Butterfield Fulcrum Group (Bermuda) Limited

Rosebank Centre,

11 Bermudiana Road,

Pembroke, HM 08,

Bermuda

### Hong Kong:

Tricor Progressive Limited

26th Floor, Tesbury Centre,

28 Queen's Road East,

Wanchai, Hong Kong

## Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

Hang Seng Bank Limited

Bank of China (Hong Kong) Limited

Bank of China Limited

Industrial and Commercial Bank of China Limited

## Corporate Information (continued)

### Registered Office

Clarendon House, 2 Church Street,  
Hamilton HM 11, Bermuda

### Principal Office in Hong Kong

25th Floor, Alexandra House,  
18 Chater Road, Central, Hong Kong  
Telephone: (852) 2522 2013  
Facsimile: (852) 2810 6213  
Email address: [chuangs@chuangs.com.hk](mailto:chuangs@chuangs.com.hk)  
Website: [www.chuang-s-china.com](http://www.chuang-s-china.com)

### Other Offices in Hong Kong and in the People's Republic of China (the "PRC")

#### Tsuen Wan Office

Yuen Sang Watch Industries Limited  
1st Floor, 100 Texaco Road,  
Tsuen Wan, New Territories, Hong Kong

#### Beijing Office

Chuang's Development (Beijing) Limited  
Unit 608B, 6th Floor, China Resources Building,  
No. 8 Jianguomenbei Avenue,  
Beijing, the PRC

#### Guangzhou Office

Guangzhou Panyu Chuang's Real Estate Development Company Limited  
Liangang Road, Guangzhou,  
Guangdong, the PRC

#### Dongguan Office

Dongguan Chuang's Real Estate Development Company Limited  
1st Floor, Chuang's New City Administrative Centre,  
No. 8 Chuang's Road, Dongguan,  
Guangdong, the PRC

#### Huizhou Office

Chuang's Development (Huiyang) Real Estate Company Limited  
Ground Floor, Block 15, Chuang's Garden,  
Chuang's New Town,  
Kai Cheng Road, Huizhou,  
Guangdong, the PRC

#### Changsha Office

Hunan Han Ye Real Estate Development Company Limited  
1st Floor, Beverly Hills Administrative Centre,  
No. 145 Zhongyier Road,  
Muyun, Changsha,  
Hunan, the PRC

## Corporate Information (continued)

### Other Offices in Hong Kong and in the PRC (Continued)

#### **Anshan Office**

Anshan Chuang's Property Development Company Limited  
Anshan Chuang's Real Estate Development Company Limited  
Rooms 1303–1308, 13th Floor, Block C,  
Da Shang • Shang Cheng Guo Ji,  
Tiedong Liudaojie, Tie Dong Qu,  
Anshan, Liaoning, the PRC

#### **Xiamen Office**

Xiamen Mingjia Binhai Resort Company Limited  
Room F, 24th Floor  
International Bank Building  
No. 8 Lujiang Road, Xiamen  
Fujian, the PRC

#### **Chengdu Office**

Chengdu Chuang's Investment Services Limited  
Room 1204, Block B,  
Air China Century Centre,  
1 Hangkong Road,  
Chengdu, Sichuan, the PRC

### Sales Offices in the PRC

#### **Chuang's Le Papillon Sales Office**

Liangang Road, Guangzhou,  
Guangdong, the PRC

#### **Imperial Garden Sales Office**

Ground Floor, Chuang's New City Administrative Centre,  
No. 8 Chuang's Road, Dongguan,  
Guangdong, the PRC

#### **Beverly Hills Sales Office**

Ground Floor, Beverly Hills Administrative Centre,  
No. 145 Zhongyier Road,  
Muyun, Changsha,  
Hunan, the PRC

### Stock Code

298

# Biographical Details of Honorary Chairman, Directors and Senior Management

## Honorary Chairman

**Mr. Alan Chuang Shaw Swee** (aged 60), the honorary chairman of the Company, is the chairman of Chuang's Consortium International Limited ("Chuang's Consortium", the controlling shareholder of the Company), the honorary chairman of Midas International Holdings Limited ("Midas") and an alternate director of CNT Group Limited, all are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He has extensive experience in business development and investment in Hong Kong, the People's Republic of China (the "PRC") and Southeast Asia. With his substantial connections, he has been actively involved in the development and management of investments in Hong Kong, the PRC and Southeast Asia. He was an Adviser of Hong Kong Affairs and a member of the Selection Committee for the Government of the Hong Kong Special Administrative Region. He is a member of the National Committee of The Chinese People's Political Consultative Conference, a member of All-China Federation of Returned Overseas Chinese, a member of China Overseas Friendship Association, the Deputy Chairman of Chinese Literature Fund, the Honorary member of Guangzhou Panyu Overseas Exchanges Association, the Vice President of China Federation of Overseas Chinese Entrepreneurs and the Committee for the Promotion of Fujian-Taiwan Economic Cooperation, the Honorary President of Hunan Overseas Friendship Association and Fujian International Culture & Economy Exchange Foundation, an economic adviser to Chengdu, Sichuan, an overseas consultant to Sichuan Provincial Overseas Exchanges Association, an Honorary Citizen of Xiamen City, Guangzhou City and Chia-Yi, Taiwan and a director of the Board of Trustees of Jimei University, Xiamen City. He is also the Vice President of the Hong Kong Factory Owners Association, the Honorary President of the Hong Kong Federation of Overseas Chinese Association, a director of the Chinese General Chamber of Commerce, a director of The Real Estate Developers Association of Hong Kong, the Senate of the Democratic Alliance for the Betterment and Progress of Hong Kong, the Life Honorary President of the General Association of Xiamen (H.K.) Ltd., the Permanent President of Hong Kong Huian Natives Association, the Life Honorary President of Chuang & Yen Clansmen's General Association and a director of the Friends of Hong Kong Association Ltd..

## Directors

**Mr. Abraham Shek Lai Him** S.B.S., J.P., (aged 67), was appointed as the chairman and an independent non-executive director of the Company in April 2008. He is currently a member of the Legislative Council for the Hong Kong Special Administrative Region, the Court of The Hong Kong University of Science & Technology, the Court and the Council of The University of Hong Kong and the vice chairman of Independent Police Complaints Council. He holds a Bachelor degree of Arts. He is also an independent non-executive director of Chuang's Consortium, Midas, Paliburg Holdings Limited, Lifestyle International Holdings Limited, NWS Holdings Limited, Titan Petrochemicals Group Limited, ITC Corporation Limited, Country Garden Holdings Company Limited, Hop Hing Group Holdings Limited, MTR Corporation Limited, Hsin Chong Construction Group Ltd., SJM Holdings Limited, Kosmopolito Hotels International Limited, ITC Properties Group Limited and China Resources Cement Holdings Limited, all are listed on the Stock Exchange, and a director of The Hong Kong Mortgage Corporation Limited. Mr. Shek is also an independent non-executive director of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust, and Regal Portfolio Management Limited, the manager of Regal Real Estate Investment Trust, both trusts are listed on the Stock Exchange.

**Mr. Lee Sai Wai** (aged 75), the deputy chairman, has over 27 years of experience in the manufacturing and property sectors. He is a graduate of Shanghai Fudan University. Mr. Lee was a member of The Seventh and The Eighth Sichuan Committee of The Chinese People's Political Consultative Conference. He is an executive council of Sichuan Overseas Friendship Association, Hunan Overseas Friendship Association, Guangzhou Panyu Overseas Friendship Association and Sichuan Provincial Overseas Exchanges Association, the vice president of Sichuan Association of Chinese Entrepreneurs, Chengdu Overseas Exchanges Association and Changsha Overseas Friendship Association, and an adviser of Chengdu Overseas

## Biographical Details of Honorary Chairman, Directors and Senior Management (continued)

Friendship Association and Hunan Federation of Returned Overseas Chinese. He is also the vice president of the Hong Kong Sichuan Friendship Association Company Limited and an executive council of the Hong Kong Factory Owners Association. He is the brother-in-law of Mr. Alan Chuang Shaw Swee, the controlling shareholder and an executive director of Chuang's Consortium, and the uncle of Mr. Albert Chuang Ka Pun and Miss Candy Chuang Ka Wai. He joined the Group in 1992.

**Mr. Albert Chuang Ka Pun** (aged 32), the deputy chairman, has 8 years of experience in property business and general management. He is also an executive director of Chuang's Consortium. He holds a Bachelor degree of Arts with major in Economics. He is a committee member of the Eleventh All-China Youth Federation. Mr. Chuang is the son of Mr. Alan Chuang Shaw Swee. He is also the nephew of Mr. Lee Sai Wai and the brother of Miss Candy Chuang Ka Wai. He joined the Group in 2008.

**Miss Ann Li Mee Sum** (aged 51), the managing director, has over 26 years of experience in finance and investment banking. She holds a Master degree in Business Administration and is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Chartered Institute of Management Accountants. She joined the Group in 1999.

**Miss Candy Chuang Ka Wai** (aged 30), an executive director, has 8 years of experience in general management, marketing and property business. She is an executive director of Chuang's Consortium and Midas, and the chairman of Treasure Auctioneer International Limited. She is a member of The Chinese People's Political Consultative Conference, Xiamen Committee, Beijing Youth Federation, Fujian Youth Federation, Xiamen Overseas Friendship Association, Hong Kong United Youth Association, The Y. Elites

Association Limited and Hong Kong CPPCC of Fukien Province Members Association, and the vice supervisor of the General Association of Xiamen (H.K.) Ltd.. Miss Chuang is the daughter of Mr. Alan Chuang Shaw Swee. She is also the niece of Mr. Lee Sai Wai and the sister of Mr. Albert Chuang Ka Pun. She joined the Group in 2005.

**Mr. Sunny Pang Chun Kit** (aged 54), an executive director, has over 34 years of experience in construction and real estate development business. He holds a Master of Science degree in Construction and Project Management and is a member of the Chartered Institute of Building and the Architects and Surveyors Institute, United Kingdom and an associate member of the Hong Kong Institution of Engineers. He joined the Group in 1992.

**Mr. Wong Chung Wai** (aged 43), an executive director, has over 20 years of experience in architecture, project management and contract administration. He is also an executive director of Chuang's Consortium. He holds a Bachelor degree of Science in Building Technology and Management and is an associate member of both the Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors. He joined the Group in 2009.

**Dr. Hwang Jen** (aged 80), was appointed as an independent non-executive director in 1987. Dr. Hwang is the president of the Hong Kong Factory Owners Association and the Hong Kong Printers and Dyers Association. He is also the principal councillor to the Advisory Board on Enterprise Reformation and Economic Promotion of Tianjin Government, the PRC, the president (1994–2005) and the honorary president of China Peasants' University, an honorary member of China Overseas Friendship Association, the PRC, and a member of The Ninth National Committee of The Chinese People's Political Consultative Conference. He has extensive management experience particularly regarding trading in the PRC.

## Biographical Details of Honorary Chairman, Directors and Senior Management (continued)

**Mr. David Chu Yu Lin** S.B.S., J.P., (aged 68), was appointed as an independent non-executive director in 1997. Mr. Chu has extensive experience in finance, banking and property investment. He has a Bachelor of Science degree and a Master of Science degree both from Northeastern University and a Master of Business Administration degree from Harvard University. He is also an independent non-executive director of AVIC International Holding (HK) Limited and Jiuzhou Development Company Limited, both are listed on the Stock Exchange. In 2001, Mr. Chu was conferred with an Honorary Doctorate Degree in Public Service by the Northeastern University and also appointed as an Unofficial Justice of Peace by the HKSAR Government. In 2003, Mr. Chu was elected as a deputy of the Hong Kong Special Administrative Region to the 10th National Congress of the PRC.

**Dr. Peter Po Fun Chan** B.B.S., M.B.E., J.P., FCCA (U.K.), ACA (England and Wales), FCPA (Australia), CPA (Singapore), FCPA (H.K.), (aged 90), was appointed as an independent non-executive director in 2004. He is an independent non-executive director of Chuang's Consortium and VST Holdings Limited, both are listed on the Stock Exchange. He was the chairman of the former Kowloon Stock Exchange and former Hong Kong Federation of Stock Exchanges. Dr. Chan was also a Registered Dealing Director under the Securities Ordinance. He is a member of a number of scientific institutions which include Society of Petroleum Engineers and Society of Underwater Technology.

### Senior Management

**Mr. Huang Shi Zhao** (aged 56), the general manager of the Group's operation in Guangdong, the PRC. He has over 38 years of experience in legal field, electrical engineering, property development, construction project, administration and management. He is a university graduate in PRC laws and is a National Constructor (Class II) in the PRC. He is the vice president of Dongguan City Association of Enterprises with Foreign Investment, the executive vice president of The Association of Foreign Investment Enterprises of Shatian, Dongguan and the supervisor of Guangdong Quangang Association for Economic & Cultural Advancement. He joined the Group in 1993.

**Mr. Wang Qingwu** (aged 42), the assistant director of the Group's PRC property division. He has 21 years of experience in land acquisition, business development, project management and general management. He holds a Bachelor degree in Architectural Engineering. He joined the Group in 2006.

**Mr. Tao Jun** (aged 48), the deputy general manager of the Group's development project in Panyu, the PRC. He has over 26 years of experience in construction project management. He is a university graduate with major in Industrial and Civil Construction. He joined the Group in 2004.

**Mr. Zhuang Xue Nong** (aged 38), the general manager of the Group's project company in Changsha, Hunan, the PRC. He has over 17 years of experience in real estate and project management, construction, administration, marketing and finance. He joined the Group in 2003.

**Mr. Hon Wai** (aged 42), the project manager of the Group's PRC property division. He has 20 years of experience in building construction and property development. He holds a Bachelor of Engineering (Hons) degree in Building Engineering (Construction Engineering and Management). He joined the Group in 2007.

## **Biographical Details of Honorary Chairman, Directors and Senior Management (continued)**

**Mr. Lai Hoi Sang** (aged 38), the senior quantity surveyor of the Group's PRC property division. He has 17 years of experience in quantity surveying. He holds a Bachelor of Science (Hons) degree in Quantity Surveying. He joined the Group in 2008.

**Mr. Liu Hua** (aged 38), the deputy general manager of the Group's development project in Dongguan, the PRC. He has over 19 years of experience in construction and project management. He joined the Group in 2003.

**Mr. Guo Caihong** (aged 42), the deputy general manager of the Group's operation in Chengdu and Anshan, the PRC. He has 20 years of experience in project planning, design and management. He joined the Group in 1992.

**Mr. David Yeung Man Yung** (aged 41), the general manager of the Group's manufacturing division. He has 19 years of experience in manufacturing management and trading business. He holds a Bachelor of Science degree in Electrical Engineering and a Master degree in Business Administration. He joined the Group in 2011.

**Ms. Lee Wai Ching** (aged 51), the company secretary, has over 28 years of experience in corporate services and office administration. She holds a Master degree in Business Administration and a Master degree in Laws. She is a fellow of both the Institute of Chartered Secretaries and Administrators in the United Kingdom and the Hong Kong Institute of Chartered Secretaries. She joined the Group in 1998.

# Corporate Governance Report

## Introduction

The Company is committed to achieving high standard of corporate governance that properly protects and promotes the interests of its shareholders.

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

## Report on corporate governance practices

### (A) The Board

#### (i) Board composition

The board of Directors (the “Board”) comprises 10 Directors as at the date of this report. The Board members are as follows:

Name	Position
Mr. Abraham Shek Lai Him	Chairman and Independent Non-Executive Director
Mr. Lee Sai Wai*	Deputy Chairman
Mr. Albert Chuang Ka Pun*	Deputy Chairman
Miss Ann Li Mee Sum	Managing Director
Miss Candy Chuang Ka Wai*	Executive Director
Mr. Sunny Pang Chun Kit	Executive Director
Mr. Wong Chung Wai	Executive Director
Dr. Hwang Jen	Independent Non-Executive Director
Mr. David Chu Yu Lin	Independent Non-Executive Director
Dr. Peter Po Fun Chan	Independent Non-Executive Director

\* *Mr. Lee Sai Wai is the uncle of Mr. Albert Chuang Ka Pun and Miss Candy Chuang Ka Wai. Mr. Albert Chuang Ka Pun is the brother of Miss Candy Chuang Ka Wai.*

The Board has on a regular basis reviewed the composition of the Board and the skills and experience required for both the Executive and Independent Non-Executive Directors of the Board, in the context of the business and strategies of the Company. If the Board identifies a suitable qualified candidate to become a Board member, it will make recommendation to the Nomination Committee for him/her to be elected as a Director of the Company.

#### (ii) Appointment, re-election and removal of Directors

There are formal, considered and transparent procedures for the appointment and removal of Directors. All Directors newly appointed to fill a casual vacancy are subject to election at the first general meeting after their appointment. Every Director is subject to retirement by rotation at least once every three years. All Independent Non-Executive Directors are appointed for a term of three years, subject to retirement by rotation as aforesaid.

# Corporate Governance Report (continued)

## Report on corporate governance practices (Continued)

### (A) The Board (Continued)

#### (iii) Board meetings

The Board held four meetings during the year. Arrangements were in place to ensure that sufficient notice and adequate information were given to each Director prior to the Board meetings. The Chairman, together with the Managing Director, established the agenda for each Board meeting. Other Directors were invited to include items in the agenda. Minutes of Board meetings were kept in sufficient details to reflect the decisions made in the relevant meetings.

The attendance record of each Director in Board meetings is as follows:

Name	Position	No. of meetings attended/held
Mr. Abraham Shek Lai Him	Chairman and Independent Non-Executive Director	4/4
Mr. Lee Sai Wai	Deputy Chairman	4/4
Mr. Albert Chuang Ka Pun	Deputy Chairman	4/4
Miss Ann Li Mee Sum	Managing Director	4/4
Miss Candy Chuang Ka Wai	Executive Director	4/4
Mr. Sunny Pang Chun Kit	Executive Director	4/4
Mr. Wong Chung Wai	Executive Director	4/4
Dr. Hwang Jen	Independent Non-Executive Director	4/4
Mr. David Chu Yu Lin	Independent Non-Executive Director	4/4
Dr. Peter Po Fun Chan	Independent Non-Executive Director	4/4

#### (iv) Nomination Committee

A Nomination Committee was established with clear terms of reference to review the composition of the Board. The Nomination Committee comprises three Independent Non-Executive Directors, Dr. Hwang Jen, Mr. David Chu Yu Lin and Dr. Peter Po Fun Chan. During the year, the committee met once to review the structure, size and composition of the Board and to assess the independence of each Independent Non-Executive Director. The committee also approved the recommended candidates to become Board members by resolutions in writing.

The attendance record of each committee member is as follows:

Name	No. of meeting attended/held
Dr. Hwang Jen*	1/1
Mr. David Chu Yu Lin	1/1
Dr. Peter Po Fun Chan	1/1

\* Chairman of the Nomination Committee

# Corporate Governance Report (continued)

## Report on corporate governance practices (Continued)

### (A) The Board (Continued)

(v) *Chairman and Chief Executive Officer*

The roles of Chairman and Chief Executive Officer are separated. Currently, Mr. Abraham Shek Lai Him is the Chairman and Miss Ann Li Mee Sum, the Managing Director, is the Chief Executive Officer.

(vi) *Responsibilities of Directors*

Each Director of the Company is required to keep abreast of his/her responsibilities as a Director of the Company and each Director is provided in a timely manner with appropriate information of the Group to enable him/her to make an informed decision and to discharge his/her duties and responsibilities as a Director of the Company. On appointment, new Directors will be given a comprehensive introduction to the Group's business.

(vii) *Directors' dealings in securities*

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. Having made specific enquiries of all Directors of the Company, the Company received confirmations from all Directors that they have complied with the required standard as set out in the Model Code.

(viii) *Independence of Independent Non-Executive Directors*

The Company has received, from each of the Independent Non-Executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-Executive Directors are independent.

# Corporate Governance Report (continued)

## Report on corporate governance practices (Continued)

### (B) Remuneration of Directors and senior management

(i) *Remuneration policy of Executive Directors and senior management*

The Group's remuneration policy seeks to provide a fair market remuneration so as to attract, retain and motivate high quality staff. The Group will set levels of remuneration to ensure comparability and competitiveness with companies competing within a similar talent pool.

(ii) *Fees paid to Independent Non-Executive Directors*

The Chairman, being an Independent Non-Executive Director, received an annual fee of HK\$300,000. Each of the other Independent Non-Executive Directors of the Company received an annual fee of HK\$100,000. In determining such fee, the Board has taken into account the current market conditions. Such fee is also subject to shareholders' approval in annual general meetings.

(iii) *Remuneration Committee*

A Remuneration Committee was established with clear terms of reference to review the remuneration of the Executive Directors and senior management. The Remuneration Committee comprises three Independent Non-Executive Directors, Dr. Hwang Jen, Mr. David Chu Yu Lin and Dr. Peter Po Fun Chan. During the year, the committee met once to review the remuneration policy of the Group. The committee also approved the remuneration packages of the Executive Directors and senior management of the Group by resolutions in writing.

The attendance record of each committee member is as follows:

<b>Name</b>	<b>No. of meeting attended/held</b>
Dr. Hwang Jen*	1/1
Mr. David Chu Yu Lin	1/1
Dr. Peter Po Fun Chan	1/1

\* *Chairman of the Remuneration Committee*

# Corporate Governance Report (continued)

## Report on corporate governance practices (Continued)

### (C) Accountability and audit

#### (i) Financial reporting

The Board acknowledges that it is its responsibility to prepare the financial statements and to present a balanced, clear and comprehensive assessment of the performance, position and prospects of the Group in the interim and annual reports of the Group.

#### (ii) Internal Control

The Board acknowledges that it is its responsibility to ensure that the Group maintains an effective internal control system so as to safeguard the Group's assets and thus shareholders' investments.

In this respect, the Group has adopted internal control procedures relating to financial, operational, compliance and risk management. The objectives are to provide reasonable assurance that assets are safeguarded against unauthorised use or disposition, transactions are executed in accordance with management's authorisation, the accounting records are reliable for preparing financial information within the business and for publication and risk is being identified and managed in an effective manner.

Qualified personnel throughout the Group maintains and monitors these internal control procedures on an ongoing basis. Based on the assessment made by senior management of the Group, the Board, in conjunction with the Audit Committee, is satisfied that the existing internal control procedures of the Group are adequate for its present requirement.

#### (iii) Audit Committee

An Audit Committee was established with clear terms of reference to review and supervise the financial reporting process and internal controls of the Group. The Audit Committee comprises three Independent Non-Executive Directors, Dr. Hwang Jen, Mr. David Chu Yu Lin and Dr. Peter Po Fun Chan. The committee held three meetings during the year to discuss the relationship with the external auditor, to review the interim financial information and annual financial statements of the Group and to evaluate the system of internal controls of the Group.

The attendance record of each committee member is as follows:

<b>Name</b>	<b>No. of meetings attended/held</b>
Dr. Hwang Jen*	3/3
Mr. David Chu Yu Lin	3/3
Dr. Peter Po Fun Chan	3/3

\* *Chairman of the Audit Committee*

# Corporate Governance Report (continued)

## Report on corporate governance practices (Continued)

### (C) Accountability and audit (Continued)

#### (iv) Auditor's remuneration

During the year, the remuneration paid or payable to the principal auditor of the Company, PricewaterhouseCoopers, is set out as follows:

Services rendered	HK\$'000
Audit and audit related services	1,340
Non-audit services	700
	2,040

### (D) Delegation by the Board

#### (i) Board Committees

The Company has established three committees, namely Audit Committee, Nomination Committee and Remuneration Committee since 2005. To comply with the new requirements of the CG Code effective on 1st April, 2012, the Corporate Governance Committee was established on 28th March, 2012. These committees were formed with specific written terms of reference which deal clearly with the committees' authorities and duties.

#### (ii) Management function

The Board has determined which matters are to be retained by the full Board sanction and which matters are to be delegated to the executive management. The executive management has been given clear terms of reference, in particular, circumstances where the executive management should report back and obtain prior approval from the Board. All delegations to executive management are reviewed periodically to ensure that they remain appropriate.

### (E) Communication with shareholders

#### (i) Annual general meetings

The Board regards annual general meetings as the principal opportunity to meet shareholders of the Company. The Chairman and members of respective Board Committee had attended the annual general meeting of the Company held on 30th August, 2011 and answered questions raised by shareholders.

#### (ii) Significant issues

The Company has ensured that any significant issue to be dealt with in general meetings will be proposed as a separate resolution.

#### (iii) Voting by poll

Pursuant to Rule 13.39(4) of the Listing Rules, votes of shareholders in all general meetings of the Company have been taken by poll and results of the poll have been announced in accordance with the procedures prescribed under Rule 13.39(5) of the Listing Rules.

## Corporate Governance Report (continued)

### Report on corporate governance practices (Continued)

#### (E) Communication with shareholders (Continued)

(iv) *Corporate documents available in websites of the Company and the Stock Exchange*

The Company has placed on the websites of the Company and the Stock Exchange the announcements, circulars, annual/interim reports, notices of general meetings and other information of the Company as required by the Listing Rules.

(v) *Shareholders' enquiries*

Shareholders of the Company may direct their questions about their shareholdings to the Company's share registrar and all other questions to the Board.

### Conclusion

The Company has complied with the code provisions of the CG Code for the year ended 31st March, 2012.

On behalf of the Board of

**Chuang's China Investments Limited**

**Ann Li Mee Sum**

*Managing Director*

Hong Kong, 25th June, 2012

# Report of the Directors

The Board of Directors (the "Board") presents the audited financial statements of the Company and its subsidiaries (collectively as the "Group") for the year ended 31st March, 2012.

## Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out in note 41 to the financial statements.

Analysis of the performance of the Group for the year by business lines and geographical segments is set out in note 6 to the financial statements.

## Results and dividends

The results of the Group for the year are set out in the consolidated income statement on page 63.

The Board has resolved to recommend for the shareholders' approval at the forthcoming annual general meeting of the Company (the "AGM") the payment of a final dividend of 2.0 HK cents (2011: Nil) per share for the year ended 31st March, 2012. The final dividend, if approved, will be paid on or before 1st November, 2012 by allotment of new shares with a cash option to the shareholders whose names appear on the Company's register of members on 12th September, 2012.

Subject to the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of and permission to deal in the new shares to be issued pursuant to the scrip dividend scheme, new share entitlements will be calculated by reference to the par value of the shares of the Company, being HK\$0.05, or the average of the closing prices on the Stock Exchange of the shares of the Company for the five consecutive trading days up to and including 12th September, 2012, whichever is higher.

An interim dividend of 1.0 HK cent (2011: Nil) per share has been paid in respect of the current financial year. Total dividends for the year amounted to 3.0 HK cents (2011: Nil) per share.

## Subsidiaries

Particulars regarding the principal subsidiaries of the Company are set out in note 41 to the financial statements.

## Property, plant and equipment

Movements in property, plant and equipment during the year are set out in note 16 to the financial statements.

## Share capital

Movements in share capital during the year are set out in note 32 to the financial statements.

## Donations

During the year, the Group made charitable donations and sponsorships amounting to HK\$2,131,000.

## **Report of the Directors (continued)**

### **Pre-emptive rights**

No pre-emptive rights exist in Bermuda being the jurisdiction in which the Company is incorporated.

### **Reserves**

Movements in reserves during the year are set out in note 33 to the financial statements.

### **Particulars of principal properties**

Particulars of principal properties held by the Group as at 31st March, 2012 are set out on page 123 to page 124.

### **Financial summary**

A summary of financial information of the Group for the five years ended 31st March, 2012 is set out on page 125.

### **Directors**

The Directors of the Company during the year and up to the date of this report are as follows:

Mr. Abraham Shek Lai Him

Mr. Lee Sai Wai

Mr. Albert Chuang Ka Pun

Miss Ann Li Mee Sum

Miss Candy Chuang Ka Wai

Mr. Sunny Pang Chun Kit

Mr. Wong Chung Wai

Dr. Hwang Jen

Mr. David Chu Yu Lin

Dr. Peter Po Fun Chan

In accordance with the Company's Bye-law nos. 86(2) and 86(3), and Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, Mr. Lee Sai Wai, Mr. Albert Chuang Ka Pun and Miss Ann Li Mee Sum will retire from the Board at the AGM and, being eligible, will offer themselves for re-election at the AGM.

### **Directors' rights to acquire shares or debentures**

Other than the share option scheme adopted by the Company as disclosed in the section headed "Share option scheme" below, the share option schemes adopted by Chuang's Consortium International Limited ("CCIL") and Midas International Holdings Limited ("Midas"), and the rights issue of Midas announced on 18th May, 2011, at no time during the year was the Company, any of its holding companies or its subsidiaries and fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Report of the Directors (continued)

### Directors' interests and short positions in shares, underlying shares and debentures

As at 31st March, 2012, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors and chief executive of the Company would be taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Interests in the Company		
	Number of shares	Capacity	Percentage of shareholding
Mr. Lee Sai Wai	808,000	Beneficial owner	0.05
Miss Candy Chuang Ka Wai ("Miss Candy Chuang")	1,027,100	Beneficial owner	0.07
Mr. Sunny Pang Chun Kit	620,000	Beneficial owner	0.04
Dr. Hwang Jen	1,197,139	Beneficial owner	0.08
Dr. Peter Po Fun Chan	4,231	Interest in controlled corporation	0.0003

Name of Director	Interests in CCIL		
	Number of shares	Capacity	Percentage of shareholding
Mr. Lee Sai Wai	186,344,135	Note	11.70
Mr. Albert Chuang Ka Pun ("Mr. Albert Chuang")	1,137,823	Beneficial owner	0.07
Dr. Peter Po Fun Chan	887,254	Beneficial owner	0.06

Note: Interests in 185,620,911 shares in CCIL arose by attribution through his spouse who is a discretionary object and the trustee of a discretionary trust which owned such shares. The remaining interests in 723,224 shares in CCIL is beneficially owned by the Director.

Name of Director	Interests in Midas		
	Number of shares	Capacity	Percentage of shareholding
Mr. Abraham Shek Lai Him	30,000	Beneficial owner	0.0014

Save as disclosed, during the year under review, none of the Directors and chief executive of the Company nor their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any securities of the Company or any of its associated corporations.

## Report of the Directors (continued)

### Directors' interests and short positions in shares, underlying shares and debentures (Continued)

Other than as disclosed herein, as at 31st March, 2012, none of the Directors and chief executive of the Company had any interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to the provisions of 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, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

### Directors' interests in contracts

There was no contract of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which a Director had, whether directly or indirectly, a material interest subsisted at the end of the year or at any time during the year.

### Directors' service contracts

None of the Directors has any service contract with the Company or any of its subsidiaries not terminable by the employing company within one year without payment of compensation (other than statutory compensation).

### Substantial shareholders

So far as is known to any Directors or chief executive of the Company and save as disclosed in the section headed "Directors' interests and short positions in shares, underlying shares and debentures" above, as at 31st March, 2012, the interests and short positions of person in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of Part XV of the SFO, to be entered in the register referred to therein were as follows:

Name of Shareholder	Number of shares of the Company	Capacity	Percentage of shareholding
Profit Stability Investments Limited ("PSI")	868,975,218	Beneficial Owner	57.04
CCIL	868,975,218	Note 1	57.04
Evergain Holdings Limited ("Evergain")	868,975,218	Note 1	57.04
Mr. Alan Chuang Shaw Swee ("Mr. Alan Chuang")	868,975,218	Note 1	57.04
Mrs. Chong Ho Pik Yu	868,975,218	Note 2	57.04

Note 1: Interests in 868,975,218 shares of the Company arose through the interests in the relevant shares owned by PSI, a wholly-owned subsidiary of CCIL. Mr. Alan Chuang is entitled to exercise or control the exercise of one third or more of the voting power in general meetings of CCIL through Evergain, a company beneficially owned by Mr. Alan Chuang. Mr. Albert Chuang and Miss Candy Chuang are directors of CCIL and Evergain, and Mr. Albert Chuang is also a director of PSI.

Note 2: Such interests arose by attribution through her spouse, Mr. Alan Chuang.

## **Report of the Directors (continued)**

### **Substantial shareholders (Continued)**

Save as disclosed above, as at 31st March, 2012, there was no other person who was recorded in the register of the Company as having interests and short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which was required, pursuant to Section 336 of Part XV of the SFO, to be entered in the register referred to therein.

### **Controlling shareholder's interests in contracts**

Save as disclosed in the section headed "Connected transaction" below and note 28 to the financial statements, there was no contract of significance between the Company or any of its subsidiaries and the controlling shareholder or any of its subsidiaries at the balance sheet date or at any time during the year and up to the date of this report.

### **Borrowings**

Bank borrowings of the Group are set out in note 34 to the financial statements.

### **Pledge of assets**

As at 31st March, 2012, the Group has pledged the assets of certain subsidiaries, including property, plant and equipment, land use right, properties for sale and bank deposits, with an aggregate carrying value of HK\$39,241,000 (2011: HK\$1,162,034,000 with the pledge of investment property held for sale), to secure general banking and financial guarantee facilities granted to those subsidiaries.

### **Purchase, sale or redemption of the Company's listed securities**

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the year.

### **Major suppliers and customers**

The aggregate purchases attributable to the largest supplier and five largest suppliers of the Group accounted for approximately 70% and 75% respectively of the total purchases of the Group for the year.

The aggregate turnover attributable to the largest customer and five largest customers of the Group accounted for approximately 21% and 55% respectively of the total turnover of the Group for the year.

None of the Directors, their associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the share capital of the Company) has any interest in the five largest suppliers and customers of the Group.

### **Retirement schemes**

Details of retirement schemes of the Group are set out in note 9 to the financial statements.

## Report of the Directors (continued)

### Share option scheme

Pursuant to the ordinary resolution passed in the annual general meeting of the Company held on 26th August, 2002, a share option scheme (the "Scheme") has been adopted.

Summary of the Scheme is set out as follows:

1. Purpose: To give incentive to Directors, employees or business consultants of the Group and any other party as approved under the Scheme
2. Participants: Including, inter alia, Directors, employees or business consultants of the Group
3. Total number of shares available for issue under the Scheme and percentage of the issued share capital that it represents as at the date of the annual report: 102,443,969 shares are available for issue under the Scheme, representing approximately 6.73% of the issued share capital as at the date of this report
4. Maximum entitlement of each participant: 1% of the maximum aggregate number of shares that may be issued within 12 months pursuant to the Scheme
5. Period within which the shares must be taken up under an option: Not applicable. No share option has been granted since the date of adoption of the Scheme on 26th August, 2002
6. Amount payable on acceptance of an option and the period within which payments shall be made: HK\$1.00 payable to the Company upon acceptance of the option which should be taken up within 28 days from the date of offer for option ("Offer Date") (which must be a trading day)
7. The basis of determining the exercise price: No less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the Offer Date (which must be a trading day); (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five (5) trading days immediately preceding the Offer Date (which must be a trading day); and (iii) the nominal value of a share
8. The remaining life of the Scheme: Valid until 25th August, 2012 unless otherwise terminated under the terms of the Scheme

The Scheme was for a period of 10 years expiring on 25th August, 2012. The Board has proposed to adopt a new share option scheme of the Company which is subject to the approval of the shareholders of the Company at the AGM and the shareholders of CCIL at the forthcoming annual general meeting of CCIL.

## Report of the Directors (continued)

### Update on information of Directors pursuant to Rule 13.51B(1) of the Listing Rules

The annual remuneration of the following Directors have been revised since 1st April, 2012:

Name of Director	Revised annual remuneration# HK\$'000
Mr. Albert Chuang	1,475
Miss Ann Li Mee Sum	2,278

# *The annual remuneration includes salary, retirement scheme contribution, other benefits and director's fee, which is determined by reference to his/her duties and experience as well as the prevailing market conditions.*

### Sufficiency of public float

The Company has maintained a sufficient public float throughout the year ended 31st March, 2012.

### Connected transaction

The following is the connected transaction of the Group conducted during the year and the Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules:

On 1st March, 2011, the Company, as a rationalisation exercise of the Group, entered into an agreement with CCIL pursuant to which the Company has conditionally agreed to transfer to CCIL the entire issued share capital of In House Holdings Limited (the main asset is an investment property in Hong Kong) together with the shareholder loan owed to the Company at a consideration of HK\$790,000,000 less the amounts of bank borrowings and the tenants' deposits received as at the completion date. Details of the transaction were set out in the announcement and circular of the Company dated 2nd March, 2011 and 21st March, 2011 respectively. The transaction was approved by the independent shareholders at the special general meeting of the Company held on 7th April, 2011 and the transaction was completed on the same date.

### Auditor

The financial statements for the year have been audited by PricewaterhouseCoopers who retires and, being eligible, offers itself for re-appointment.

On behalf of the Board of  
**Chuang's China Investments Limited**

**Ann Li Mee Sum**  
*Managing Director*

Hong Kong, 25th June, 2012

# Independent Auditor's Report



羅兵咸永道

TO THE SHAREHOLDERS OF  
**CHUANG'S CHINA INVESTMENTS LIMITED**  
*(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Chuang's China Investments Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 63 to 122, which comprise the consolidated and company balance sheets as at 31st March, 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong*  
*T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

## Independent Auditor's Report (continued)

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March, 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 25th June, 2012

# Consolidated Income Statement

For the year ended 31st March, 2012

	Note	2012 HK\$'000	2011 HK\$'000
Revenues	5	<b>1,487,102</b>	198,024
Cost of sales		<b>(681,887)</b>	(142,337)
Gross profit		<b>805,215</b>	55,687
Other income	7	<b>20,445</b>	34,355
Selling and marketing expenses		<b>(46,815)</b>	(16,902)
Administrative and other operating expenses		<b>(125,516)</b>	(95,703)
Change in fair value of investment properties	17	<b>1,402</b>	66,375
Operating profit	8	<b>654,731</b>	43,812
Finance costs	10	<b>(4,202)</b>	(13,303)
Share of results of an associated company	21	<b>3,487</b>	3,232
Profit before taxation		<b>654,016</b>	33,741
Taxation	12	<b>(220,254)</b>	(9,693)
Profit for the year		<b>433,762</b>	24,048
Attributable to:			
Equity holders	13	<b>448,755</b>	31,909
Non-controlling interests		<b>(14,993)</b>	(7,861)
		<b>433,762</b>	24,048
Dividends	14	<b>45,700</b>	–
		<b>HK cents</b>	HK cents
Earnings per share (basic and diluted)	15	<b>29.46</b>	2.09

The notes on pages 69 to 122 are an integral part of these financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31st March, 2012

	2012 HK\$'000	2011 HK\$'000
<b>Profit for the year</b>	<b>433,762</b>	24,048
Other comprehensive income:		
Net exchange differences	<b>25,314</b>	40,423
Share of exchange reserve of an associated company	<b>(19)</b>	–
Change in fair value of available-for-sale financial assets	<b>4,904</b>	4,904
Other comprehensive income for the year	<b>30,199</b>	45,327
<b>Total comprehensive income for the year</b>	<b>463,961</b>	69,375
Total comprehensive income attributable to:		
Equity holders	<b>476,506</b>	76,211
Non-controlling interests	<b>(12,545)</b>	(6,836)
	<b>463,961</b>	69,375

The notes on pages 69 to 122 are an integral part of these financial statements.

# Consolidated Balance Sheet

As at 31st March, 2012

	Note	2012 HK\$'000	2011 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	16	99,218	30,940
Investment properties	17	75,860	70,300
Land use right	18	1,694	1,718
Properties for/under development	19, 22	266,392	106,039
Associated company	21	7,971	6,453
Available-for-sale financial assets	23	74,537	69,633
Loans and receivables	22, 24	12,397	11,934
		<b>538,069</b>	297,017
<b>Current assets</b>			
Properties for sale	25	1,531,707	1,896,065
Inventories	26	4,209	3,470
Debtors and prepayments	27	343,542	404,660
Restricted bank balance	31	–	125,004
Cash and bank balances	29	836,770	226,699
		<b>2,716,228</b>	2,655,898
Investment property held for sale	17	–	790,000
		<b>2,716,228</b>	3,445,898
<b>Current liabilities</b>			
Creditors and accruals	30	140,049	79,658
Sales deposits received	31	134,656	609,760
Current portion of long-term bank borrowings	34	41,939	65,313
Loan from ultimate holding company	28	–	180,000
Taxation payable		230,708	69,375
		<b>547,352</b>	1,004,106
Liabilities of investment property held for sale	17, 34	–	374,968
		<b>547,352</b>	1,379,074
<b>Net current assets</b>		<b>2,168,876</b>	2,066,824
<b>Total assets less current liabilities</b>		<b>2,706,945</b>	2,363,841
<b>Equity</b>			
Share capital	32	76,166	76,166
Reserves	33	2,352,313	1,921,507
Proposed final dividend	33	30,467	–
Shareholders' funds		2,458,946	1,997,673
Non-controlling interests		65,632	78,177
<b>Total equity</b>		<b>2,524,578</b>	2,075,850
<b>Non-current liabilities</b>			
Long-term bank borrowings	34	–	89,063
Deferred taxation liabilities	35	172,198	188,774
Loans from non-controlling interests	36	10,169	10,154
		<b>182,367</b>	287,991
		<b>2,706,945</b>	2,363,841

**Lee Sai Wai**  
Director

**Albert Chuang Ka Pun**  
Director

The notes on pages 69 to 122 are an integral part of these financial statements.

# Balance Sheet

As at 31st March, 2012

	Note	2012 HK\$'000	2011 HK\$'000
<b>Non-current assets</b>			
Subsidiaries	20	65,036	65,036
<b>Current assets</b>			
Debtors and prepayments	27	1,904	1,611
Amounts due from subsidiaries	28	2,214,161	2,223,539
Cash and bank balances	29	446,463	8,367
		2,662,528	2,233,517
<b>Current liabilities</b>			
Creditors and accruals	30	1,644	1,353
Loan from ultimate holding company	28	–	180,000
		1,644	181,353
<b>Net current assets</b>		<b>2,660,884</b>	2,052,164
<b>Net assets</b>		<b>2,725,920</b>	2,117,200
<b>Equity</b>			
Share capital	32	76,166	76,166
Reserves	33	2,619,287	2,041,034
Proposed final dividend	33	30,467	–
<b>Total equity</b>		<b>2,725,920</b>	2,117,200

**Lee Sai Wai**  
Director

**Albert Chuang Ka Pun**  
Director

The notes on pages 69 to 122 are an integral part of these financial statements.

# Consolidated Cash Flow Statement

For the year ended 31st March, 2012

	Note	2012 HK\$'000	2011 HK\$'000
<b>Cash flows from operating activities</b>			
Cash from/(used in) operations	39(a)	572,404	(61,187)
Interest paid		(6,126)	(18,809)
Overseas tax paid		(80,259)	(10,613)
Net cash from/(used in) operating activities		486,019	(90,609)
<b>Cash flows from investing activities</b>			
Interest received		13,217	1,168
Dividend income received from an associated company		1,950	–
Dividend income received from available-for-sale financial assets		1,954	–
Purchase of property, plant and equipment		(10,830)	(6,718)
Purchase of investment properties		(1,399)	–
Proceeds from disposal of property, plant and equipment		451	1,924
Net cash inflow from disposals of subsidiaries	39(c)	415,032	–
Net proceeds of compensation from government for the resumption of assets		–	37,418
Decrease in pledged bank deposits		119	20,079
Decrease/(increase) in bank deposits maturing more than three months from date of placement		5,199	(5,012)
Net cash from investing activities		425,693	48,859
<b>Cash flows from financing activities</b>			
Repayment of loan from ultimate holding company		(180,000)	–
Loan from ultimate holding company		–	180,000
Repayment of bank borrowings		(116,928)	(199,374)
Dividend paid to shareholders		(15,233)	–
Net cash used in financing activities		(312,161)	(19,374)
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		220,660	272,811
Exchange difference on cash and cash equivalents		15,838	8,973
<b>Cash and cash equivalents at the end of the year</b>	39(b)	<b>836,049</b>	220,660

The notes on pages 69 to 122 are an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31st March, 2012

	Share capital	Other reserves	(Accumulated losses)/ retained profit	Proposed final dividend	Shareholders' funds	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2010	76,166	2,167,721	(322,425)	–	1,921,462	18,869	1,940,331
Profit/(loss) for the year	–	–	31,909	–	31,909	(7,861)	24,048
Other comprehensive income:							
Net exchange differences	–	39,398	–	–	39,398	1,025	40,423
Change in fair value of available-for-sale financial assets	–	4,904	–	–	4,904	–	4,904
Total comprehensive income/(loss) for the year	–	44,302	31,909	–	76,211	(6,836)	69,375
Capital injection by non-controlling interest	–	–	–	–	–	66,144	66,144
At 31st March, 2011	76,166	2,212,023	(290,516)	–	1,997,673	78,177	2,075,850
Profit/(loss) for the year	–	–	448,755	–	448,755	(14,993)	433,762
Other comprehensive income:							
Net exchange differences	–	22,866	–	–	22,866	2,448	25,314
Share of exchange reserve of an associated company	–	(19)	–	–	(19)	–	(19)
Change in fair value of available-for-sale financial assets	–	4,904	–	–	4,904	–	4,904
Total comprehensive income/(loss) for the year	–	27,751	448,755	–	476,506	(12,545)	463,961
2012 interim dividend	–	–	(15,233)	–	(15,233)	–	(15,233)
2012 proposed final scrip dividend	–	–	(30,467)	30,467	–	–	–
<b>At 31st March, 2012</b>	<b>76,166</b>	<b>2,239,774</b>	<b>112,539</b>	<b>30,467</b>	<b>2,458,946</b>	<b>65,632</b>	<b>2,524,578</b>

The notes on pages 69 to 122 are an integral part of these financial statements.

# Notes to the Financial Statements

For the year ended 31st March, 2012

## 1 General information

Chuang's China Investments Limited (the "Company") is a limited liability company incorporated in Bermuda and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business in Hong Kong is 25th Floor, Alexandra House, 18 Chater Road, Central.

As at 31st March, 2012, the Company was a 57.04% owned subsidiary of Profit Stability Investments Limited, a company incorporated in the British Virgin Islands which is a wholly-owned subsidiary of Chuang's Consortium International Limited ("CCIL"), a limited liability company incorporated in Bermuda and listed on the Main Board of the Stock Exchange. The Directors regard CCIL as the ultimate holding company.

The principal activities of the Company and its subsidiaries (collectively as the "Group") are property investment and development, hotel operation, manufacturing and sale of watch components and merchandise, and securities investment and trading.

## 2 Summary of significant accounting policies

The significant accounting policies adopted for the preparation of these financial statements, which have been consistently applied for all the years presented, are set out below:

### (a) Basis of preparation

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4 below.

#### *The adoption of revised HKFRSs*

For the financial year ended 31st March, 2012, the Group adopted the following revised standards, amendments and interpretation of HKFRSs that are effective for the Group's accounting periods beginning on 1st April, 2011 and relevant to the operations of the Group:

HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

HKICPA's annual improvements to certain HKFRSs published in May 2010:

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Financial Instruments: Presentation
HKAS 34 (Amendment)	Interim Financial Reporting
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Financial Instruments: Disclosures

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

## 2 Summary of significant accounting policies (Continued)

### (a) Basis of preparation (Continued)

#### *The adoption of revised HKFRSs (Continued)*

The Group has assessed the impact of the adoption of these revised standards, amendments and interpretation of HKFRSs and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the financial statements.

#### *Standards and amendments to existing standards that are not yet effective*

The following new and revised standards and amendments have been published which are relevant to the Group's operation and are mandatory for the Group's accounting periods beginning on or after 1st April, 2012, but have not yet been adopted by the Group:

HKAS 1 (Amendment)	Presentation of Financial Statements (effective from 1st July, 2012)
HKAS 19 (Revised)	Employee Benefits (effective from 1st January, 2013)
HKAS 27 (Revised)	Separate Financial Statements (effective from 1st January, 2013)
HKAS 28 (Revised)	Investments in Associates and Joint Ventures (effective from 1st January, 2013)
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities (effective from 1st January, 2014)
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Transfers of Financial Assets (effective from 1st July, 2011)
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (effective from 1st January, 2013)
HKFRS 9	Financial Instruments (effective from 1st January, 2015)
HKFRS 10	Consolidated Financial Statements (effective from 1st January, 2013)
HKFRS 11	Joint Arrangements (effective from 1st January, 2013)
HKFRS 12	Disclosures of Interests in Other Entities (effective from 1st January, 2013)
HKFRS 13	Fair Value Measurement (effective from 1st January, 2013)

The Group will apply the above new and revised standards and amendments as and when they become effective and is not yet in a position to state whether any substantial changes to the Group's results of operations and financial position will be resulted.

### (b) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st March and include the share of post-acquisition results and reserves of its associated companies and joint ventures attributable to the Group.

Results attributable to subsidiaries, associated companies and joint ventures acquired or disposed of during the financial period are included in the consolidated income statement from the date of acquisition or up to the date of disposal as applicable.

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

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

## 2 Summary of significant accounting policies (Continued)

### (c) Subsidiaries

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

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

When the Group ceases to have control, any retained interest in the subsidiary is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

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

### (d) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 2 Summary of significant accounting policies (Continued)

#### (d) Transactions with non-controlling interests (Continued)

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associated company, joint venture or financial assets. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This means that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

#### (e) Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management, accompanying a shareholding of between 20% to 50% of the voting rights.

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in associated company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated company and its carrying value and recognises the amount adjacent to "share of results of an associated company" in the income statement.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the interest in the associated companies held by the Group. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

## 2 Summary of significant accounting policies (Continued)

### (f) Joint ventures

A joint venture which does not involve the establishment of a separate entity but involves the joint control and ownership by the Group and other parties of assets contributed to, or acquired for the purpose of, the joint venture is accounted for as a jointly controlled asset. The Group's share of jointly controlled assets and any liabilities incurred jointly with other joint venture partners are recognised and classified according to the nature of the relevant items. Income from the sale or use of the Group's share of the output of jointly controlled assets is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group, while the Group's share of expenses in respect of jointly controlled assets is recognised as incurred.

### (g) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the share of the net identifiable assets of the acquired subsidiaries, associated companies or joint ventures attributable to the Group at the effective date of acquisition, and in respect of an increase in holding in a subsidiary, it is regarded as transaction with non-controlling interest. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets while goodwill on acquisitions of associated companies or joint ventures is included in investments in associated companies or joint ventures respectively. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the income statement.

Goodwill is tested for impairment at least annually and whenever there is an indication for impairment, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose has been identified according to operating segment.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

## 2 Summary of significant accounting policies (Continued)

### (h) Property, plant and equipment

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

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

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

The residual values and useful lives of the assets are reviewed, and adjusted if appropriate, at each balance sheet date. Where the estimated recoverable amounts have declined below their carrying amounts, the carrying amounts are written down to their estimated recoverable amounts.

Gain or loss on disposal is determined as the difference between the net sales proceeds and the carrying amount of the relevant assets, and is recognised in the income statement.

### (i) Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group, are classified as investment properties. Investment properties also include properties that are being constructed or developed for future use as investment properties.

Investment properties comprise land held under operating leases and buildings held under finance leases. Land held under operating leases is classified and accounted for as investment properties when the rest of the definition of investment properties is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively under way and will be ceased once the asset is substantially completed, or suspended if the development of the asset is suspended.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

## 2 Summary of significant accounting policies (Continued)

### (i) Investment properties (Continued)

After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis of the carrying amounts in the financial statements. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract
- The stage of completion
- Whether the project/property is standard (typical for the market) or non-standard
- The level of reliability of cash inflows after completion
- The development risk specific to the property
- Past experience with similar constructions
- Status of construction permits

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as liabilities, including finance lease liabilities in respect of leasehold land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is capitalised to the carrying amount of the property only when it is probable that future economic benefits associated with the property will flow to the Group and the cost can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement. Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

## 2 Summary of significant accounting policies (Continued)

### (i) Investment properties (Continued)

Investment properties under construction have been fair valued at the reporting date. All fair value gains or losses, including those unrecognised fair value gains and losses (if the losses have not already been recognised through impairment), are recognised in the income statement as fair value gains or losses.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

The investment properties are classified under non-current assets except for those properties which are expected to be disposed of within one year and are classified under current assets.

### (j) Land use rights

Land use rights represent non-refundable rental payments for lease of land. The up-front prepayments made for land use rights are amortised on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. The amortisation of the land use rights is capitalised under the relevant assets when the properties on the land are under construction. In all other cases, the amortisation is recognised in the income statement. No amortisation is made for the land use rights recorded under properties for sale.

### (k) Properties for/under development

Properties for/under development are stated at cost less impairment losses. Costs include land cost, amortisation of land use rights, development and construction expenditure incurred and any interest and other direct costs attributable to the development.

Properties under development are classified as properties for sale under current assets unless the construction period of the relevant development project is expected to complete beyond normal operating cycle.

### (l) Properties for sale

Properties for sale which include properties under development (note 2(k)), completed properties and land use rights for sale are classified under current assets and comprise land cost, development and construction expenditure, any interest and other direct costs attributable to the development, less provision for foreseeable losses. Completed properties for sale are carried at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 2 Summary of significant accounting policies (Continued)

#### (m) Financial assets

The Group classifies its financial assets in the categories of loans and receivables and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition according to the purpose for which the financial assets are acquired and re-evaluates this designation at every balance sheet date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables are carried at amortised cost using effective interest method.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months from the balance sheet date. Available-for-sale financial assets are initially recognised at fair value plus transaction cost, and subsequently carried at fair value. Unrealised gains and losses arising from the change in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are recognised in the income statement as gains or losses.

Regular purchases and sales of investments are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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

#### (n) Inventories

Inventories, which mainly comprise watch components and merchandise, are stated at the lower of cost and net realisable value. Costs, calculated on the weighted average basis, include material cost, direct labour cost and an appropriate proportion of production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

## 2 Summary of significant accounting policies (Continued)

### (o) Trade and other debtors

Trade and other debtors are amounts due from customers for properties and merchandise sold or services performed in the ordinary course of business. If collection of trade and other debtors is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, which is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is recognised in the income statement.

### (p) Impairment of non-financial assets

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

### (q) Creditors and accruals

Creditors and accruals are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors and accruals are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Creditors and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

## 2 Summary of significant accounting policies (Continued)

### (r) Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### (s) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the Company.

### (t) Borrowings

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

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

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

## 2 Summary of significant accounting policies (Continued)

### (u) Current and deferred taxation

The tax expenses for the year comprise current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group, its associated companies and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be payable to the tax authorities.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxation assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### (v) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the income statement on a straight-line basis over the period of lease.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

## 2 Summary of significant accounting policies (Continued)

### (w) Revenue and income recognition

Revenue is recognised when the amount can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria for each of the activities have been met. Revenue is shown net of sales tax, returns, rebates and discounts, allowances for credit and other revenue reducing factors. The Group recognised its revenue and income on the following basis:

- (i) Sales of properties are recognised when the risks and rewards of the properties have been passed to the purchasers, which is when the construction of the relevant properties has been completed, notification of delivery of properties has been issued to the purchasers and the collectibility of related receivables pursuant to the sale agreements is reasonably assured. Deposits and instalments received on properties sold prior to the transfer of the significant risks and rewards of the properties are included as sales deposits received under current liabilities.
- (ii) Rental income, net of incentives given to lessees, is recognised on a straight-line basis over the period of the respective leases.
- (iii) Sales of goods are recognised on the transfer of risks and rewards of ownership, which generally coincide with the time when goods are delivered to the customers and legal title has been passed.
- (iv) Gain or loss from securities trading is recognised on the transaction date when the relevant sale and purchase contracts are entered into.
- (v) Service and management fees are recognised when the services are rendered.
- (vi) Interest income is recognised on a time proportion basis, using the effective interest method, taking into account the principal amounts outstanding and the interest rates applicable.
- (vii) Dividend income is recognised when the right to receive payment is established.

### (x) Borrowing costs

Interest and related costs on borrowings attributable to the construction or acquisition of an asset that necessarily takes a substantial period of time to complete and prepare for its intended use or sale are capitalised as part of the cost of their assets. All other borrowing costs are charged to the income statement in the financial period in which they are incurred.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

## 2 Summary of significant accounting policies (Continued)

### (y) Employee benefits

Contributions to defined contribution retirement schemes such as the Mandatory Provident Fund Scheme in Hong Kong and the respective government employee retirement benefit schemes are charged to the income statement in the financial period to which the contributions relate.

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

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

### (z) Cash and cash equivalents

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

### (aa) Translation of foreign currencies

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

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

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

- (i) assets and liabilities for each balance sheet presented are translated at the rate of exchange ruling at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions; and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

## 2 Summary of significant accounting policies (Continued)

### (aa) Translation of foreign currencies (Continued)

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rate of exchange ruling at the balance sheet date.

### (ab) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

### (ac) Dividend distribution

Dividend distribution to the shareholders of the Company is recognised as a liability in the financial statements in the financial period in which the dividends are approved by the Company's shareholders or directors as applicable.

### (ad) Financial guarantee liabilities

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group to banks for mortgage loans made by the banks to certain purchasers of the Group's properties in the People's Republic of China (the "PRC").

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such guarantees are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantee liabilities are derecognised from the balance sheet when, and only when, the obligation specified in the guarantees is discharged or cancelled or expired.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

## 3 Financial risk management

### (a) Financial risk factors

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

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

#### (i) Credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset (other than available-for-sale financial assets) after deducting any impairment provision in the balance sheet. The Group's exposure to credit risk arising from debtors and prepayments is set out in note 27.

Credit risk of the Group is primarily attributable to deposits with banks and financial institutions and non-current loans and receivables, as well as credit exposures to customers and other debtors. The Group has credit policies in place and exposures to these credit risks are monitored on an ongoing basis.

The Group manages its deposits with banks and financial institutions by monitoring credit ratings and only places deposits to banks with no history of defaults. As at 31st March, 2012, the monies placed in Hong Kong listed banks and the PRC state-owned banks amounted to approximately HK\$449 million (2011: HK\$10 million) and HK\$388 million (2011: HK\$342 million, including restricted bank balance) respectively.

In respect of credit exposures to customers, the Group normally receives deposits or progress payments from customers prior to the completion of sale of property transactions. Customers are assessed and rated individually based on the credit quality by taking into account their financial position, credit history and other factors. Rentals in respect of investment properties are payable in advance by tenants in accordance with the lease agreements. It has policies in place to ensure that rental deposits are required from tenants prior to commencement of leases. Loans and receivables are generally supported by the respective underlying assets.

In addition, the Group has other monitoring procedures to ensure that follow up action is taken to recover overdue debts. The Group reviews regularly the recoverable amount of each individual debtor to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk as the customers are widely dispersed.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

## 3 Financial risk management (Continued)

### (a) Financial risk factors (Continued)

#### (i) Credit risk (Continued)

In respect of the other debtors as well as loans and receivables, the Group monitors the recovery of the balances closely and ensures that adequate impairment has been made for the estimated irrecoverable amounts.

The Group has provided guarantees in respect of mortgage loans made by certain banks to certain purchasers of the Group's properties in the PRC. Since the Group is able to retain the purchasers' deposits and sells the properties to recover any amounts paid by the Group to the banks, the Directors of the Company consider that the Group's credit risk is minimal (see also note 38).

#### (ii) Liquidity risk

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

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within one year HK\$'000	Second year HK\$'000	Third to fifth years HK\$'000	After five years HK\$'000	Total HK\$'000
<b>Group</b>					
<b>2012</b>					
Creditors and accruals	<b>140,049</b>	–	–	–	<b>140,049</b>
Sales deposits received	<b>134,656</b>	–	–	–	<b>134,656</b>
Bank borrowings	<b>43,100</b>	–	–	–	<b>43,100</b>
Loans from non-controlling interests	–	–	–	<b>10,169</b>	<b>10,169</b>
<b>2011</b>					
Creditors and accruals	79,658	–	–	–	79,658
Sales deposits received	609,760	–	–	–	609,760
Bank borrowings	66,985	95,887	–	–	162,872
Loan from ultimate holding company	180,000	–	–	–	180,000
Liabilities of investment property held for sale	374,968	–	–	–	374,968
Loans from non-controlling interests	–	–	–	10,154	10,154

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

## 3 Financial risk management (Continued)

### (a) Financial risk factors (Continued)

#### (ii) Liquidity risk (Continued)

As at 31st March, 2012 and 2011, the contractual maturity dates of all financial liabilities of the Company are within one year.

#### (iii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the position of the Group may be adversely affected by the changes in market interest rate. The policy of the Group involves close monitoring of interest rate movements and replacing and entering into new banking facilities when favourable pricing opportunities arise.

The interest rate risk of the Group arises from interest-bearing bank deposits and borrowings. Bank deposits and borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group has not hedged its cash flow interest rate risk.

As at 31st March, 2012, if interest rates had been 0.5% higher/lower with all other variables held constant, the pre-tax result of the Group would have increased/decreased by approximately HK\$1,333,000 (2011: decreased/increased by approximately HK\$945,000).

#### (iv) Foreign exchange risk

Foreign exchange risk arises on monetary assets and liabilities being denominated in a currency that is not the functional currency; differences resulting from the translation of financial statements into the presentation currency of the Group are not taken into consideration.

The Group mainly operates in Hong Kong and the PRC. The Group has no significant foreign exchange risk due to limited foreign currency transactions other than the functional currencies of the respective entities.

#### (v) Price risk

The Group is exposed to securities price risk because investments held by the Group are classified as available-for-sale financial assets. Unrealised gains and losses arising from the change in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are impaired, the accumulated fair value adjustments are recognised in the income statement as losses.

The available-for-sale financial assets of the Group are publicly traded. As at 31st March, 2012, if the market price of the available-for-sale financial assets had been 5% higher/lower with all other variables held constant, the investment revaluation reserve of the Group would have increased/decreased by approximately HK\$3.7 million (2011: HK\$3.5 million) as a result of the change in fair value of the available-for-sale financial assets.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

## 3 Financial risk management (Continued)

### (b) Capital risk management

The objectives of the Group when managing capital are to safeguard the ability of the Group to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including short-term and long-term bank borrowings as shown in the consolidated balance sheet) less cash and bank balances (including restricted bank balance). Total capital represents shareholders' funds as shown in the consolidated balance sheet. As at 31st March, 2012, the gearing ratio is not applicable since the Group has net cash (2011: Not applicable as net cash position with the basis of including the restricted bank balance and excluding the bank borrowings of investment property held for sale).

### (c) Fair value estimation

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

The fair values of long-term borrowings are estimated using the expected future payments discounted at market interest rates. The carrying amounts of the long-term borrowings approximate their fair values since they are floating interest rate borrowings.

The carrying amounts less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, including debtors and prepayments, cash and bank balances, amounts due from subsidiaries, loan from ultimate holding company, creditors and accruals, sales deposits received and current bank borrowings approximate their fair values.

The Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 3 Financial risk management (Continued)

#### (c) Fair value estimation (Continued)

The Group's financial instruments that are measured at fair value at 31st March, 2012 and 2011 are classified as available-for-sale financial assets and are measured by level 1 measurement.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

#### (d) Financial instruments by category

	Assets			Liabilities
	Loans and receivables HK\$'000	Available-for-sale HK\$'000	Total HK\$'000	Financial liabilities at amortised cost HK\$'000
<b>Group</b>				
<b>Balances as per balance sheet 2012</b>				
Available-for-sale financial assets	–	74,537	74,537	–
Loans and receivables	12,397	–	12,397	–
Debtors and prepayments excluding prepayments	341,335	–	341,335	–
Cash and bank balances	836,770	–	836,770	–
Creditors and accruals excluding accrued expenses	–	–	–	(130,348)
Sales deposits received	–	–	–	(134,656)
Bank borrowings	–	–	–	(41,939)
Loans from non-controlling interests	–	–	–	(10,169)
<b>Total</b>	<b>1,190,502</b>	<b>74,537</b>	<b>1,265,039</b>	<b>(317,112)</b>

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 3 Financial risk management (Continued)

#### (d) Financial instruments by category (Continued)

	Assets			Liabilities
	Loans and receivables HK\$'000	Available-for-sale HK\$'000	Total HK\$'000	Financial liabilities at amortised cost HK\$'000
2011				
Available-for-sale financial assets	–	69,633	69,633	–
Loans and receivables	11,934	–	11,934	–
Debtors and prepayments excluding prepayments	401,948	–	401,948	–
Restricted bank balance	125,004	–	125,004	–
Cash and bank balances	226,699	–	226,699	–
Creditors and accruals excluding accrued expenses	–	–	–	(71,727)
Sales deposits received	–	–	–	(609,760)
Bank borrowings	–	–	–	(154,376)
Loan from ultimate holding company	–	–	–	(180,000)
Liabilities of investment property held for sale	–	–	–	(374,968)
Loans from non-controlling interests	–	–	–	(10,154)
<b>Total</b>	<b>765,585</b>	<b>69,633</b>	<b>835,218</b>	<b>(1,400,985)</b>

	Assets		Liabilities	
	Loans and receivables		Financial liabilities at amortised cost	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>Company</b>				
<b>Balances as per balance sheet</b>				
Debtors and prepayments excluding prepayments	<b>1,898</b>	–	–	–
Amounts due from subsidiaries	<b>2,214,161</b>	2,223,539	–	–
Cash and bank balances	<b>446,463</b>	8,367	–	–
Creditors and accruals excluding accrued expenses	–	–	<b>(1,644)</b>	(1,353)
Loan from ultimate holding company	–	–	–	(180,000)
<b>Total</b>	<b>2,662,522</b>	<b>2,231,906</b>	<b>(1,644)</b>	<b>(181,353)</b>

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

## 4 Critical accounting estimates and judgments

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

### (a) Estimate of fair value of investment properties

The valuation of investment properties is performed in accordance with the "The HKIS Valuation Standards on Properties (First Edition 2005)" published by the Hong Kong Institute of Surveyors. The valuation is reviewed annually by qualified valuers by considering the information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices;
- (iii) rental income derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using capitalisation rates that reflect current market assessments of the uncertainty in the amount and timing of the rental income; and
- (iv) estimated costs to completion for investment properties under construction with reference to past experience and committed contracts as well as allowances for contingencies.

If the information on current or recent prices of investment properties is not available, the fair values of investment properties are mainly determined using income capitalisation valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

### (b) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. Details of the carrying amounts of the available-for-sale financial assets are disclosed in note 23.

## 4 Critical accounting estimates and judgments (Continued)

### (c) Impairment of properties for/under development and properties for sale

The Group assesses the carrying amounts of properties for/under development and properties for sale according to their estimated recoverable amounts or net realisable values based on assessment of the realisability of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision for impairment is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgment and estimates.

### (d) Impairment of other assets

The Group tests at least annually whether assets that have indefinite useful lives have suffered any impairment. Other than available-for-sale financial assets, properties for/under development and properties for sale, other assets at each balance sheet date are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets exceed their recoverable amounts. The recoverable amount of an asset or a cash-generating unit is determined based on higher of net realisable value and value-in-use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

The Group determines whether an investment is impaired by evaluating the duration and extent to which the fair value of an investment is less than its costs. It recognised impairment based on estimates of the extent and timing of future cash flows using applicable discount rates.

The Group assesses whether there is objective evidence that the receivables are impaired. It recognises impairment based on estimates of the extent and timing of future cash flows using applicable discount rates. The final outcome of the recoverability and cash flows of these receivables will impact the amount of impairment required.

### (e) Income taxes, land use taxes, land appreciation taxes and deferred taxes

The Group is subject to income taxes, land use taxes, land appreciation taxes and deferred taxes mainly in Hong Kong and the PRC. Significant judgment is required in determining the provision for taxation for each entity of the Group. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures based on estimates of whether additional taxes will be due. Where the final tax outcome of these estimates is different from the amounts that are initially recorded, such differences will impact the current and deferred taxation in the financial period in which such determination is made.

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 4 Critical accounting estimates and judgments (Continued)

#### (f) Capitalisation of borrowing costs and amortisation of land use rights

Borrowing costs directly attributable to the construction of properties under development, and amortisation of land use rights of properties not for sale, are capitalised from the date that expenditure is incurred and development activities on the qualifying asset commence. As part of this assessment, judgment is required in determining the unit of account in circumstances where development will be performed in phases. Management assesses the date from which capitalisation of borrowing costs and amortisation of land use rights should commence on a project-by-project basis. Key indicators used by the management to identify a standalone development include that all properties in the development are:

- (i) subject to a single development plan; and
- (ii) expected to be completed within the Group's normal operating cycle.

### 5 Revenues

Revenues (representing turnover) recognised during the year are as follows:

	2012 HK\$'000	2011 HK\$'000
Sales of properties	1,472,439	156,537
Sales of goods	11,771	13,396
Rental income and management fees	2,892	28,091
	<b>1,487,102</b>	198,024

Sales of properties for the year ended 31st March, 2012 include sales of properties under development and land use rights for sale in the PRC of HK\$818.9 million (2011: Nil).

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

## 6 Segment information

### (a) Segment information by business lines

The chief operating decision maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Board considers the business from a business perspective, including property investment and development, sale of goods and services, and others (including hotel operation and securities investment and trading). The Board assesses the performance of the operating segments based on a measure of segment result.

The segment information by business lines is as follows:

	<b>Property investment and development</b>	<b>Sale of goods and services</b>	<b>Others and corporate</b>	<b>2012 Total</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenues	1,475,331	11,771	–	1,487,102
Other income	14,683	188	5,574	20,445
Operating profit/(loss)	711,359	(10,324)	(46,304)	654,731
Finance costs	(4,202)	–	–	(4,202)
Share of results of an associated company	–	–	3,487	3,487
Profit/(loss) before taxation	707,157	(10,324)	(42,817)	654,016
Taxation	(220,254)	–	–	(220,254)
Profit/(loss) for the year	486,903	(10,324)	(42,817)	433,762
Segment assets	2,636,408	3,659	606,259	3,246,326
Associated company	–	–	7,971	7,971
Total assets	2,636,408	3,659	614,230	3,254,297
Total liabilities	716,966	2,623	10,130	729,719
Other segment items are as follows:				
Capital expenditure	374,993	326	9,613	384,932
Depreciation	2,451	945	5,444	8,840
Amortisation of land use rights				
– charged to income statement	32	–	–	32
– capitalised into properties	4,000	–	–	4,000
Impairment of property, plant and equipment	–	2,623	–	2,623

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 6 Segment information (Continued)

#### (a) Segment information by business lines (Continued)

	Property investment and development HK\$'000	Sale of goods and services HK\$'000	Others and corporate HK\$'000	2011 Total HK\$'000
Revenues	184,628	13,396	–	198,024
Other income	17,569	16,700	86	34,355
Operating profit/(loss)	70,826	10,040	(37,054)	43,812
Finance costs	(13,303)	–	–	(13,303)
Share of results of an associated company	–	–	3,232	3,232
Profit/(loss) before taxation	57,523	10,040	(33,822)	33,741
Taxation	(7,776)	(1,917)	–	(9,693)
Profit/(loss) for the year	49,747	8,123	(33,822)	24,048
Segment assets	3,572,342	6,250	157,870	3,736,462
Associated company	–	–	6,453	6,453
Total assets	3,572,342	6,250	164,323	3,742,915
Total liabilities	1,657,747	2,824	6,494	1,667,065
Other segment items are as follows:				
Capital expenditure	313,111	3,054	647	316,812
Depreciation	2,883	962	1,225	5,070
Amortisation of land use rights				
– charged to income statement	32	–	–	32
– capitalised into properties	1,666	–	–	1,666
Write off of trade and other debtors	803	38	–	841
Recovery of trade debtor written off	1,712	–	–	1,712

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 6 Segment information (Continued)

#### (b) Geographical segment information

The business of the Group operates in three geographical areas of Hong Kong, the PRC and other countries. Revenues are based on the country in which the customer is located. Non-current assets, total assets and capital expenditure are based on where the assets are located. The segment information by geographical area is as follows:

	Revenues		Capital expenditure	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	11,091	38,124	9,632	652
The PRC	1,474,800	158,163	375,300	316,160
Other countries	1,211	1,737	–	–
	<b>1,487,102</b>	198,024	<b>384,932</b>	316,812

	Non-current assets (Note)		Total assets	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	82,689	8,450	615,487	958,215
The PRC	368,446	207,000	2,638,632	2,784,274
Other countries	–	–	178	426
	<b>451,135</b>	215,450	<b>3,254,297</b>	3,742,915

Note: Non-current assets in geographical segments represent non-current assets other than available-for-sale financial assets and loans and receivables.

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 7 Other income

	2012 HK\$'000	2011 HK\$'000
Dividend income from available-for-sale financial assets	1,954	–
Compensation for late delivery of land use right	2,923	–
Net compensation from government for the resumption of assets	–	28,220
Sale of scraped material	188	413
Net gain on disposal of property, plant and equipment	–	1,383
Interest income from		
Bank deposits	13,647	1,794
Loans and receivables	–	39
Recovery of trade debtor written off	–	1,712
Sundries	1,733	794
	<b>20,445</b>	<b>34,355</b>

### 8 Operating profit

	2012 HK\$'000	2011 HK\$'000
Operating profit is stated after crediting:		
Gross rental income from investment properties	2,139	24,010
and after charging:		
Amortisation of land use right	32	32
Auditors' remuneration		
Audit and audit related services	1,484	1,089
Non-audit services	700	300
Cost of properties sold	665,098	121,685
Cost of inventories sold	15,686	16,083
Depreciation	8,840	5,070
Impairment of property, plant and equipment	2,623	–
Net exchange losses	2,424	1,387
Net loss on disposal of property, plant and equipment	493	–
Operating lease rental on land and buildings	7,005	7,873
Outgoings in respect of investment properties	328	3,805
Staff costs, including Directors' emoluments		
Wages and salaries	38,723	37,487
Retirement benefit costs (note 9)	1,090	996
Write off of trade and other debtors	–	841

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 9 Employee retirement benefits

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

The Group participates in respective government retirement benefit schemes in the PRC pursuant to the relevant regulations whereby the Group is required to contribute to the schemes to fund the retirement benefits of the eligible employees. Contributions made to the schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums as stipulated under the requirements in the PRC. The government is responsible for the entire retirement benefit obligations payable to the retired employees. The Group has no other obligations apart from making ongoing contributions under the schemes.

The retirement benefit costs represent the contributions by the Group to the above schemes.

### 10 Finance costs

	2012 HK\$'000	2011 HK\$'000
Interest expenses		
Bank borrowings wholly repayable within five years	5,906	17,218
Loan from ultimate holding company wholly repayable within five years	38	1,668
	5,944	18,886
Amount capitalised into properties for sale	(1,742)	(5,583)
	4,202	13,303

The capitalisation rate applied to funds borrowed for the development of properties is 5.85% (2011: 5.85%) per annum.

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 11 Directors' and five highest paid individuals' emoluments

#### (a) Directors' emoluments

Name of Director	Fees	Salaries and	Other	Retirement	Total
	HK\$'000	bonuses	benefits	scheme	
	HK\$'000	HK\$'000	HK\$'000	contributions	HK\$'000
				HK\$'000	HK\$'000
<b>2012</b>					
Mr. Abraham Shek Lai Him	300	–	–	–	300
Mr. Lee Sai Wai	20	990	210	90	1,310
Mr. Albert Chuang Ka Pun	20	1,440	–	12	1,472
Miss Ann Li Mee Sum	20	1,524	396	144	2,084
Miss Candy Chuang Ka Wai	20	–	–	–	20
Mr. Sunny Pang Chun Kit	20	1,200	–	90	1,310
Mr. Wong Chung Wai	20	–	–	–	20
Dr. Hwang Jen	100	–	–	–	100
Mr. David Chu Yu Lin	100	–	–	–	100
Dr. Peter Po Fun Chan	100	–	–	–	100
	<b>720</b>	<b>5,154</b>	<b>606</b>	<b>336</b>	<b>6,816</b>
<b>2011</b>					
Mr. Abraham Shek Lai Him	300	–	–	–	300
Mr. Lee Sai Wai	20	915	210	81	1,226
Mr. Albert Chuang Ka Pun	20	–	–	–	20
Miss Ann Li Mee Sum	20	1,528	396	133	2,077
Miss Candy Chuang Ka Wai	20	960	–	12	992
Mr. Sunny Pang Chun Kit	20	1,200	–	90	1,310
Mr. Wong Chung Wai	20	–	–	–	20
Dr. Hwang Jen	100	–	–	–	100
Mr. David Chu Yu Lin	100	–	–	–	100
Dr. Peter Po Fun Chan	100	–	–	–	100
	<b>720</b>	<b>4,603</b>	<b>606</b>	<b>316</b>	<b>6,245</b>

The emoluments paid to the Independent Non-Executive Directors amounted to HK\$600,000 (2011: HK\$600,000).

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

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

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

The five highest paid individuals in the Group include four (2011: four) Directors. Details of the emolument paid to the one (2011: one) individual, whose emolument was one of the five highest in the Group and who is not a Director, is set out below:

	2012 HK\$'000	2011 HK\$'000
Salaries, bonuses and other benefits	1,209	1,218
Retirement scheme contributions	12	12
	<b>1,221</b>	1,230

The Directors represent key management personnel of the Company having authority and responsibility for planning, directing and controlling the activities of the Group.

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

## 12 Taxation

	2012 HK\$'000	2011 HK\$'000
Current taxation		
PRC corporate income tax	106,970	(5,493)
PRC land appreciation tax	129,972	8,198
Deferred taxation (note 35)	(16,688)	6,988
	<b>220,254</b>	9,693

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits for the year (2011: Nil). PRC corporate income tax has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the PRC. PRC land appreciation tax is levied at the progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development expenditures.

Share of taxation charge of an associated company for the year ended 31st March, 2012 amounting to HK\$542,000 (2011: HK\$614,000) is included in the income statement as share of results of an associated company.

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 12 Taxation (Continued)

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

	2012 HK\$'000	2011 HK\$'000
Profit before taxation	654,016	33,741
Share of results of an associated company	(3,487)	(3,232)
	650,529	30,509
Tax charge at the rate of 16.5% (2011: 16.5%)	107,337	5,034
Effect of different taxation rates in other countries	(27,534)	(2,833)
Income not subject to taxation	(3,333)	(12,518)
Expenses not deductible for taxation purposes	10,032	9,149
PRC land appreciation tax deductible for taxation purposes	(8,333)	(1,353)
Utilisation of previously unrecognised tax losses	–	(16)
Other temporary difference and tax losses not recognised	12,113	8,505
Write back of deferred taxation in previous years and others	–	(4,473)
	90,282	1,495
PRC land appreciation tax	129,972	8,198
Taxation	220,254	9,693

### 13 Profit attributable to equity holders

Profit attributable to equity holders includes HK\$623,953,000 (2011: HK\$13,525,000) which is dealt with in the financial statements of the Company.

### 14 Dividends

	2012 HK\$'000	2011 HK\$'000
Interim dividend of 1.0 HK cent (2011: Nil) per share	15,233	–
Proposed final scrip dividend with a cash option of 2.0 HK cents (2011: Nil) per share	30,467	–
	45,700	–

On 25th June, 2012, the Board proposed a final scrip dividend with a cash option of 2.0 HK cents (2011: Nil) per share amounting to HK\$30,467,000 (2011: Nil). The amount of HK\$30,467,000 is calculated based on 1,523,328,700 issued shares as at 25th June, 2012. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected and accounted for as an appropriation of reserves in the year ending 31st March, 2013 upon the approval by the shareholders.

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 15 Earnings per share

The calculation of the earnings per share is based on the profit attributable to equity holders of HK\$448,755,000 (2011: HK\$31,909,000) and 1,523,328,700 (2011: 1,523,328,700) shares in issue during the year.

The dilutive earnings per share are equal to the basic earnings per share since there are no diluted potential shares in issue during the years.

### 16 Property, plant and equipment

Group	Furniture and fixtures				Total
	Buildings	Plant and machinery	and fixtures	Other assets	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>					
At 1st April, 2010	31,450	19,557	15,490	21,492	87,989
Changes in exchange rates	1,073	267	206	361	1,907
Additions	1,876	191	3,287	1,364	6,718
Transfer to properties for sale	(11,532)	–	–	–	(11,532)
Disposals	–	(15,450)	(855)	(556)	(16,861)
At 31st March, 2011	22,867	4,565	18,128	22,661	68,221
Changes in exchange rates	886	–	200	338	1,424
Additions	–	74	405	10,351	10,830
Transfer from debtors and prepayments	–	–	–	68,884	68,884
Disposals	–	(300)	(9,643)	(3,142)	(13,085)
Impairment	–	(4,339)	(3,012)	(1,086)	(8,437)
<b>At 31st March, 2012</b>	<b>23,753</b>	<b>–</b>	<b>6,078</b>	<b>98,006</b>	<b>127,837</b>
<b>Accumulated depreciation and impairment</b>					
At 1st April, 2010	3,276	18,398	12,620	15,328	49,622
Changes in exchange rates	106	265	136	226	733
Charge for the year	538	350	1,647	2,535	5,070
Transfer to properties for sale	(1,824)	–	–	–	(1,824)
Disposals	–	(15,328)	(807)	(185)	(16,320)
At 31st March, 2011	2,096	3,685	13,596	17,904	37,281
Changes in exchange rates	88	–	142	223	453
Charge for the year	528	271	1,331	6,710	8,840
Disposals	–	(300)	(9,195)	(2,646)	(12,141)
Impairment	–	(3,656)	(1,173)	(985)	(5,814)
<b>At 31st March, 2012</b>	<b>2,712</b>	<b>–</b>	<b>4,701</b>	<b>21,206</b>	<b>28,619</b>
<b>Net book value</b>					
<b>At 31st March, 2012</b>	<b>21,041</b>	<b>–</b>	<b>1,377</b>	<b>76,800</b>	<b>99,218</b>
At 31st March, 2011	20,771	880	4,532	4,757	30,940

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 16 Property, plant and equipment (Continued)

- (a) The buildings are situated in the PRC under long-term leases. Other assets comprise computer equipment, motor vehicles and yacht.
- (b) Buildings with net book value of HK\$11,507,000 (2011: Nil) have been pledged as securities for the borrowing facilities granted to the Group (note 34).
- (c) Depreciation of HK\$917,000 (2011: HK\$945,000) and HK\$7,923,000 (2011: HK\$4,119,000) have been included in cost of sales and administrative and other operating expenses, whereas depreciation of HK\$6,000 was included in selling and marketing expenses for the year ended 31st March, 2011.
- (d) In view of the respective performance of the sale of goods and services segment, management assessed the impairment on the respective property, plant and equipment and impairment of HK\$2,623,000 (2011: Nil) was recorded. The recoverable amounts were determined based on the cash flow projection from the management, taking into account the estimated useful lives of the respective property, plant and equipment.

### 17 Investment properties

	Group	
	2012 HK\$'000	2011 HK\$'000
At the beginning of the year	70,300	780,920
Additions	1,399	–
Changes in exchange rates	2,759	2,374
Transfer from properties for sale	–	10,631
Change in fair value	1,402	66,375
	75,860	860,300
Reclassified as investment property held for sale (note b)	–	(790,000)
At the end of the year	75,860	70,300

- (a) Investment properties are held under long-term leases in the PRC and were revalued at 31st March, 2012 on an open market value basis by DTZ Debenham Tie Leung Limited, an independent professional property valuer.
- (b) On 1st March, 2011, the Company entered into a sale and purchase agreement with CCIL to dispose of a wholly-owned subsidiary (the main asset is an investment property in Hong Kong under long-term leases) together with the shareholder loan owed to the Company at the consideration of HK\$790,000,000 less the amounts of bank borrowings and the tenants' deposits received as at the completion date. Details of the transaction were set out in the announcement and circular of the Company dated 2nd March, 2011 and 21st March, 2011 respectively. The bank borrowings and tenants' deposits received as at 31st March, 2011 were HK\$367,000,000 and approximately HK\$7,968,000 respectively. The transaction was completed on 7th April, 2011.

This investment property had been pledged as securities for the borrowing facilities granted to the Group as at 31st March, 2011 (note 34).

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 18 Land use right

	Group	
	2012 HK\$'000	2011 HK\$'000
At the beginning of the year	1,718	1,740
Changes in exchange rates	8	10
Amortisation	(32)	(32)
At the end of the year	1,694	1,718

The interest in land use right represents prepaid operating lease payment. The land use right is held under long-term lease in the PRC. Amortisation charged to income statement from land use right has been included in administrative and other operating expenses.

The land use right has been pledged as securities for the borrowing facilities granted to the Group (2011: Nil) (note 34).

### 19 Properties for/under development

	Group	
	2012 HK\$'000	2011 HK\$'000
At the beginning of the year	106,039	–
Changes in exchange rates	4,104	–
Additions	6,346	103,318
Transfer from properties for sale	149,903	2,721
At the end of the year	266,392	106,039

The Group's interests in properties for/under development at their net book values are held under the following lease terms:

	2012 HK\$'000	2011 HK\$'000
Held in the PRC under:		
Long-term leases	149,903	–
Medium-term leases	116,489	106,039
	266,392	106,039

During the year, amortisation of land use right classified under properties for/under development of HK\$4,000,000 (2011: HK\$1,666,000) was capitalised therein.

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 20 Subsidiaries

	Company	
	2012 HK\$'000	2011 HK\$'000
Unlisted investments, at cost	150,036	150,036
Impairment	(85,000)	(85,000)
	<b>65,036</b>	65,036

Particulars of principal subsidiaries which, in the opinion of the Directors, materially affect the results or net assets of the Group are set out in note 41 to the financial statements.

### 21 Associated company

	Group	
	2012 HK\$'000	2011 HK\$'000
Share of net assets	7,971	6,453
Unlisted investment, at cost, net	2,425	2,425

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

	2012 HK\$'000	2011 HK\$'000
At the beginning of the year	6,453	3,221
Share of profit before taxation	4,029	3,846
Share of taxation	(542)	(614)
	3,487	3,232
Share of exchange reserve	(19)	–
Dividend income received	(1,950)	–
At the end of the year	7,971	6,453

Particulars of the associated company are set out below:

Name	Place of incorporation/ operation	Registered capital/ issued capital	Effective percentage held by the Group		Principal activities
			2012	2011	
Treasure Auctioneer International Limited	British Virgin Islands/ Hong Kong	1,000,000 shares of US\$1 each	25	25	Auction services

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 21 Associated company (Continued)

The Group's share of the results of its associated company, and its aggregate assets and liabilities, are as follows:

	2012 HK\$'000	2011 HK\$'000
Revenues	13,131	13,349
Profit for the year	3,487	3,232
Assets	19,692	7,842
Liabilities	(11,721)	(1,389)
Net assets	7,971	6,453

### 22 Investment in jointly controlled assets

Certain subsidiaries of the Group entered into a jointly controlled assets arrangement with Chengdu Western Automobile City Company Limited, a third party, under which each of the Group companies and Chengdu Western Automobile City Company Limited contributed land and other assets for the development of properties located in Chengdu, the PRC.

For the year ended 31st March, 2012, the Group's interest in the jointly controlled assets was 51% (2011: 51%). The Group's share of the net loss of the jointly controlled assets for the year amounted to HK\$72,000 (2011: HK\$52,000) and the net assets of the jointly controlled assets as at 31st March, 2012 amounted to HK\$149,475,000 (2011: HK\$142,445,000).

As at 31st March, 2012, the Group had made an advance to the joint venture partner amounting to HK\$12,397,000 (2011: HK\$11,934,000) (note 24). The proportionate interest of the Group in the jointly controlled assets' commitment was HK\$2,904,000 (2011: HK\$2,889,000).

### 23 Available-for-sale financial assets

	Group	
	2012 HK\$'000	2011 HK\$'000
Listed securities in Hong Kong, at market value	74,537	69,633

The movements of available-for-sale financial assets of the Group are analysed as follows:

	2012 HK\$'000	2011 HK\$'000
At the beginning of the year	69,633	64,729
Change in fair value recognised in reserve	4,904	4,904
At the end of the year	74,537	69,633

Available-for-sale financial assets are denominated in Hong Kong dollar.

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 24 Loans and receivables

	Group	
	2012 HK\$'000	2011 HK\$'000
Advance to the joint venture partner	12,397	11,934

Advance to the joint venture partner is provided for financing the property development in Chengdu, the PRC (note 22) and carries interest at prevailing lending rate quoted by the People's Bank of China. According to the agreement, the advance and interests accrued thereon will be repaid from the joint venture partner's share of net proceeds upon the sale of properties.

### 25 Properties for sale

	Group	
	2012 HK\$'000	2011 HK\$'000
Completed properties	411,293	505,642
Land use rights for sale	4,974	44,141
Properties under development	1,115,440	1,346,282
	<b>1,531,707</b>	1,896,065

The movements of properties under development of the Group are analysed as follows:

	2012 HK\$'000	2011 HK\$'000
At the beginning of the year	1,346,282	1,253,053
Changes in exchange rates	25,014	24,813
Property development expenditure	352,932	186,072
Interest expenses capitalised	1,742	5,583
Disposals	(190,463)	–
Transfer to completed properties	(270,164)	(109,887)
Transfer to investment properties	–	(10,631)
Transfer to properties for/under development	(149,903)	(2,721)
At the end of the year	<b>1,115,440</b>	1,346,282

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 25 Properties for sale (Continued)

The Group's interests in properties for sale at their net book values are held under the following lease terms:

	2012 HK\$'000	2011 HK\$'000
Held in the PRC under:		
Long-term leases	1,490,591	1,856,482
Medium-term leases	41,116	39,583
	<b>1,531,707</b>	1,896,065

Properties for sale of HK\$25,319,000 (2011: HK\$371,194,000) have been pledged as securities for the borrowing facilities granted to the Group (note 34).

### 26 Inventories

	Group	
	2012 HK\$'000	2011 HK\$'000
Raw materials	276	447
Work in progress	456	597
Finished goods and merchandise	3,477	2,426
	<b>4,209</b>	3,470

### 27 Debtors and prepayments

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Trade debtors	13,471	19,210	–	–
Other debtors and prepayments	36,944	49,439	1,904	1,611
Utility and other deposits	293,127	336,011	–	–
	<b>343,542</b>	404,660	<b>1,904</b>	1,611

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 27 Debtors and prepayments (Continued)

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

	2012 HK\$'000	2011 HK\$'000
Below 30 days	9,932	15,030
31 to 60 days	792	108
61 to 90 days	107	409
Over 90 days	2,640	3,663
	<b>13,471</b>	19,210

As at 31st March, 2012, trade debtors of HK\$10,832,000 (2011: HK\$14,013,000) of the Group were neither past due nor impaired.

As at 31st March, 2012, trade debtors of HK\$2,639,000 (2011: HK\$5,197,000) of the Group were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade debtors is as follows:

	2012 HK\$'000	2011 HK\$'000
Below 30 days	–	1,523
31 to 60 days	–	10
61 to 90 days	–	1
Over 90 days	2,639	3,663
	<b>2,639</b>	5,197

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

Other deposits include deposits of HK\$273,471,000 (2011: HK\$252,647,000) for property development projects and acquisition of land use rights in the PRC. As at 31st March, 2011, other deposits also included deposits of HK\$68,884,000 for acquisition of property, plant and equipment.

Debtors and prepayments are mainly denominated in Hong Kong dollar and Renminbi.

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 28 Loan from ultimate holding company and amounts due from subsidiaries

#### Loan from ultimate holding company

Loan from ultimate holding company as at 31st March, 2011 was unsecured, interest bearing at prevailing market rates and was repayable within the next twelve months from the balance sheet date. The amount was fully repaid subsequent to 31st March, 2011.

#### Amounts due from subsidiaries

	Company	
	2012 HK\$'000	2011 HK\$'000
Amounts receivable	2,697,611	2,546,089
Impairment	(483,450)	(322,550)
	<b>2,214,161</b>	2,223,539

Amounts due from subsidiaries are unsecured, interest free and receivable on demand.

### 29 Cash and bank balances

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Cash at bank and in hand	172,261	194,425	1,999	790
Short-term bank deposits	664,509	32,274	444,464	7,577
	<b>836,770</b>	226,699	<b>446,463</b>	8,367

The effective interest rates on short-term bank deposits range from 0.01% to 3.10% (2011: 0.001% to 2.25%) per annum and these deposits have maturities ranging from 1 to 90 days (2011: 1 to 365 days).

Cash and bank balances of HK\$721,000 (2011: HK\$840,000) have been pledged as securities for certain financial guarantee facilities (note 38) granted to the Group.

The conversion of Renminbi denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 29 Cash and bank balances (Continued)

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Hong Kong dollar	320,166	37,760	307,799	8,367
Renminbi	403,032	188,939	25,092	—
United States dollar	113,572	—	113,572	—
	<b>836,770</b>	226,699	<b>446,463</b>	8,367

### 30 Creditors and accruals

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Trade creditors	1,435	1,204	—	—
Other creditors and accrued expenses	137,373	76,696	1,644	1,353
Amounts payable to non-controlling interests	416	416	—	—
Tenant and other deposits	825	1,342	—	—
	<b>140,049</b>	79,658	<b>1,644</b>	1,353

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

	2012 HK\$'000	2011 HK\$'000
Below 30 days	575	337
31 to 60 days	244	171
61 to 90 days	297	115
Over 90 days	319	581
	<b>1,435</b>	1,204

Other creditors and accrued expenses of the Group are mainly related to the construction cost payables and accruals of the PRC property development projects of the Group. Amounts payable to non-controlling interests are unsecured, interest free and repayable on demand.

Creditors and accruals are mainly denominated in Hong Kong dollar and Renminbi.

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 31 Sales deposits received

Sales deposits received represents deposits received from the sales of properties of the Group in the PRC which have not yet been recognised as revenue for the year. Among the sales deposits received, an amount of HK\$125,004,000 was recorded as restricted bank balance in the financial statements as at 31st March, 2011 as certain restrictions were imposed. As at 31st March, 2012, these restrictions were released and the restricted bank balance became the Group's bank deposit and the sales deposits were recognised as revenue for the year.

### 32 Share capital

	2012 HK\$'000	2011 HK\$'000
Authorised:		
18,000,000,000 shares of HK\$0.05 each	<b>900,000</b>	900,000
	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Issued and fully paid at HK\$0.05 each:		
At 31st March, 2011 and 2012	<b>1,523,328,700</b>	<b>76,166</b>

The Company adopted a share option scheme (the "Scheme") pursuant to the annual general meeting held on 26th August, 2002, which is valid and effective for a term of ten years from the date of its adoption. Under the Scheme, the Directors of the Company may grant options to the eligible persons as defined in the Scheme, inter alia, any employees, Directors or business consultants of the Company and its subsidiaries, to subscribe for shares in the Company under the terms and conditions stipulated therein. The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company as at 26th August, 2002. No options have been granted under the Scheme since its adoption. As the Scheme is due to expire in August 2012, the Board has proposed to adopt a new share option scheme of the Company which is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company, and the shareholders of CCIL at the forthcoming annual general meeting of CCIL.

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

## 33 Reserves

### Group

	Share premium HK\$'000	Capital reserve on consolidation HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	(Accumulated losses)/ retained profit HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000
At 1st April, 2010	1,500,000	97,703	457,792	73	42,554	69,599	(322,425)	-	1,845,296
Profit for the year	-	-	-	-	-	-	31,909	-	31,909
Net exchange differences	-	-	-	-	-	39,398	-	-	39,398
Change in fair value of available-for-sale financial assets	-	-	-	-	4,904	-	-	-	4,904
At 31st March, 2011	1,500,000	97,703	457,792	73	47,458	108,997	(290,516)	-	1,921,507
Profit for the year	-	-	-	-	-	-	448,755	-	448,755
Net exchange differences	-	-	-	-	-	22,866	-	-	22,866
Share of exchange reserve of an associated company	-	-	-	-	-	(19)	-	-	(19)
Change in fair value of available-for-sale financial assets	-	-	-	-	4,904	-	-	-	4,904
2012 interim dividend	-	-	-	-	-	-	(15,233)	-	(15,233)
2012 proposed final scrip dividend	-	-	-	-	-	-	(30,467)	30,467	-
<b>At 31st March, 2012</b>	<b>1,500,000</b>	<b>97,703</b>	<b>457,792</b>	<b>73</b>	<b>52,362</b>	<b>131,844</b>	<b>112,539</b>	<b>30,467</b>	<b>2,382,780</b>

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

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 33 Reserves (Continued)

#### Company

	Share premium HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000
At 1 st April, 2010	1,500,000	457,792	69,717	–	2,027,509
Profit for the year	–	–	13,525	–	13,525
At 31st March, 2011	1,500,000	457,792	83,242	–	2,041,034
Profit for the year	–	–	623,953	–	623,953
2012 interim dividend	–	–	(15,233)	–	(15,233)
2012 proposed final scrip dividend	–	–	(30,467)	30,467	–
<b>At 31st March, 2012</b>	<b>1,500,000</b>	<b>457,792</b>	<b>661,495</b>	<b>30,467</b>	<b>2,649,754</b>

Total distributable reserves of the Company amounted to HK\$691,962,000 (2011: HK\$83,242,000) as at 31st March, 2012.

### 34 Borrowings

	Group	
	2012 HK\$'000	2011 HK\$'000
Secured long-term bank borrowings	41,939	521,376
Reclassified as liabilities of investment property held for sale	–	(367,000)
	<b>41,939</b>	154,376

The long-term bank borrowings are analysed as follows:

	2012 HK\$'000	2011 HK\$'000
Long-term bank borrowings		
Wholly repayable within five years	41,939	521,376
Current portion included in current liabilities	(41,939)	(65,313)
Reclassified as liabilities of investment property held for sale	–	(367,000)
	–	89,063

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 34 Borrowings (Continued)

The bank borrowings are secured by property, plant and equipment, land use right and properties for sale with an aggregate carrying value of HK\$38,520,000 (2011: HK\$1,161,194,000 with the pledge of investment property held for sale). Borrowings of HK\$367,000,000 reclassified as liabilities of investment property held for sale as at 31st March, 2011 were also secured by the assignment of rental income, shares of a subsidiary, guarantee from the Company, and CCIL, the ultimate holding company, was required to beneficially own 45% or more of the issued share capital of the Company at all times during the subsistence of the borrowings.

The bank borrowings (excluding the liabilities of investment property held for sale which are reclassified as current liabilities as at 31st March, 2011) are repayable in the following periods:

	2012 HK\$'000	2011 HK\$'000
Within one year	41,939	65,313
Second year	–	89,063
	<b>41,939</b>	154,376

The effective interest rate of the bank borrowings at the balance sheet date is 6.65% (2011: 0.86% to 5.85%) per annum. The fair values of the borrowings, based on cash flows discounted at the borrowing rate of 6.65% (2011: 0.86% to 5.85%) per annum, approximate their carrying amounts.

The bank borrowings are denominated in the following currencies:

	2012 HK\$'000	2011 HK\$'000
Hong Kong dollar	–	367,000
Renminbi	41,939	154,376
	<b>41,939</b>	521,376

The exposure of the bank borrowings to interest rate changes and the contractual repricing dates are as follows:

	2012 HK\$'000	2011 HK\$'000
6 months or less	–	367,000
6 to 12 months	41,939	154,376
	<b>41,939</b>	521,376

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 35 Deferred taxation liabilities

The net movements of deferred taxation liabilities of the Group are as follows:

#### Group

	HK\$'000
At 1st April, 2010	181,690
Changes in exchange rates	96
Charged to income statement (note 12)	6,988
At 31st March, 2011	188,774
Changes in exchange rates	112
Credited to income statement (note 12)	(16,688)
<b>At 31st March, 2012</b>	<b>172,198</b>

The movements in deferred taxation assets and liabilities of the Group (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

	Deferred taxation liabilities			Total	Deferred taxation assets
	Fair value gains	Revaluation of investment properties	Accelerated tax depreciation		Tax losses
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2010	180,912	778	3,924	185,614	(3,924)
Changes in exchange rates	34	62	–	96	–
Charged/(credited) to income statement	5,394	1,594	323	7,311	(323)
At 31st March, 2011	186,340	2,434	4,247	193,021	(4,247)
Changes in exchange rates	10	102	–	112	–
(Credited)/charged to income statement	(17,267)	579	3,569	(13,119)	(3,569)
<b>At 31st March, 2012</b>	<b>169,083</b>	<b>3,115</b>	<b>7,816</b>	<b>180,014</b>	<b>(7,816)</b>

Deferred taxation liabilities for the fair value gains represent the deferred taxation on the differences between the carrying amounts of the properties as included in the consolidated financial statements and the carrying amounts of these properties as included in the financial statements of the relevant subsidiaries. The amounts were based on the date of acquisition of those subsidiaries by the Group.

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 35 Deferred taxation liabilities (Continued)

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

Deferred taxation assets of HK\$77 million (2011: HK\$97 million) arising from unused tax losses of HK\$467 million (2011: HK\$588 million) have not been recognised in the financial statements. These tax losses have no expiry dates.

### 36 Loans from non-controlling interests

Loans from non-controlling interests of the Group are unsecured, interest free and not repayable within the next twelve months from the balance sheet date.

### 37 Commitments

#### (a) Capital commitments

	Group	
	2012 HK\$'000	2011 HK\$'000
Contracted but not provided for property development expenditure and property, plant and equipment	454,975	255,894

#### (b) Operating lease rental payable

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

	Group	
	2012 HK\$'000	2011 HK\$'000
Within one year	1,531	1,789
Second to fifth years	201	1,703
	1,732	3,492

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 37 Commitments (Continued)

#### (c) Operating lease rental receivable

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

	Group	
	2012 HK\$'000	2011 HK\$'000
Within one year	1,432	1,562
Second to fifth years	2,635	3,381
After five years	3,246	3,678
	<b>7,313</b>	8,621

The Group leases properties under various agreements which will be terminated between 2012 to 2025 (2011: 2011 to 2025).

### 38 Financial guarantees

	Group		Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Guarantees for bank borrowings of a subsidiary	–	–	–	367,000
Guarantees for mortgage loans to purchasers of properties of the Group in the PRC	351,573	193,712	–	–
	<b>351,573</b>	193,712	–	367,000

The financial guarantees provided by the Group represented the guarantees in respect of mortgage loans made by certain banks to certain purchasers of the Group's properties in the PRC. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees will be terminated upon the earlier of (i) issuance of the property ownership certificates which is generally available within six months to one year after the purchasers take possession of the relevant properties; or (ii) the satisfaction of mortgage loans by the purchasers of properties. The fair value of the guarantees is not material and has not been recognised in the financial statements. Bank deposits of HK\$721,000 (2011: HK\$840,000) have been pledged for such financial guarantees provided by the Group (note 29).

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 39 Notes to the consolidated cash flow statement

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

	2012 HK\$'000	2011 HK\$'000
Operating profit	654,731	43,812
Interest income	(13,647)	(1,833)
Amortisation of land use right	32	32
Depreciation	8,840	5,070
Dividend income from available-for-sale financial assets	(1,954)	–
Change in fair value of investment properties	(1,402)	(66,375)
Net compensation from government for the resumption of assets	–	(28,220)
Impairment of property, plant and equipment	2,623	–
Net loss/(gain) on disposal of property, plant and equipment	493	(1,383)
Operating profit/(loss) before working capital changes	649,716	(48,897)
Decrease/(increase) in properties for/under development and properties for sale	277,044	(135,576)
(Increase)/decrease in inventories	(739)	450
Increase in debtors and prepayments	(8,502)	(244,817)
Decrease/(increase) in restricted bank balance	125,004	(125,004)
Increase/(decrease) in creditors and accruals	4,985	(64,165)
(Decrease)/increase in sales deposits received	(475,104)	556,822
Cash from/(used in) operations	572,404	(61,187)

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

	2012 HK\$'000	2011 HK\$'000
Cash and bank balances	836,770	226,699
Pledged bank deposits	(721)	(840)
Bank deposits maturing more than three months from date of placement	–	(5,199)
	836,049	220,660

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 39 Notes to the consolidated cash flow statement (Continued)

#### (c) Disposals of subsidiaries

	2012 HK\$'000	2011 HK\$'000
Net assets disposed of:		
Investment property held for sale	790,000	–
Tenants' deposits received	(7,968)	–
Bank borrowings	(367,000)	–
Liabilities of investment property held for sale	(374,968)	–
Net cash inflow from disposals of subsidiaries	415,032	–

Please also refer to note 17(b) for details.

### 40 Approval of financial statements

The financial statements were approved by the Board of Directors on 25th June, 2012.

### 41 Principal subsidiaries

	Name	Place of incorporation/ operation	Registered capital/ issued capital	Effective percentage held by the Group		Principal activities
				2012	2011	
#	Anshan Chuang's Property Development Company Limited	PRC	RMB50,000,000	100	100	Property development and investment
#	Anshan Chuang's Real Estate Development Company Limited	PRC	RMB170,000,000 (2011: RMB160,000,000)	100	100	Property development and investment
# *	Changsha Chuang's Property Development Limited	PRC	US\$20,000,000	–	100	Property development and investment
#	Chengdu Chuang's Investment Services Limited	PRC	HK\$80,000,000	100	100	Property development and investment
#	Chengdu Chuang's Property Development Company Limited	PRC	RMB2,000,000	51	51	Property development and investment

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

## 4.1 Principal subsidiaries (Continued)

Name	Place of incorporation/ operation	Registered capital/ issued capital	Effective percentage held by the Group		Principal activities
			2012	2011	
China Art Exchange Limited	Hong Kong	10,000,000 shares of HK\$0.1 each	100	100	Trading of merchandise
@ China Cyberworld Limited	Hong Kong	2 shares of HK\$1 each	100	100	Investment holding
@ Chinaculture.com Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	100	100	Investment holding
@ Chuang's China Enterprises Limited	Hong Kong	458,310,965 shares of HK\$0.2 each	100	100	Investment holding
Chuang's China Italia Plaza Limited (formerly known as Lambda International Limited)	Hong Kong	2 shares of HK\$1 each	100	100	Investment holding
@ Chuang's China Realty Limited	Bermuda/ Hong Kong	2,000,000 shares of HK\$0.05 each	100	100	Investment holding
@ Chuang's China Treasury Limited	Cayman Islands/ Hong Kong	1 share of US\$1	100	100	Investment holding
Chuang's Development (Anshan) Limited	Hong Kong	2 shares of HK\$1 each	100	100	Investment holding
Chuang's Development (Beijing) Limited	Hong Kong	100 shares of HK\$1 each	100	100	Investment holding
Chuang's Development (Chengdu) Limited	Hong Kong	2 shares of HK\$10 each 100,000 non-voting deferred shares of HK\$10 each	100	100	Property investment
Chuang's Development (China) Limited	Hong Kong	2 shares of HK\$10 each	100	100	Property development and investment
Chuang's Development (Dong Guan) Limited	Hong Kong	2 shares of HK\$1 each	100	100	Investment holding
Chuang's Development (Hunan) Limited	Hong Kong	2 shares of HK\$100 each	100	100	Investment holding

# Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

## 4.1 Principal subsidiaries (Continued)

	Name	Place of incorporation/ operation	Registered capital/ issued capital	Effective percentage held by the Group		Principal activities
				2012	2011	
#	Chuang's Development (Huiyang) Real Estate Company Limited	PRC	HK\$50,000,000	100	100	Investment holding
	Chuang's Development (Liaoning) Limited	Hong Kong	2 shares of HK\$1 each	100	100	Investment holding
	Chuang's Development (Sichuan) Limited	Hong Kong	2 shares of HK\$1 each	100	100	Investment holding
	Chuang's Information Technology Limited	Hong Kong	100 shares of HK\$1 each	100	100	Investment holding
	Distinguished Properties Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	100	100	Investment holding
#	Dongguan Chuang's Real Estate Development Company Limited	PRC	RMB135,420,000	100	100	Property development and investment
	Double Wealthy Company Limited	Hong Kong	160 shares of HK\$1 each	100	100	Investment holding
	Dragon Rich Investments Limited	Hong Kong	100 shares of HK\$1 each	85	85	Investment holding
	Gold Capital Profits Limited	British Virgin Islands/ Hong Kong	100 shares of US\$1 each	75	75	Investment holding
#	Guangzhou Panyu Chuang's Real Estate Development Company Limited	PRC	RMB60,000,000	100	100	Property development and investment
#	Hui Zhou Yuen Sang Hardware Company Limited	PRC	HK\$10,000,000	100	100	Manufacture and sale of watch components
#	Hunan Chuang's Italia Plaza Development Company Limited	PRC	RMB10,000,000	100	–	Property development and investment

## Notes to the Financial Statements (continued)

For the year ended 31st March, 2012

### 4.1 Principal subsidiaries (Continued)

	Name	Place of incorporation/ operation	Registered capital/ issued capital	Effective percentage held by the Group		Principal activities
				2012	2011	
#	Hunan Han Ye Real Estate Development Company Limited	PRC	RMB25,000,000	<b>54</b>	54	Property development and investment
@ *	In House Holdings Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	–	100	Investment holding
*	Koledo Company Limited	Hong Kong	2 shares of HK\$100 each 2 non-voting deferred shares of HK\$100 each	–	100	Property investment
	Noble Century Investment Limited	Hong Kong	1,000,000 shares of HK\$1 each	<b>60</b>	60	Investment holding
	On Profit Investment Limited	Hong Kong	2 shares of HK\$1 each	<b>100</b>	100	Property development and investment
	Silver Chase Investment Limited	Hong Kong	2 shares of HK\$1 each	<b>100</b>	100	Property development and investment
	Silver Dragon Investment Limited	Hong Kong	2 shares of HK\$1 each	<b>100</b>	100	Property development and investment
#	Xiamen Mingjia Binhai Resort Company Limited	PRC	RMB75,000,000	<b>59.5</b>	59.5	Property and hotel development and investment
	Yuen Sang Hardware Company (1988) Limited (later known as Yuen Sang Watch Industries Limited)	Hong Kong	1,000,000 shares of HK\$1 each	<b>100</b>	100	Manufacture and sale of watch components

\* Disposed of during 2012

@ Directly held by the Company

# Not audited by PricewaterhouseCoopers

# Particulars of Principal Properties

The following list contains only properties held by the Group as at 31st March, 2012 which are material to the Group as the Directors are of the opinion that a complete list will be of excessive length.

## 1. Investment properties in the People's Republic of China (the "PRC")

Location	Term	Usage	Group's interest
6th Floor, Chengdu Digital Plaza No. 1 Renmin South Road, Section 4, Wuhou District, Chengdu, Sichuan Province	Long lease	Commercial	100%
Club house of Gold Coast, Phase II Chuang's New City, Dongguan, Guangdong	Long lease	Commercial	100%

## 2. Property projects in the PRC

Location	Stage of completion	Expected completion date	Usage	Site area (sq. m.)	Gross floor area	Group's interest
Chuang's Le Papillon, Guangzhou, Guangdong						
- Block A, B, C, D, E	Completed	Completed	Residential	53,519	32,978 (and 257 carparking spaces)	100%
- Phase II	Under construction	2012-2014	Residential	69,511	147,323	100%
			Commercial		900	100%
- Phase III	Master planning completed	Beyond 2013	Comprehensive development area	91,987	163,054	100%
			Commercial		2,639	100%

## Particulars of Principal Properties (continued)

### 2. Property projects in the PRC (Continued)

Location	Stage of completion	Expected completion date	Usage	Site area (sq. m.)	Gross floor area	Group's interest
Chuang's New City, Dongguan, Guangdong						
Gold Coast	Completed	Completed	Residential	30,242	1,968 (and 254 carparking spaces)	100%
Imperial Garden						
– Phase I	Completed	Completed	Residential	23,775	27,683 (and 169 carparking spaces)	100%
			Commercial		6,666	100%
– Phase II	Under construction	2013-2014	Residential	9,500	61,272	100%
			Commercial		6,026	100%
– Phase III	Planning stage	N/A	Comprehensive development area	158,576	355,842	100%
Resort and Villa, Xiamen, Fujian	Under construction	Mid-2013	Resort and villa	27,574	18,000	59.5%
Chuang's Mid-town, Anshan, Liaoning	Master planning in progress	N/A	Comprehensive development area	11,000	100,000	100%
Chuang's Plaza, Anshan, Liaoning	Planning stage	N/A	Comprehensive development area	39,500	390,000	100%
Beverly Hills, Changsha, Hunan						
– Phase I	Completed	Completed	Residential	95,948	19,779	54%
	Completed	Completed	Residential/ commercial		10,200	54%
Chuang's Le Printemps, Chengdu, Sichuan	Planning stage	N/A	Residential/ commercial	30,000	N/A	51%

# Summary of Financial Information

## Results

	2008 HK\$'000	2009 HK\$'000 (Restated)	2010 HK\$'000 (Restated)	2011 HK\$'000	2012 HK\$'000
Revenues	314,525	107,592	381,951	198,024	<b>1,487,102</b>
Profit/(loss) attributable to equity holders	110,244	(127,883)	70,642	31,909	<b>448,755</b>
Earnings/(loss) per share (HK cents)	7.74	(8.47)	4.64	2.09	<b>29.46</b>

## Assets and Liabilities

	2008 HK\$'000	2009 HK\$'000 (Restated)	2010 HK\$'000 (Restated)	2011 HK\$'000	2012 HK\$'000
Non-current assets	810,623	767,247	900,451	297,017	<b>538,069</b>
Current assets	1,933,274	2,180,676	2,228,381	3,445,898	<b>2,716,228</b>
Total assets	2,743,897	2,947,923	3,128,832	3,742,915	<b>3,254,297</b>
Total liabilities	(847,615)	(1,149,232)	(1,188,501)	(1,667,065)	<b>(729,719)</b>
Non-controlling interests	(6,502)	(11,507)	(18,869)	(78,177)	<b>(65,632)</b>
Shareholders' funds	1,889,780	1,787,184	1,921,462	1,997,673	<b>2,458,946</b>

## Net Debt to Equity Ratio

	2008 HK\$'M	2009 HK\$'M (Restated)	2010 HK\$'M (Restated)	2011 HK\$'M	2012 HK\$'M
Cash and bank balances	453.9	446.1	293.9	351.7 <sup>@</sup>	<b>836.8</b>
Bank borrowings	455.9	757.2	711.8	154.4 <sup>#</sup>	<b>41.9</b>
Net debt to equity ratio (%)	0.11	17.41	21.75	N/A	<b>N/A</b>

<sup>@</sup> Included restricted bank balance which was released as bank balances of the Group in April 2011

<sup>#</sup> Excluded bank borrowings related to investment property held for sale

Note: The accounting policies were changed in 2011 due to the adoption of HKAS12 (Amendment) and the figures prior to 2009 have not been restated to reflect these changes.

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the annual general meeting of Chuang's China Investments Limited (the "Company") will be held at Chater Room, 2nd Floor, Mandarin Oriental, 5 Connaught Road, Central, Hong Kong on Friday, 31st August, 2012 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the Directors and the auditor for the year ended 31st March, 2012.
2. To declare a final dividend.
3. (a) To re-elect Mr. Lee Sai Wai as an executive Director.  
(b) To re-elect Mr. Albert Chuang Ka Pun as an executive Director.  
(c) To re-elect Miss Ann Li Mee Sum as an executive Director.  
(d) To authorise the board of Directors to fix the remuneration of the Directors.
4. To re-appoint auditor and to authorise the board of Directors to fix its remuneration.
5. To consider and, if thought fit, pass with or without amendments the following resolutions as ordinary resolutions:

## Ordinary Resolutions

(A) **"THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to repurchase shares of HK\$0.05 each (the "Shares") in the capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of the passing of this Resolution, and the said approval shall be limited accordingly; and

## Notice of Annual General Meeting (continued)

- (c) for the purpose of this Resolution, “**Relevant Period**” means the period from the date of the passing of this Resolution until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiry of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or the Companies Act 1981 of Bermuda or any other applicable law of Bermuda to be held; or
  - (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking, varying or renewing the authority given to the Directors of the Company by this Resolution.”
  
- (B) “**THAT:**
  - (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with unissued Shares in the capital of the Company and to make or grant offers, agreements, options and other rights, or issue warrants and other securities, which might require the exercise of such powers be and is hereby generally and unconditionally approved;
  - (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements, options and other rights, and issue warrants and other securities, which might require the exercise of such powers after the end of the Relevant Period;
  - (c) the aggregate nominal amount of share capital allotted or to be allotted or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to or in consequence of:
    - (i) a Rights Issue (as defined below); or
    - (ii) the exercise of any option under any option scheme of the Company; or
    - (iii) an issue of Shares upon exercise of the subscription or conversion rights attaching to or under the terms of any warrants of the Company; or
    - (iv) any scrip dividend or similar arrangement in accordance with the Bye-laws of the Company; or
    - (v) a specific authority granted by the shareholders of the Company in general meeting,

shall not in aggregate exceed 20 per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of the passing of this Resolution, and the said approval shall be limited accordingly; and

## Notice of Annual General Meeting (continued)

(d) for the purpose of this Resolution:

**“Relevant Period”** means the period from the date of the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiry of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or the Companies Act 1981 of Bermuda or any other applicable law of Bermuda to be held; or
- (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking, varying or renewing the authority given to the Directors of the Company by this Resolution; and

**“Rights Issue”** means an offer of Shares in the Company, or an offer of warrants, options or other securities giving rights to subscribe for Shares, open for a period fixed by the Directors of the Company, to holders of Shares whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to be offered to them) on a fixed record date in proportion to their then holdings of Shares (or, where appropriate, such other securities), subject in all cases to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong.”

(C) **“THAT** subject to the passing of Resolutions numbered 5(A) and 5(B), the general mandate granted to the Directors of the Company to allot, issue and deal with unissued Shares in the capital of the Company pursuant to Resolution numbered 5(B) be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of Shares in the capital of the Company repurchased by the Company under the authority granted pursuant to the general mandate to repurchase Shares (as referred to in Resolution numbered 5(A) set out in the notice convening this meeting), provided that such amount of securities so repurchased shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of the ordinary resolution approving the said general mandate to repurchase Shares.”

(D) **“THAT:**

conditional upon (i) the shareholders of Chuang’s Consortium International Limited having approved the adoption of the New Share Option Scheme (as defined herein below) by the Company and (ii) the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted under the new share option scheme of the Company referred to in the circular despatched to the shareholders of the Company on the same day as this notice, a copy of which has been tabled at the meeting marked “A” and signed by the chairman of this meeting for identification purpose (the **“New Share Option Scheme”**), the rules of the New Share Option Scheme be and are hereby approved and adopted and that the Directors of the Company be and are hereby authorised to grant options and to allot, issue and deal with the Shares which fall to be issued pursuant to the exercise of any option granted under the New Share Option Scheme and to take all such steps and do all such acts as may be necessary or expedient in order to give effect to the New Share Option Scheme.”

## Notice of Annual General Meeting (continued)

6. To consider and, if thought fit, pass with or without amendments the following resolutions as special resolutions of the Company:

(A) **“THAT:**

the bye-laws of the Company (the “Bye-laws”) be amended as follows:

(a) Bye-law 1

By deleting the existing definition of “Company” and substituting therefor the following:

““Company”                      Chuang’s China Investments Limited 莊士中國投資有限公司.”;

(b) Bye-law 44

By deleting the first sentence of the existing Bye-law 44 and substituting therefor the following:

“Except when the Register is closed under the Act or in accordance with these Bye-laws, the Register and branch register of Members, as the case may be, shall be open to inspection between 10 a.m. and 12 noon on every business day by members of the public without charge at the Office or such other place at which the Register is kept in accordance with the Act.”;

(c) Bye-law 88

By deleting the words “a Member (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his” in the existing Bye-law 88 and replacing therewith the following:

“a Member or Members (not being the person or persons to be proposed) who holds or collectively hold not less than 5% in nominal value of the issued shares of any class of the Company and is/are entitled to attend and vote at the meeting for which such notice is given, of his/their”; and

(d) Bye-law 137

By adding the following words to the end of the existing Bye-law 137:

“if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than its liabilities”.

(B) **“THAT:**

subject to passing of special resolution numbered 6(A) in the notice convening this meeting, a new set of Bye-laws which consolidates all of the proposed amendments referred to in resolution numbered 6(A) in the notice convening this meeting and all previous amendments made pursuant to resolutions passed by the shareholders of the Company at general meetings, a copy of which has been tabled at the meeting marked “B” and signed by the chairman of this meeting for identification purpose, be and is hereby adopted as the new Bye-laws of the Company in substitution for and to the exclusion of the existing Bye-laws of the Company with immediate effect.”

## Notice of Annual General Meeting (continued)

7. To transact any other business.

By order of the Board of  
**Chuang's China Investments Limited**  
**Lee Wai Ching**  
*Company Secretary*

Hong Kong, 24th July, 2012

*Notes:*

1. Any member entitled to attend and vote at the annual general meeting ("AGM") is entitled to appoint one or more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a proxy form, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be deposited at the Company's principal office in Hong Kong at 25th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong, not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof.
3. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 28th August, 2012 to Friday, 31st August, 2012, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Progressive Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 27th August, 2012.
4. The board of Directors has recommended a final scrip dividend (with a cash option) of 2.0 HK cents per share.
5. The proposed final dividend is subject to the approval of the shareholders at the AGM. The record date for entitlement to the proposed final dividend is Wednesday, 12th September, 2012. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 6th September, 2012 to Wednesday, 12th September, 2012, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Progressive Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 5th September, 2012.
6. Concerning Resolutions numbered 3, 5 and 6 above, the information necessary to enable the shareholders to make decisions on whether to vote for or against the Resolutions, as required by the Listing Rules, will be set out in a separate document from the Company to be enclosed with the 2012 Annual Report.



