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Building
on our Vision
Annual Report

2007

Chuang's China Investments Limited

(Incorporated in Bermuda with limited liability)

STOCK CODE: 298

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CORPORATE INFORMATION

Directors

Ko Sheung Chi (*Chairman*)
Lee Sai Wai (*Deputy Chairman*)
Ann Li Mee Sum (*Managing Director*)
Sunny Pang Chun Kit
Candy Chuang Ka Wai
Hwang Jen*
David Chu Yu Lin, S.B.S., J.P.*
Peter Po Fun Chan, B.B.S., M.B.E., J.P.*
Chan Wai Dune*

* *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.

Qualified Accountant

Lai Wan Han

Company Secretary

Lee Wai Ching

Auditors

PricewaterhouseCoopers
22nd Floor, Prince's Building,
10 Chater Road,
Central, Hong Kong

Registrars

Bermuda:

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre, 11 Bermudiana Road, Pembroke, HM 08, Bermuda

Hong Kong:

Progressive Registration Limited
26th Floor, Tesbury Centre,
28 Queen's Road East, Wanchai, Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
China Construction Bank Corporation
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China

Registered Office

Clarendon House, 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
Website: <http://www.chuang-china.com>

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

Kowloon Office

Yuen Sang Hardware Company (1988) Limited
5th Floor, Benson Tower, 74 Hung To Road,
Kwun Tong, Kowloon, Hong Kong

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
Industrial Road, Dongguan,
Guangdong, the PRC

Changsha Office

Hunan Han Ye Real Estate Development Company Limited
1st Floor, Beverly Hills Administrative Centre
Da Tuo Tollgate
G107 National Highway
Muyun, Southern End of Tian Xin District, Changsha,
Hunan, the PRC

Changsha Office

Changsha Chuang's Property Development Limited
1st Floor, Unit 109-110, Block A,
Xingsha Commercial Zone, Changsha,
Hunan, the PRC

Huizhou Office

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

Chengdu Office

Chuang's Development (Palace) Limited
Unit B3 & B5, 20th Floor,
Times Digital Building, No. 1 of Section 4 Renmin South Road,
Chengdu, Sichuan, the PRC

**Sales/Liaison Offices
in Hong Kong and
in the PRC**

Hong Kong Liaison Office

Shop 13, Ground Floor,
Chuang's Hung Hom Plaza,
83 Wuhu Street,
Hungghom, Kowloon,
Hong Kong

Chuang's Le Papillon Sales Office

Liangang Road, Guangzhou,
Guangdong, the PRC

Gold Coast and Imperial Garden Sales Office

Ground Floor, Chuang's New City Administrative Centre
Industrial Road, Dongguan,
Guangdong, the PRC

Beverly Hills Sales Office

Ground Floor, Beverly Hills Administrative Centre
Da Tuo Tollgate,
G107 National Highway,
Muyun, Southern End of Tian Xin District, Changsha,
Hunan, the PRC

Beverly Hills Liaison Office

No. 231 Furong Middle Road, Changsha,
Hunan, the PRC

Xingsha Beverly Hills Sales Office

Ground Floor, Unit 109-110, Block A,
Xingsha Commercial Zone, Changsha,
Hunan, the PRC

Stock Code

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Ko Sheung Chi (aged 51), the chairman, has over 27 years of experience in general management. Mr. Ko is the managing director of Chuang's Consortium International Limited ("Chuang's Consortium"), the holding company of the Company and a non-executive director of CNT Group Limited, the shares of these companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He holds a bachelor degree in science and a master degree in business administration and is an associate member of the Hong Kong Institute of Certified Public Accountants. He joined the Group in 2007.

Mr. Lee Sai Wai (aged 70), the deputy chairman, has over 22 years of experience in the manufacturing and property sectors. Mr. Lee is 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 a graduate of Shanghai Fudan University. He joined the Group in 1992. He is a brother-in-law of Mr. Alan Chuang Shaw Swee ("Mr. Alan Chuang"), the controlling shareholder and an executive director of Chuang's Consortium, and the uncle of Miss Candy Chuang Ka Wai, an executive director of the Company.

Miss Ann Li Mee Sum (aged 46), the managing director, has over 21 years of experience in finance and investment banking. She is also an executive director of Midas International Holdings Limited, an associated company of Chuang's Consortium and a company listed on the Stock Exchange. 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.

Mr. Sunny Pang Chun Kit (aged 49), an executive director, has over 29 years of experience in construction and real estate development business and is responsible for the property projects of the Group in the People's Republic of China (the "PRC"). 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.

Miss Candy Chuang Ka Wai (aged 25), an executive director, has 3 years experience in general management and property development in the PRC. She is a member of The Chinese People's Political Consultative Conference, Xiamen Committee, Beijing Youth Federation, Fujian Youth Federation and Hong Kong United Youth Association. She joined the Group in 2005. Miss Chuang is the daughter of Mr. Alan Chuang, the niece of Mrs. Alice Siu Chuang Siu Suen and the sister of Mr. Albert Chuang Ka Pun, all are executive directors of Chuang's Consortium. Miss Chuang is also the niece of Mr. Lee Sai Wai, an executive director of the Company.

Dr. Hwang Jen (aged 74), had been the chairman and an independent non-executive director since 1987 until his resignation as the chairman on 15th January, 2007. 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 DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Mr. David Chu Yu Lin S.B.S., J.P., (aged 63), was appointed an independent non-executive director in 1997. Mr. Chu has extensive experience in finance, banking and property investment. He is an executive director of Sinochem Hong Kong Holdings Limited, a company listed on the Stock Exchange. 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 a member of Hong Kong War Memorial Pensions Advisory Committee, the Honorary President of the Junior Police Officers' Association of Hong Kong Police Force and a member of Travel Industry Council of Hong Kong. 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 People's Republic of China.

Dr. Peter Po Fun Chan B.B.S., M.B.E., J.P., FCPA, FCPA (Australia), (aged 85), was appointed an independent non-executive director in 2004. He is an independent non-executive director of Chuang's Consortium and China Resources Enterprise, Limited and a non-executive director of Prime Investments Holdings Limited, all 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.

Mr. Chan Wai Dune (aged 54), was appointed an independent non-executive director in 2005. Mr. Chan has over 26 years of experience in the finance sector, particularly in auditing and taxation areas. He is a certified public accountant and a fellow member of each of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. He is an independent non-executive director of Chuang's Consortium, Hualing Holdings Limited, Jinheng Automotive Safety Technology Holdings Limited, Minmetals Resources Limited, Mexan Limited, Sam Woo Holdings Limited, Sino Union Petroleum & Chemical International Limited and Hunan Nonferrous Metals Corporation Limited, all of which are listed on the Stock Exchange. Mr. Chan is currently a member of CPPCC of Guangzhou Municipal Committee and the Executive Council of China Overseas Friendship Association. Mr. Chan was a member of the Selection Committee for the First Government of the Hong Kong Special Administrative Region. Mr. Chan is currently the managing director of a certified public accounting firm.

SENIOR MANAGEMENT

Mr. Huang Shi Zhao (aged 51), the general manager of the Group's operation in Guangdong, the PRC. He has over 33 years of experience in legal field, electrical engineering, property development, administration and management. He is a university graduate in PRC laws and is the vice president of The Association of Foreign Investment Enterprises of Shatian, Dongguan. He joined the Group in 1993.

Mr. Ng Hok Hoi (aged 42), the general manager of the Group's operation in Hunan, the PRC. He has over 19 years of experience in administration and management. He is a university graduate in PRC laws and a Chinese lawyer. He joined the Group in 2004.

Ms. Lee Wai Ching (aged 46), the company secretary, has over 23 years of experience in corporate services and office administration. She holds a bachelor degree in commerce and a master degree in business administration. 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.

Miss Lai Wan Han (aged 33), the qualified accountant and financial controller, has over 10 years of experience in finance and accounting. She holds a bachelor degree in accountancy and a master degree in business administration. She is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. She joined the Group in 2001.

Building for

QUALITY LIFESTYLE

Looking ahead, the Group will speed up
the development of 3,224,000 sq. m. of GFA
in the next four to five years

On the basis of current market prices of properties
and the relatively low cost of our land bank which was acquired
some years ago, we believe that there will be significant margin
for our property development business

CHAIRMAN'S STATEMENT

The Group's turnover for the year ended 31st March, 2007 was HK\$230.3 million, representing a two-fold increase over that of last year

FINANCIAL REVIEW

The Group's turnover for the year ended 31st March, 2007 was HK\$230.3 million (2006: HK\$77.2 million), representing a two-fold increase over that of last year. The increase was directly related to sale of properties in the People's Republic of China ("PRC") and which represented over 70% of the Group's total turnover.

As a result of the increase in turnover, gross profit for the year increased to HK\$76.6 million (2006: HK\$26.6 million), representing a gross profit margin of about 33.3%. The revaluation of the Group's investment properties has led to a gain in fair value of HK\$47.5 million. Distribution costs, administrative expenses and other operating expenses have increased to cope with the Group's expansion of its property development business in the PRC. A non-recurring accounting loss of HK\$93.6 million was booked on completion of the Group's disposal of its entire equity interests in Midas International Holdings Limited ("Midas"). Thus the Group has an operating loss of HK\$73.7 million during the year (2006: profit of HK\$27.1 million). Finance costs increased by HK\$4.0 million as borrowings increased for our PRC property development. Taking all these into account, loss attributable to equity holders of the Company

was HK\$61.9 million (2006: profit of HK\$36.0 million). Loss per share was 4.86 HK cents (2006: earnings per share of 3.34 HK cents, after adjusting for the rights issue in April 2006).

Had the one-off accounting loss of HK\$93.6 million relating to disposal of Midas not being included, profit attributable to equity holders of the Company would have been HK\$31.7 million.

DIVIDEND

The Board proposes to declare a final dividend of 1.0 HK cent per share (2006: 1.0 HK cent per share) payable on or before 12th September, 2007 to shareholders whose names appear on the Company's register of members on 30th August, 2007. No interim dividend has been declared in respect of the current financial year (2006: Nil). Total dividend for the year amounted to 1.0 HK cent per share (2006: 1.0 HK cent per share).

BUSINESS REVIEW:

Focus on PRC Property Development

Land bank for the Group's development in Guangzhou, Dongguan, Huizhou and Changsha, the PRC, was purchased some years ago. Over these years, the Group has held back its pace of property development in the PRC as we believe that over time, the value of these property projects would be maximised when the regional economies picked up and infrastructural network improved. This undeveloped land bank of the Group has shown significant build up of value to the present day as properties are sold at steadily-increasing prices across the board in the PRC.

From macro point of view, fundamental improvements have taken place over the past decade. The buoyant economy of the PRC is driving a steady upward trend in average income, giving rise to a massive emerging middle-class section of the population seeking to improve their standards of living. The enormous momentum generated by the recent completion of supporting infrastructure in the regions of the Group's projects has transformed the Group into an aggressive property player with a keen appetite for growth. To shape the future direction of the Group, we believe that the Group should grasp this unprecedented time to unlock the store value of its land bank.

To build our vision into reality, the Group has carried out a number of arrangements during the year. On the operation, new skills and expertise are recruited to expedite projects and cover disciplines from project management, sales and marketing to property management. Financially, a one-for-four rights issue was completed in April 2006 raising about HK\$100 million in cash to fund the development projects in the PRC.

By bringing a sharper focus to bear on the Group's core business in property development in the PRC, a major turning point in strategic direction was achieved in February 2007. At the centre of the move was the sale of its 44.7% interests in Midas, thereby generating cash proceeds of HK\$119.4 million to fund the pursuit of other opportunities in the PRC's property market. This represented the first such move designed to realise investment in non-core assets and to channel resources into achieving the Group's objective to become one of the key players in Mainland China's property market.

BUSINESS REVIEW:

Land Bank and Replenishment

Paving the future roadmap on Mainland China's vast and rapidly-expanding property market, the Group remains constantly alert to land acquisition opportunities. During the year, the Group has actively reached out for land acquisitions in the PRC, and cities that we have covered include Beijing, Chengdu, Changsha, Nanning, Xiamen,

Yantai. We have participated in various listings, biddings and auctions, and also hold discussions on private treaties basis. At the end of 2006, the Group successfully bided for a site in Changsha with developable gross floor area ("GFA") of about 500,000 sq. m..

The Group is aggressively developing its property projects in Guangzhou, Dongguan, Huizhou of Guangdong province and two projects in Changsha of Hunan province as follows:

	Financial year 2007 Completed GFA for sale (sq. m.)	Financial year 2008 GFA under development (sq. m.)	Beyond 2008 GFA to be developed (sq. m.)	Total (sq. m.)
Gold Coast, Phase II Chuang's New City, Dongguan, Guangdong	57,381			
Imperial Garden, Phase III Chuang's New City, Dongguan, Guangdong		143,000	387,000	530,000
Chuang's Le Papillon, Guangzhou, Guangdong		70,000	380,000	450,000
Chuang's New Town, Huizhou, Guangdong			144,000	144,000
Beverly Hills, Changsha, Hunan		70,000	1,530,000*	1,600,000
Xingsha Beverly Hills, Changsha, Hunan		150,000	350,000	500,000
Total		433,000	2,791,000	3,224,000

* GFA to be developed includes 1.53 million sq. m. pending procedures for obtaining the land use rights

BUSINESS REVIEW: Property Development

Chuang's Le Papillon, Guangzhou, Guangdong (85% owned)

Chuang's Le Papillon, Guangzhou

Site Area: 204,000 sq. m.

Total Gross Floor Area: 450,000 sq. m.



BUSINESS REVIEW: Property Development *(continued)*

Chuang's Le Papillon, Guangzhou, Guangdong (85% owned)

Chuang's Le Papillon is located close to the station of Guangzhou Metro route number 4 which is in service at the end of 2006 and that allows efficient commuting from our project to Guangzhou city centre. With the opening of this new metro route, the property prices of the area are heading from strength to strength. Furthermore, the local government will implement major improvements on city planning and infrastructure to make way for the 2010 Asian Games complex located some 3 km from Chuang's Le

Papillon. Strong momentum generated by such improvements will boost demand from home buyers and will give positive support to property prices. The Group is speeding up the construction of Chuang's Le Papillon with total GFA over 450,000 sq. m.. The first phase of 70,000 sq. m. GFA providing 11 residential blocks of over 500 apartments is now in progress, and is scheduled to be completed in the financial year ending 2009.



BUSINESS REVIEW:

Property Development *(continued)*

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

Imperial Garden, Phase III Chuang's New City, Dongguan

Site Area: 236,000 sq. m.

Total Gross Floor Area: 530,000 sq. m.



BUSINESS REVIEW: Property Development *(continued)*

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

At Chuang's New City on the river coast in Dongguan, we witnessed large-scale infrastructure development by the local government, including relocation of shipyard, reclamation of land, expansion of efficient routes into the city centre, and opening of an attractive waterside promenade right across our development. In addition, Chuang's New City is located nearby a new coastal highway under construction from Guangzhou to Shekou, which in turn links to Hong Kong by way of the Hong Kong – Shenzhen Western Corridor. As infrastructure takes shape to serve

this residential project, the Group swung into action to accelerate progress, as demand for accommodation soared at the 530,000 sq. m. complex of Chuang's New City. Construction of Phase III, known as Imperial Garden, has commenced. Construction of 8 residential blocks providing over 700 apartments with GFA of 90,000 sq. m. is in progress and is expected to be completed in the financial year ending 2009. On top of that, site formation work for another 53,000 sq. m. GFA will commence shortly.



BUSINESS REVIEW:

Property Development *(continued)*

Beverly Hills, Changsha, Hunan (54% owned)

Beverly Hills, Changsha

Site Area: 1,000,000 sq. m.

Total Gross Floor Area: 1,600,000 sq. m.



BUSINESS REVIEW: Property Development *(continued)*

Beverly Hills, Changsha, Hunan (54% owned)

At Beverly Hills of Changsha, construction works on this complex with over 70,000 sq. m. GFA will be completed soon. We have maintained a commitment to high quality standard throughout this low density development comprising link houses, semi-detached houses and bungalows, as well as service apartments. The Group

targets to deliver completed properties to buyers within the financial year ending 2008 and expects that this project will be one of the major contributors to the Group's results in the forthcoming year. The phase II development of 480 mu is under planning stage and approvals are expected to be materialised in the financial year ending 2008.



BUSINESS REVIEW: Property Development *(continued)*

Beverly Hills, Changsha, Hunan (54% owned)



BUSINESS REVIEW: Property Development *(continued)*

Beverly Hills, Changsha, Hunan (54% owned)



BUSINESS REVIEW: Property Development *(continued)*

Xingsha Beverly Hills, Changsha, Hunan (100% owned)

The site of Xingsha Beverly Hills at Changsha is newly purchased by the Group at the end of 2006. Land cost has been fully paid. Master planning is finalised for the low density development comprising bungalows, link houses, and semi-detached houses providing 500,000 sq. m. GFA. Site formation work will commence shortly on phase I with GFA of 150,000 sq. m. and phase I is expected to be completed in the financial year ending 2009.



Chuang's New Town, Huizhou, Guangdong (100% owned)

During the year, the Group disposed of a site of 98,600 sq. m. and the cash proceeds of about HK\$92 million have been utilised on expansion of our property development business. After this disposal, Chuang's New Town has developable GFA of 144,000 sq. m. and is currently under the planning stage.



Development summary

To sum up our property development in the pipeline, the Group's total GFA under construction will be 433,000 sq. m. for the financial year ending 2008, and will increase to over 600,000 sq. m. for the financial year ending 2009.

Building for **PEOPLE**

In the financial year ending 2008,
370 carparking spaces in Gold Coast, Dongguan and
433,000 sq. m. of GFA under development in Guangzhou,
Dongguan and Changsha will be available for sale and pre-sale,
and total sales value of these properties are expected to exceed
HK\$2.2 billion according to current market prices

BUSINESS REVIEW:

Property Sales

The Group has taken on a new lease of life, as infrastructure has been constructed around our projects, making our residential development complexes comfortably accessible, conveniently placed and highly desirable among growing numbers of home buyers. With this in mind, the Group's primary residential developments in the PRC are providing high-quality, yet eminently affordable accommodation with an emphasis on modern architectural design, high construction standards and comprehensive property management services.

For the financial year ended 2007, the Group has completed residential project of 57,381 sq. m. at the Gold Coast of Chuang's New City, Dongguan. With strong awareness on brand building, the Group has maintained a commitment to the highest standards of quality, including marketing campaign and show flats. Results on sales at Gold Coast are encouraging with all its typical flats fully sold out, and the duplex apartments launched during the year are well received, setting a record-breaking sales price of over RMB11,000 per sq. m. for our duplex show flat. Total

property sales during the financial year ended 2007 amounted to HK\$165.9 million, representing an eight-fold increase when compared to that of the last corresponding year.

At Beverly Hills of Changsha, soft marketing and pre-sale for link houses and semi-detached houses has commenced. An encouraging result is achieved with 68% of the link houses and 29% of the semi-detached houses being pre-sold. Taking this into account, properties sold as at the date of this report but not yet booked as turnover amounted to RMB196.1 million. Such amount is expected to be booked as turnover for the financial year ending 2008. Furthermore, in the financial year ending 2008, 370 carparking spaces in Gold Coast, Dongguan and 433,000 sq. m. of GFA under development in Guangzhou, Dongguan and Changsha as mentioned above will be available for sale and pre-sale, and total sales value of these properties are expected to exceed HK\$2.2 billion according to current market prices.

BUSINESS REVIEW:

Property Sales *(continued)*

Show Flats



BUSINESS REVIEW: Property Management

The Group places strong emphasis on providing comprehensive property management services to meet customers' needs, which is one factor enhancing quality of living environment. Last year, a survey of residents was carried out at the Gold Coast in Dongguan which showed that 93% of the respondents viewed the "environment, landscaping and greenery" aspect as good, with similar percentages scored for "security" and "cleaning". Ratings across nine categories of the survey concerning property management and services produced an overall score of over 80%. Recently, the Gold Coast is honoured to be awarded "東莞市綠色社區" (Green Living Award) by 東莞

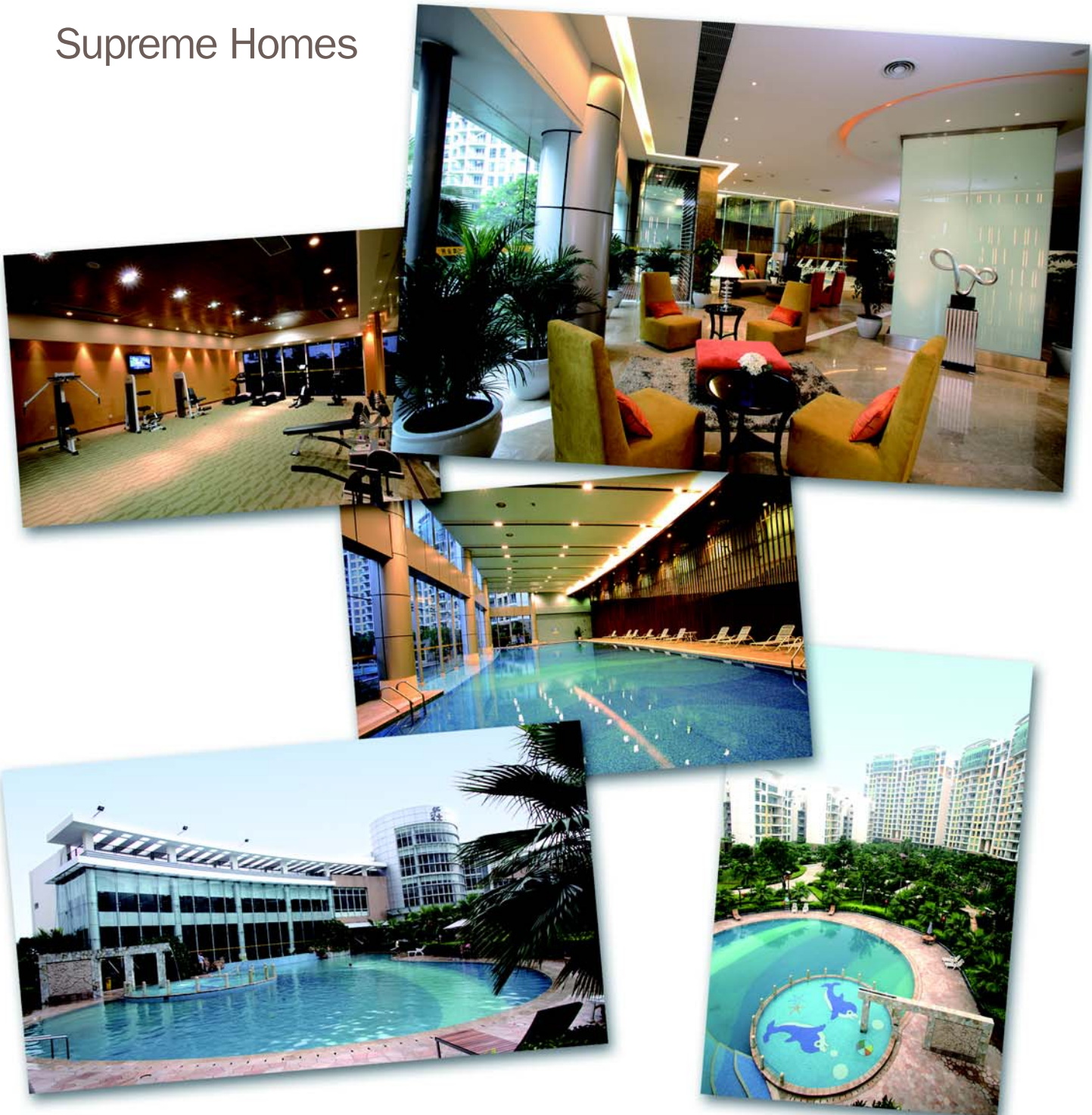
市環境保護局 (the Environmental Protection Bureau of Dongguan).

To commensurate the operation of the club house of Gold Coast at Dongguan, the Group has established the Supreme Homes membership during the year which aims to promote a cozy community. Residents of our development will automatically become members of Supreme Homes, which enables them to enjoy facilities within the club houses of all our property development in the PRC. On top of that, the members are able to enjoy a variety of exceptional rewards and benefits.



BUSINESS REVIEW: Property Management *(continued)*

Supreme Homes



BUSINESS REVIEW: Other Investments

The Group owns Chuang's Tower in Central with a total area of 60,587 sq. ft. of commercial and office space for investment purposes. Rental and other income during the year amounted to HK\$15.2 million. The Group has obtained approval to convert the usage of Chuang's Tower from office to hotel usage. The Group believes that such approval will provide flexibility to enhance the value of this property and the Group is conducting feasibility studies on the benefits of such conversion.

The Group's other assets include Yuen Sang Hardware Company (1988) Limited which engaged in the manufacture and sale of metalware for exports, and 12.3% interests in a quoted investment in CNT Group Limited.

The aggregate book values of these other investments amounted to over HK\$600 million as at 31st March, 2007. The Group will assess the sale of these other investments when suitable opportunities arise and expected that such sales will generate proceeds for additional working capital.



Financial Positions

As at 31st March, 2007, the net assets value attributable to equity holders of the Company was HK\$1,469.0 million. Net asset value per share amounted to HK\$1.15, which is calculated based on the historical cost of the Group's land bank, before taking into account the appreciated value.

As at 31st March, 2007, the Group's cash and bank balances amounted to HK\$354.2 million (2006: HK\$147.7 million). Bank borrowings of the Group as at the same date amounted to HK\$337.5 million (2006: HK\$281.3 million).

The calculation of net debt to equity ratio was not applicable because the Group had surplus cash of about HK\$16.7 million over bank borrowings (2006: net debt to equity ratio of 9.5%).

Approximately 75.2% of the Group's cash and bank balances were in Hong Kong dollar, United States dollar with the remaining 24.8% in Renminbi. Risk in exchange rate fluctuation would not be material.

About 80.6% of the Group's bank borrowings were in Hong Kong dollar and 19.4% in Renminbi. Approximately 0.6% of the Group's bank borrowings were repayable within one year, 12.3% repayable within 1 to 2 years, 22.2% repayable within 2 to 5 years and 64.9% repayable after 5 years.

STAFF

As at 31st March, 2007, the Group employed 264 staff. In addition, the subcontracting factories of the Group have 582 workers. 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.

Prospects

With GDP growth in Mainland China forecast to continue at about 10%, the expectation is for income among urban residents to maintain an upward trend, making the prospect of home ownership attractive to even greater numbers of people. While concerns have been expressed over the need to prevent property investment from overheating the economy, the measures introduced to control property speculation in the PRC are not expected to impact on the Group's projects.

The last twelve months have seen our revitalised Group building on established vision on the PRC property market, as we pursue our mission to develop quality properties to provide affordable homes to domestic owners. Looking ahead, the Group will speed up the development of 3,224,000 sq. m. of GFA in the next four to five years to capitalise on the enormous potential in the PRC market. On the basis of current market prices of properties and the relatively low cost of our land bank which was acquired some years ago, we believe that there will be significant margin for our property development business. On top of that, the Group will plough back proceeds from property sales and disposal of non-core assets on new projects to bring in greater return to shareholders.

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.

Ko Sheung Chi

Chairman

Hong Kong, 4th July, 2007

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 on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

REPORT ON CORPORATE GOVERNANCE PRACTICES

(A) The Board

(i) Board composition

The board of Directors (the “Board”) comprises 9 Directors as at the date of this report. The Board members are as follows:

Name	Position
Mr. Ko Sheung Chi	Chairman
Mr. Lee Sai Wai (<i>Note</i>)	Deputy Chairman
Miss Ann Li Mee Sum	Managing Director
Mr. Sunny Pang Chun Kit	Executive Director
Miss Candy Chuang Ka Wai (<i>Note</i>)	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. Chan Wai Dune	Independent Non-Executive Director

Note: Mr. Lee Sai Wai is the uncle 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.

REPORT ON CORPORATE GOVERNANCE PRACTICES (Continued)

(A) The Board (Continued)

(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.

(iii) 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 independency 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

REPORT ON CORPORATE GOVERNANCE PRACTICES (Continued)

(A) The Board (Continued)

(iv) 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. Ko Sheung Chi	Chairman	1/4 (Note 1)
Mr. Lee Sai Wai	Deputy Chairman	4/4
Miss Ann Li Mee Sum	Managing Director	4/4
Mr. Sunny Pang Chun Kit	Executive Director	4/4
Miss Candy Chuang Ka Wai	Executive Director	1/4 (Note 2)
Mr. Tang Wing Lun	Executive Director	2/4 (Note 3)
Ms. So Kan Yiu	Executive Director	2/4 (Note 4)
Dr. Hwang Jen	Independent Non-Executive Director	4/4
Mr. David Chu Yu Lin	Independent Non-Executive Director	2/4
Dr. Peter Po Fun Chan	Independent Non-Executive Director	4/4
Mr. Chan Wai Dune	Independent Non-Executive Director	4/4

Note 1: Mr. Ko Sheung Chi was appointed as the Chairman and an Executive Director on 15th January, 2007.

Note 2: Miss Candy Chuang Ka Wai was appointed as an Executive Director on 8th March, 2007.

Note 3: Mr. Tang Wing Lun resigned as an Executive Director on 15th January, 2007.

Note 4: Ms. So Kan Yiu resigned as an Executive Director on 3rd July, 2007.

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. Ko Sheung Chi 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) Independency 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.

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

Each Independent Non-Executive Director 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 or senior management of the Group 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 Remuneration Committee

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 Company.

(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 two meetings during the year to discuss the relationship with the external auditors, to review the interim and annual financial statements of the Company and to evaluate the system of internal controls of the Group.

The attendance record of each committee member is as follows:

Name	No. of meetings attended/held
Dr. Hwang Jen *	2/2
Mr. David Chu Yu Lin	2/2
Dr. Peter Po Fun Chan	2/2

* Chairman of the Audit Committee

REPORT ON CORPORATE GOVERNANCE PRACTICES (Continued)

(C) Accountability and audit (Continued)

(iv) Auditors' remuneration

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

Services rendered	Fee paid/payable <i>HK\$'000</i>
Audit services	600
Non-audit services	415
	1,015

(D) Delegation by the Board

(i) Board Committees

The Company has established three committees, namely Audit Committee, Nomination Committee and Remuneration Committee. 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.

REPORT ON CORPORATE GOVERNANCE PRACTICES (Continued)

(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 then Chairman attended the annual general meeting of the Company held in August 2006 to answer 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

The procedures and requirements for demanding a poll in general meetings are fully disclosed in circulars to shareholders and communicated to shareholders prior to the commencement of general meetings.

CONCLUSION

The Company has complied with the code provisions of the CG Code for the year ended 31st March, 2007.

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

Ann Li Mee Sum
Managing Director

Hong Kong, 4th July, 2007

REPORT OF THE DIRECTORS

The Board of Directors (the “Board”) presents the audited financial statements of the Company and its subsidiaries (together the “Group”) for the year ended 31st March, 2007.

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 40 to the financial statements.

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

RESULTS AND DIVIDEND

The results of the Group for the year are set out in the consolidated profit and loss account on page 45.

The Board proposes to declare a final dividend of 1.0 HK cent per share (2006: 1.0 HK cent per share) payable on or before 12th September, 2007 to shareholders whose names appear on the Company’s register of members on 30th August, 2007. No interim dividend has been declared in respect of the current financial year (2006: Nil). Total dividend for the year amounted to 1.0 HK cent per share (2006: 1.0 HK cent per share).

SUBSIDIARIES

Particulars regarding the principal subsidiaries of the Company are set out in note 40 to the financial statements.

RESERVES

Movements in reserves during the year are set out in note 30 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.

PARTICULARS OF PROPERTIES

Particulars of investment properties, buildings, properties for sale, land use rights and development rights held by the Group are set out on page 94 to page 95.

SHARE CAPITAL

Movements in share capital during the year are set out in note 29 to the financial statements.

REPORT OF THE DIRECTORS (Continued)

DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$1,511,000.

PRE-EMPTIVE RIGHTS

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

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the five years ended 31st March, 2007 is shown on page 96.

DIRECTORS

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

Mr. Ko Sheung Chi	(appointed on 15th January, 2007)
Mr. Lee Sai Wai	
Miss Ann Li Mee Sum	
Mr. Sunny Pang Chun Kit	
Miss Candy Chuang Ka Wai	(appointed on 8th March, 2007)
Dr. Hwang Jen	
Mr. David Chu Yu Lin	
Dr. Peter Po Fun Chan	
Mr. Chan Wai Dune	
Mr. Tang Wing Lun	(resigned on 15th January, 2007)
Ms. So Kan Yiu	(resigned on 3rd July, 2007)

In accordance with the Company's Bye-law nos. 85(2) and 86(3), and Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), Mr. Lee Sai Wai, Miss Candy Chuang Ka Wai, Mr. David Chu Yu Lin, Dr. Peter Po Fun Chan and Mr. Chan Wai Dune will retire from the Board at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

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, 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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March, 2007, 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	Number of shares	Interests in the Company	
		Capacity	Percentage of shareholding
Dr. Hwang Jen	1,137,139	Beneficial owner	0.09
Mr. Lee Sai Wai	2,008,000	Beneficial owner	0.16
Mr. Sunny Pang Chun Kit	620,000	Beneficial owner	0.05
Dr. Peter Po Fun Chan	4,120	Interest of controlled corporation	0.0003

Interests in Chuang's Consortium International Limited (“CCIL”)

Name of Director	Number of shares	Interests in Chuang's Consortium International Limited (“CCIL”)	
		Capacity	Percentage of shareholding
Mr. Lee Sai Wai	168,755,848	Note	11.42
Dr. Peter Po Fun Chan	751,187	Beneficial owner	0.05

Note: Interests in 168,032,624 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.

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.

Other than as disclosed herein, as at 31st March, 2007, 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).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Ko Sheung Chi (the chairman of the Company and an executive Director) is an executive director of CCIL, the principal activities of which include property investments in Hong Kong, and a non-executive director of CNT Group Limited, the principal activities of which include property investments and developments in Hong Kong and the People's Republic of China (the "PRC"). Miss Ann Li Mee Sum (the managing Director of the Company and an executive Director) is an executive director of Midas International Holdings Limited ("Midas"), the principal activities of which include property investments in the PRC. CCIL, CNT Group Limited and Midas are companies listed on the Stock Exchange. As the properties owned by these companies are of different types and/or in different locations from those of the Group, the Group operates its businesses independently of, and at arm's length from the businesses of these companies.

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, 2007, 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”)	787,216,556	Beneficial owner	61.47
CCIL	787,216,556	Interest of controlled corporation	61.47
Mr. Alan Chuang Shaw Swee (“Mr. Chuang”)	795,716,556	Note 1	62.14
Mrs. Chong Ho Pik Yu	795,716,556	Note 2	62.14

Note 1: Interests in 787,216,556 shares in the Company arose through the interests in the relevant shares owned by PSI, a wholly owned subsidiary of CCIL. Mr. Chuang is entitled to exercise or control the exercise of one third or more of the voting power in general meetings of CCIL. The remaining 8,500,000 shares in the Company are beneficially owned by him.

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

Save as disclosed above, as at 31st March, 2007, 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

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 loans of the Group are set out in note 31 to the financial statements.

PLEDGE OF ASSETS

As at 31st March, 2007, the Group has pledged the shares and assets of certain subsidiaries, including investment properties, land use rights, properties for/under development and properties for sale, with an aggregate net book value of HK\$748,423,000 (2006: HK\$681,667,000), to secure banking facilities granted to the 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 32% and 53% respectively of the total purchases of the Group for the year.

The aggregate sales attributable to the largest customer and five largest customers of the Group accounted for 42% 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 or 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 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 8% 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 securities must be taken up under an option: | Not applicable. No share option has been granted since the 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; 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 |

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st March, 2007.

CONNECTED TRANSACTIONS

The following are connected transactions of the Group conducted during the year:

1. On 8th January, 2007, the Company entered into an agreement with CCIL, the holding company of the Company, to dispose of the entire equity interests in, and shareholder's loan to Gold Throne Finance Limited to CCIL for HK\$119.4 million. Details of the transaction are contained in the circular to shareholders of the Company dated 26th January, 2007.
2. On 11th May, 2007, the Company entered into a conditional transfer agreement with Midas, an associated company of CCIL, to dispose of the entire equity interests in, and shareholder's loan to Success Gain Investment Limited, a wholly owned subsidiary whose sole asset is the holding of a piece of industrial land in Dongguan, the Mainland China. The consideration of the transfer is the entire equity interests in, and shareholder's loan to Chuang's Development (Chengdu) Limited, a wholly owned subsidiary of Midas whose sole asset is the holding of an investment property in Chengdu, the Mainland China, and RMB13 million in cash from Midas. Details of the transaction are contained in the circular to shareholders of the Company dated 4th June, 2007.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

1. The Group has entered into a loan facility agreement, which still subsists as at the date of this report, with a bank for a revolving loan facility of up to HK\$75 million. Pursuant to the loan facility agreement, CCIL is required to beneficially own 50% or more of the issued share capital of the Company at all time during the subsistence of the loan facility. As at 31st March, 2007, there was no amount outstanding under the loan facility agreement.
2. The Group has entered into a loan agreement, which still subsists as at the date of this report, with a bank for a seven-year term loan facility of up to HK\$273 million. Pursuant to the loan agreement, CCIL is required to beneficially own 45% or more of the issued share capital of the Company at all time during the subsistence of the term loan facility. As at 31st March, 2007 the loan outstanding was HK\$272 million and the last instalment of the loan is repayable on 29th September, 2013.

AUDITORS

The financial statements for the year were audited by Messrs PricewaterhouseCoopers who shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

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

Ann Li Mee Sum
Managing Director

Hong Kong, 4th July, 2007

REPORT OF THE INDEPENDENT AUDITORS

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF **CHUANG'S CHINA INVESTMENTS LIMITED**

(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Chuang's China Investments Limited (the "Company") set out on pages 45 to 93, which comprise the consolidated and company balance sheets as at 31st March, 2007, and the consolidated profit and loss account, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

RESPONSIBILITY OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

RESPONSIBILITY OF THE AUDITORS

Our responsibility is to express an opinion on these 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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the auditors, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the preparation and true and fair presentation of the financial statements 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 internal control of the Company. 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 financial statements.

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Group and the Company as at 31st March, 2007 and of the loss and cash flows of the Group 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, 4th July, 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March, 2007

	Note	2007 HK\$'000	2006 HK\$'000
Turnover	5	230,292	77,228
Cost of sales		(153,649)	(50,592)
Gross profit		76,643	26,636
Other income	7	9,517	20,431
Distribution costs		(15,674)	(5,640)
Administrative expenses		(85,093)	(61,389)
Other operating expenses		(12,980)	(2,987)
Loss on disposal of an associated company	21	(93,574)	–
Change in fair value of investment properties		47,487	50,000
Operating (loss)/profit	8	(73,674)	27,051
Finance costs	10	(15,604)	(11,653)
Share of results of associated companies		8,393	18,771
(Loss)/profit before taxation		(80,885)	34,169
Taxation credit/(charge)	12	10,474	(16)
(Loss)/profit for the year		(70,411)	34,153
Attributable to:			
Equity holders	13	(61,949)	36,023
Minority interests		(8,462)	(1,870)
		(70,411)	34,153
Dividend	14	12,805	12,805
		HK cents	Restated HK cents
(Loss)/earnings per share	15	(4.86)	3.34

The notes on pages 51 to 93 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31st March, 2007

	Note	2007 HK\$'000	2006 HK\$'000
Non-current assets			
Property, plant and equipment	16	28,636	34,785
Investment properties	17	567,800	502,400
Land use rights	18	882,319	947,377
Properties for/under development	19	23,284	20,365
Associated companies	21	2,651	213,378
Available-for-sale financial assets	22	46,920	21,896
		1,551,610	1,740,201
Current assets			
Properties for sale	23	176,858	190,102
Inventories	24	7,902	5,736
Debtors and prepayments	25	156,615	31,558
Cash and bank balances	27	354,161	147,692
		695,536	375,088
Current liabilities			
Creditors and accruals	28	110,920	59,133
Current portion of long-term borrowings	31	2,000	8,000
Taxation		35,010	15,674
		147,930	82,807
Net current assets		547,606	292,281
Total assets less current liabilities		2,099,216	2,032,482

CONSOLIDATED BALANCE SHEET *(Continued)*

	Note	2007 HK\$'000	2006 HK\$'000
Equity			
Share capital	29	64,027	51,222
Reserves	30	1,392,166	1,350,109
Proposed final dividend		12,805	12,805
Shareholders' funds		1,468,998	1,414,136
Minority interests		65,495	72,693
Total equity		1,534,493	1,486,829
Non-current liabilities			
Long-term borrowings	31	335,508	273,345
Deferred taxation liabilities	32	191,503	235,366
Other non-current liabilities	33	37,712	36,942
		564,723	545,653
		2,099,216	2,032,482

Lee Sai Wai
Director

Ann Li Mee Sum
Director

The notes on pages 51 to 93 are an integral part of these financial statements.

BALANCE SHEET

As at 31st March, 2007

	Note	2007 HK\$'000	2006 HK\$'000
Non-current assets			
Subsidiaries	20	115,036	150,036
Current assets			
Debtors and prepayments	25	422	1,010
Amounts due from subsidiaries	26	1,461,829	1,484,377
Cash and bank balances	27	261,844	98,787
		1,724,095	1,584,174
Current liabilities			
Creditors and accruals	28	803	634
		1,723,292	1,583,540
Net current assets			
		1,838,328	1,733,576
Total assets less current liabilities			
		1,838,328	1,733,576
Equity			
Share capital	29	64,027	51,222
Reserves	30	1,761,496	1,669,549
Proposed final dividend		12,805	12,805
		1,838,328	1,733,576
Total equity			
		1,838,328	1,733,576

Lee Sai Wai
Director

Ann Li Mee Sum
Director

The notes on pages 51 to 93 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2007

	Note	2007 HK\$'000	2006 HK\$'000
Cash flows from operating activities			
Cash from/(used in) operations	37(a)	19,207	(9,283)
Interest paid		(17,349)	(13,237)
Overseas tax paid		(14,053)	(10)
Net cash used in operating activities		(12,195)	(22,530)
Cash flows from investing activities			
Interest received		9,749	4,482
Dividend received from an associated company		10,746	10,720
Purchase of property, plant and equipment		(5,086)	(3,534)
Purchase of additional interest in an associated company		–	(426)
Proceeds from disposal of property, plant and equipment		208	1,020
Proceeds from disposal of an associated company		119,400	–
Additions to properties under development		(59,374)	(55,541)
Proceeds from redemption of unlisted preference shares		–	23,500
Proceeds from disposal of available-for-sale financial assets		207	–
Repayment from an associated company		750	–
Decrease in bank deposits maturing more than three months from date of placement		15,142	6,730
Net cash from/(used in) investing activities		91,742	(13,049)
Cash flows from financing activities			
Dividend paid to shareholders		(12,805)	(10,244)
Issue of new shares		100,624	–
New bank loans		78,000	48,345
Repayment of bank loans		(23,755)	(6,000)
Net cash from financing activities		142,064	32,101
Net increase/(decrease) in cash and cash equivalents		221,611	(3,478)
Cash and cash equivalents at the beginning of the year		129,327	132,805
Cash and cash equivalents at the end of the year	37(b)	350,938	129,327

The notes on pages 51 to 93 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March, 2007

	Share capital HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Shareholders' funds HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st April, 2005	51,222	1,647,692	(301,223)	1,397,691	72,536	1,470,227
Changes in exchange rates	–	1,809	–	1,809	608	2,417
Change in fair value of available-for-sale financial assets	–	(11,143)	–	(11,143)	–	(11,143)
Net (expense)/income recognised directly in equity	–	(9,334)	–	(9,334)	608	(8,726)
Profit for the year	–	–	36,023	36,023	(1,870)	34,153
Total (expense)/income recognised for the year	–	(9,334)	36,023	26,689	(1,262)	25,427
Capital injection by minority shareholders	–	–	–	–	1,419	1,419
2005 final dividend	–	–	(10,244)	(10,244)	–	(10,244)
At 31st March, 2006	51,222	1,638,358	(275,444)	1,414,136	72,693	1,486,829
Changes in exchange rates	–	3,968	–	3,968	1,264	5,232
Change in fair value of available-for-sale financial assets	–	25,024	–	25,024	–	25,024
Net income recognised directly in equity	–	28,992	–	28,992	1,264	30,256
Loss for the year	–	–	(61,949)	(61,949)	(8,462)	(70,411)
Total income/(expense) recognised for the year	–	28,992	(61,949)	(32,957)	(7,198)	(40,155)
Rights issue of new shares	12,805	89,638	–	102,443	–	102,443
Rights issue expenses	–	(1,819)	–	(1,819)	–	(1,819)
2006 final dividend	–	–	(12,805)	(12,805)	–	(12,805)
At 31st March, 2007	64,027	1,755,169	(350,198)	1,468,998	65,495	1,534,493

The notes on pages 51 to 93 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2007

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, 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, 2007, the Company was a 61.5% owned subsidiary of Profit Stability Investments Limited, incorporated in the British Virgin Islands, which is a wholly owned subsidiary of Chuang's Consortium International Limited, incorporated in Bermuda and listed on the Main Board of the Stock Exchange. The Directors regard Chuang's Consortium International Limited as being the ultimate holding company.

The principal activities of the Company and its subsidiaries (collectively as the "Group") are property investment and development, manufacturing and sale of watch components, securities investment and trading, and the provision of information technology services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted for the preparation of these financial statements, which have been continuously 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 issued by the Hong Kong Institute of Certified Public Accountants.

The preparation of financial statements in conformity with Hong Kong Financial Reporting Standards 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.

In 2006, the Group adopted the following new amendments and interpretations that are effective for the accounting periods beginning on 1st January, 2006 and relevant to the operation of the Group:

HKAS 39 (Amendment)	The Fair Value Options
HKAS 39 and HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts - Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The adoption of above amendments and interpretations does not have any significant effect on the accounting policies of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

The following standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1st January, 2007 or later periods but which the Group has not early adopted:

HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions

The Group will apply the above standards, amendments and interpretations for its financial period commencing on or after 1st April, 2007, but they are not expected to have a significant impact on the financial position of the Group.

(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 attributable to the Group.

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

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

(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 de-consolidated from the date that control ceases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries (Continued)

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

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

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

(d) Minority interests

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associated companies (Continued)

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 policies adopted by the Group.

(f) Goodwill

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

Goodwill on acquisition of subsidiaries is included in intangible assets while goodwill on acquisition of associated companies is included in investments in associated companies. Goodwill is tested for impairment annually or when there is an indication for impairment and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

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

(g) 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 costs are expensed in the profit and loss account during the financial period in which they are incurred.

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment (Continued)

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

(h) Investment properties

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

Investment properties are measured initially at cost, including related transaction costs. After initial recognition, investment properties are carried at fair value. Fair value is based on valuations carried out by external valuers. Change in fair value is recognised in the profit and loss account. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is charged 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 costs are expensed in the profit and loss account during the financial period in which they are incurred.

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

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

If a property becomes an investment property because its use has been changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in equity as revaluation of property, plant and equipment. However, if the fair value gives rise to a reversal of the previous impairment loss, this write-back is recognised in the profit and loss account.

(i) Land use rights

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Properties for/under development

Properties for/under development are included under non-current assets and are stated at cost less impairment losses. Costs include land cost, development and construction expenditure incurred and any interest and other direct costs attributable to the development.

On completion, the properties are reclassified to investment properties, property, plant and equipment or properties for sale at the then carrying amount.

Any difference between the fair value of the investment property and its carrying amount at the date of reclassification is recognised in the profit and loss account.

(k) Properties for sale

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

(l) Financial assets

The Group classifies its financial assets in the categories of financial assets at fair value through profit or loss, 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.

Financial assets at fair value through profit or loss are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account, and subsequently carried at fair value.

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 of the balance sheet date. Available-for-sale financial assets are initially recognised at fair value plus transaction cost, and subsequently carried at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial assets (Continued)

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.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss, including interest and dividend income, are included in the profit and loss account in the financial period in which they arise. 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 profit and loss account as gains or losses.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, and for unlisted investments, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the specific circumstances of the issuer.

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

(m) 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.

(n) Trade and other debtors

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 receivable. 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 the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Impairment of assets

Assets that have an indefinite useful life are not subject to depreciation or amortisation but are tested at least annually for impairment and 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.

(p) 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, before any tax effects, 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.

(q) Borrowings

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

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

(r) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Deferred taxation (Continued)

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

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(s) 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 profit and loss account on a straight-line basis over the period of lease.

(t) Revenue recognition

Revenue comprises the fair value of the consideration for the sale of goods and services rendered in the ordinary course of the activities of the Group. 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. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the activities have been resolved. Revenue is shown net of sales tax, returns, rebates and discounts, allowances for credit and other revenue reducing factors.

Sales of properties are recognised when the relevant sale and purchase contracts are concluded and the risks and rewards of the properties have been passed to the purchasers.

Rental income, net of incentives given to lessees, is recognised on a straight-line basis over the period of the respective leases.

Sales of goods are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to the customers and legal title has passed.

Sales of securities are recognised on the transaction dates when the relevant sale and purchase contract is entered into.

Service and management income are recognised when the services are rendered.

Interest income is recognised on a time proportion basis, using the effective interest method, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognised when the right to receive payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) 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 profit and loss account in the financial period in which they are incurred.

(v) Employee benefits

Contributions to defined contribution retirement schemes are charged to the profit and loss account in the financial period to which the contributions relate.

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

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

(w) 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.

(x) Translation of foreign currencies

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Translation of foreign currencies (Continued)

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

- (i) assets and liabilities for each balance sheet presented are translated at the rate of exchange ruling at the date of that balance sheet;
- (ii) income and expenses for each profit and loss account are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

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

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

(y) Segment reporting

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

(z) 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 dividend payable becomes legal and constructive obligations of the Company.

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION

(a) **Financial risk management**

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

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

(i) **Credit risk**

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

(ii) **Liquidity risk**

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

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

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

(iv) **Foreign exchange risk**

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

(v) **Price risk**

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

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (Continued)

(b) Fair value estimation

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

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

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

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

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) Fair value of investment properties

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

(b) Impairment of assets

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(c) Taxation

The Group is subject to taxation mainly in Hong Kong and Mainland China. 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.

5 TURNOVER

	2007 HK\$'000	2006 HK\$'000
Sale of properties	165,868	17,342
Sale of goods	38,546	38,194
Rental and management fees	16,196	14,241
Interest	9,588	4,618
Services fee	94	178
Dividend from unlisted equity shares	–	2,655
	230,292	77,228

6 SEGMENT INFORMATION

In accordance with the internal financial reporting and operating activities of the Group, the primary segment reporting is business segments and the secondary segment reporting is geographical segments. The main business segments of the Group are property investment and development, sale of goods and services, and others (representing information technology and securities trading). The business of the Group operates in three geographical areas of Hong Kong (property investment and development and sale of goods and services), the Mainland China (property investment and development and sale of goods and services), and other countries (sale of goods and services). There are no sales or trading transactions between the business segments.

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

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

6 SEGMENT INFORMATION (Continued)

(a) Business segments

	Property investment and development HK\$'000	Sale of goods and services HK\$'000	Others and corporate HK\$'000	2007 HK\$'000
Turnover	182,112	38,546	9,634	230,292
Other income	840	3,154	5,523	9,517
Segment results	40,915	1,336	(115,925)	(73,674)
Finance costs				(15,604)
Share of results of associated companies	–	6,600	1,793	8,393
Loss before taxation				(80,885)
Taxation credit				10,474
Loss for the year				(70,411)
Segment assets	1,816,432	13,089	850	1,830,371
Associated companies	–	–	2,651	2,651
Unallocated assets				414,124
Total assets				2,247,146
Segment liabilities	478,705	4,199	605	483,509
Unallocated liabilities				229,144
Total liabilities				712,653
Capital expenditure	20,012	432	2,909	23,353
Depreciation	2,094	733	8,294	11,121
Amortisation of land use rights	16,765	–	–	16,765
Increase in fair value of investment properties	47,487	–	–	47,487
Impairment of trade and other debtors	3,232	–	–	3,232

6 SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

	Property investment and development HK\$'000	Sale of goods and services HK\$'000	Others and corporate HK\$'000	2006 HK\$'000
Turnover	34,286	38,194	4,748	77,228
Other income	18,708	1,468	255	20,431
Segment results	49,562	2,930	(25,441)	27,051
Finance costs				(11,653)
Share of results of associated companies	–	19,179	(408)	18,771
Profit before taxation				34,169
Taxation charge				(16)
Profit for the year				34,153
Segment assets	1,697,167	17,137	611	1,714,915
Associated companies	–	212,553	825	213,378
Unallocated assets				186,996
Total assets				2,115,289
Segment liabilities	368,231	6,156	515	374,902
Unallocated liabilities				253,558
Total liabilities				628,460
Capital expenditure	12,203	595	1,250	14,048
Depreciation	1,596	696	8,307	10,599
Amortisation of land use rights	16,743	–	–	16,743
Increase in fair value of investment properties	50,000	–	–	50,000
Impairment of trade and other debtors	1,000	–	–	1,000

6 SEGMENT INFORMATION (Continued)

(b) Geographical segments

	Turnover HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
2007			
Hong Kong	61,293	885,355	3,260
The Mainland China	167,309	1,361,462	20,093
Other countries	1,690	329	–
	230,292	2,247,146	23,353
2006			
Hong Kong	54,348	871,787	1,027
The Mainland China	21,287	1,243,148	13,021
Other countries	1,593	354	–
	77,228	2,115,289	14,048

7 OTHER INCOME

	2007 HK\$'000	2006 HK\$'000
Deferred profit realised on disposal of an associated company (note 21)	4,566	–
Deferred profit realised on disposal of properties (note 21)	–	6,025
Write back of provisions for construction costs and tax liabilities undertakings (note 34)	–	12,395
Sale of scraped material	3,054	1,429
Gain on disposal of available-for-sale financial assets	207	–
Sundries	1,690	582
	9,517	20,431

8 OPERATING (LOSS)/PROFIT

	2007	2006
	HK\$'000	HK\$'000
Operating (loss)/profit is stated after crediting:		
Gross rental income from investment properties	12,902	11,152
Gain on disposal of property, plant and equipment	74	64
Negative goodwill	–	249
and after charging:		
Amortisation of land use rights	16,765	16,743
Cost of properties and inventories sold	150,835	48,558
Depreciation	11,121	10,599
Impairment of trade and other debtors	3,232	1,000
Operating lease rental on land and buildings	2,501	2,072
Outgoings in respect of investment properties	2,813	2,034
Staff costs, including Directors' emoluments		
Wages and salaries	24,263	19,112
Retirement benefit costs (note 9)	790	701
Auditors' remuneration for audit services	600	550

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 of one of the schemes can be reduced by contributions forfeited by those employees who leave that scheme prior to vesting fully in those contributions.

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

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

10 FINANCE COSTS

	2007 HK\$'000	2006 HK\$'000
Interest expenses		
Bank loans wholly repayable within five years	3,447	13,329
Bank loans wholly repayable after five years	12,822	–
Loans from minority shareholders and overdraft wholly repayable within five years	347	–
	16,616	13,329
Amount capitalised into properties under development	–	(154)
Amount capitalised into properties under development for sale	(1,012)	(1,522)
	15,604	11,653

The capitalisation rate applied to funds borrowed generally and used for the development of properties ranges from 6.93% to 7.56% (2006: 5.76%) per annum.

11 DIRECTORS' EMOLUMENTS

Name of Director	Fees HK\$'000	Salaries HK\$'000	Retirement		2007 HK\$'000
			Other benefits HK\$'000	scheme contributions HK\$'000	
Mr. Ko Sheung Chi	30	–	–	–	30
Mr. Lee Sai Wai	20	870	210	81	1,181
Miss Ann Li Mee Sum	20	1,224	336	72	1,652
Mr. Tang Wing Lun	–	498	–	35	533
Mr. Sunny Pang Chun Kit	20	938	–	67	1,025
Ms. So Kan Yiu	20	673	–	11	704
Miss Candy Chuang Ka Wai	20	29	–	1	50
Dr. Hwang Jen	100	–	–	–	100
Mr. David Chu Yu Lin	100	–	–	–	100
Dr. Peter Po Fun Chan	100	–	–	–	100
Mr. Chan Wai Dune	100	–	–	–	100
	530	4,232	546	267	5,575

11 DIRECTORS' EMOLUMENTS (Continued)

Name of Director	Fees HK\$'000	Salaries HK\$'000	Other benefits HK\$'000	Retirement	2006 HK\$'000
				scheme contributions HK\$'000	
Dr. Hwang Jen	80	–	–	–	80
Mr. Chan Sheung Chiu	–	300	1,500	23	1,823
Mr. Lee Sai Wai	20	870	210	81	1,181
Miss Ann Li Mee Sum	20	1,041	279	66	1,406
Mr. Tang Wing Lun	20	600	–	45	665
Mr. Sunny Pang Chun Kit	20	840	–	63	923
Ms. So Kan Yiu	20	–	–	–	20
Mr. David Chu Yu Lin	80	–	–	–	80
Dr. Peter Po Fun Chan	80	–	–	–	80
Mr. Chan Wai Dune	80	–	–	–	80
	420	3,651	1,989	278	6,338

The emoluments paid to Independent Non-Executive Directors amounted to HK\$400,000 (2006: HK\$320,000).

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

During the year, the Group did not pay to the Directors 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 CREDIT/(CHARGE)

	2007 HK\$'000	2006 HK\$'000
Current		
Overseas	(33,389)	(16)
Deferred (note 32)	43,863	–
	10,474	(16)

12 TAXATION CREDIT/(CHARGE) (Continued)

No provision for Hong Kong profits tax has been made as the Group does not have any estimated assessable profits for the year (2006: Nil). Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

Share of taxation of associated companies for the year amounting to HK\$2,804,000 (2006: HK\$4,968,000) is included in the profit and loss account as share of results of associated companies.

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

	2007	2006
	HK\$'000	HK\$'000
(Loss)/profit before taxation	(80,885)	34,169
Share of results of associated companies	(8,393)	(18,771)
	(89,278)	15,398
Tax (credit)/charge at the rate of 17.5% (2006: 17.5%)	(15,624)	2,695
Effect of different taxation rates in other countries	2,372	(397)
Income not subject to taxation	(10,652)	(13,257)
Expenses not deductible for taxation purposes	34,396	6,125
Utilisation of previously unrecognised tax losses	(186)	(409)
Other temporary difference and tax losses not recognised	8,520	5,259
Underprovision of current tax and write back of deferred taxation in previous years	(29,300)	–
Taxation (credit)/charge	(10,474)	16

13 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

Profit attributable to equity holders includes HK\$16,933,000 (2006: HK\$13,527,000) which is dealt with in the financial statements of the Company.

14 DIVIDEND

	2007	2006
	HK\$'000	HK\$'000
Proposed final of 1.0 HK cent (2006: 1.0 HK cent) per share	12,805	12,805

The Board of Directors declared on 4th July, 2007 a proposed final dividend of 1.0 HK cent (2006: 1.0 HK cent) per share amounting to HK\$12,805,000 (2006: HK\$12,805,000). This dividend will be accounted for as an appropriation of reserves in the year ending 31st March, 2008.

15 (LOSS)/EARNINGS PER SHARE

The calculation of the (loss)/earnings per share is based on the loss attributable to equity holders of HK\$61,949,000 (2006: profit of HK\$36,023,000) and 1,273,867,459 (2006: 1,077,300,778, after adjusting for the rights issue in April 2006) shares in issue during the year.

The dilutive (loss)/earnings per share are equal to the basic (loss)/earnings per share since there are no diluted potential shares in issue during the year.

16 PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK\$'000	Plant and machinery HK\$'000	Other assets HK\$'000	Total HK\$'000
Cost				
At 31st March, 2005	9,921	18,247	59,281	87,449
Changes in exchange rates	–	–	24	24
Additions	336	401	2,797	3,534
Disposals	–	–	(2,321)	(2,321)
At 31st March, 2006	10,257	18,648	59,781	88,686
Changes in exchange rates	–	–	56	56
Additions	–	392	4,694	5,086
Disposals	–	–	(887)	(887)
At 31st March, 2007	10,257	19,040	63,644	92,941
Accumulated depreciation and impairment				
At 31st March, 2005	33	15,171	29,446	44,650
Changes in exchange rates	–	–	17	17
Charge for the year	204	578	9,817	10,599
Disposals	–	–	(1,365)	(1,365)
At 31st March, 2006	237	15,749	37,915	53,901
Changes in exchange rates	–	–	36	36
Charge for the year	205	617	10,299	11,121
Disposals	–	–	(753)	(753)
At 31st March, 2007	442	16,366	47,497	64,305
Net book value				
At 31st March, 2007	9,815	2,674	16,147	28,636
At 31st March, 2006	10,020	2,899	21,866	34,785

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

17 INVESTMENT PROPERTIES

	2007	Group
	HK\$'000	2006 HK\$'000
At the beginning of the year	502,400	452,400
Transferred from land use rights	2,577	–
Transferred from properties for/under development	15,336	–
Change in fair value	47,487	50,000
At the end of the year	567,800	502,400

- (a) Investment properties held under long-term lease in Hong Kong of HK\$546,000,000 (2006: HK\$500,000,000) were revalued at 31st March, 2007 on an open market value basis by Vigers Appraisal & Consulting Limited, independent professional property valuer.
- (b) Investment properties held under long-term lease in the Mainland China of HK\$21,800,000 (2006: HK\$2,400,000) were revalued at 31st March, 2007 on an open market value basis by DTZ Debenham Tie Leung Limited, independent professional property valuer.
- (c) Investment properties with net book value of HK\$546,000,000 (2006: HK\$500,000,000) have been pledged as securities for bank loan (note 31).

18 LAND USE RIGHTS

	2007	Group
	HK\$'000	2006 HK\$'000
At the beginning of the year	947,377	962,814
Changes in exchange rates	2,771	1,306
Additions	15	–
Transferred to investment properties	(2,577)	–
Transferred to completed properties for sale	(48,502)	–
Amortisation	(16,765)	(16,743)
At the end of the year	882,319	947,377
Held outside Hong Kong under:		
Long-term leases	807,551	870,505
Medium-term leases	74,768	76,872
	882,319	947,377

The interests in land use rights represent prepaid operating lease payments, of which HK\$177,565,000 (2006: HK\$180,700,000) are pledged as securities for bank loan (note 31).

19 PROPERTIES FOR/UNDER DEVELOPMENT

	Group	
	2007	2006
	HK\$'000	HK\$'000
At the beginning of the year	20,365	9,697
Changes in exchange rates	3	–
Property development expenditure	18,252	10,514
Interest expenses capitalised	–	154
Transferred to investment properties	(15,336)	–
At the end of the year	23,284	20,365

Properties for/under development amounting to HK\$10,133,000 (2006: HK\$967,000) are pledged as securities for bank loan (note 31).

20 SUBSIDIARIES

	Company	
	2007	2006
	HK\$'000	HK\$'000
Unlisted shares, at cost	150,036	150,036
Impairment	(35,000)	–
	115,036	150,036

Particulars of principal subsidiaries which, in the opinion of the Directors, materially affect the results or net assets of the Group are set out in note 40 to the financial statements.

21 ASSOCIATED COMPANIES

	Group	
	2007	2006
	HK\$'000	HK\$'000
Share of net assets	2,651	213,378
Investments, at cost		
Listed shares in Hong Kong	–	115,940
Unlisted shares	81,334	81,334
	81,334	197,274
Market value of listed shares	–	131,340

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

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

	Group	
	2007	2006
	HK\$'000	HK\$'000
At the beginning of the year	213,378	198,604
Changes in exchange rates	34	23
Additions	–	426
Negative goodwill from additions	–	249
Share of profit before taxation	11,197	23,739
Share of taxation	(2,804)	(4,968)
Dividend received	(10,746)	(10,720)
Deferred profit realised on disposal of an associated company (note 7)	4,566	–
Deferred profit realised on disposal of properties (note 7)	–	6,025
Disposal	(212,974)	–
At the end of the year	2,651	213,378

In February 2007, the Group disposed of its 44.7% equity interests in Midas International Holdings Limited (“Midas”), formerly an associated company, to Chuang’s Consortium International Limited (“Chuang’s Consortium”), the ultimate holding company, at a consideration of HK\$119.4 million, resulting in a loss of HK\$93.6 million.

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2007	2006
	HK\$'000	HK\$'000
Listed equity shares, at market value	46,920	21,896
At the beginning of the year	21,896	33,057
Write off	–	(18)
Change in fair value	25,024	(11,143)
At the end of the year	46,920	21,896

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

23 PROPERTIES FOR SALE

	Group	
	2007	2006
	HK\$'000	HK\$'000
Completed properties	113,909	171,207
Properties under development	62,949	18,895
	176,858	190,102
Properties under development		
At the beginning of the year	18,895	114,763
Changes in exchange rates	618	185
Property development expenditure	42,424	67,054
Interest expenses capitalised	1,012	1,522
Transferred to completed properties	–	(164,629)
At the end of the year	62,949	18,895

Properties under development with net book value of HK\$14,725,000 (2006: Nil) have been pledged as securities for bank loan (note 31).

24 INVENTORIES

	Group	
	2007 HK\$'000	2006 HK\$'000
Raw materials	2,812	2,691
Work in progress	2,453	2,952
Finished goods	2,637	93
	7,902	5,736

All inventories are carried at cost.

25 DEBTORS AND PREPAYMENTS

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Trade debtors	5,201	11,040	–	–
Other debtors	21,360	15,996	422	1,010
Utility and other deposits	127,839	1,999	–	–
Prepayments	2,215	2,523	–	–
	156,615	31,558	422	1,010

Other deposits include a deposit of HK\$125,710,000 (2006: Nil) for acquisition of a piece of land in Changsha, the Mainland China.

Other debtors include amounts receivable from associated companies amounting to HK\$1,609,000 (2006: HK\$2,359,000), which are unsecured, interest free and have no fixed repayment terms, except for an amount of HK\$750,000 which carried interest at prevailing market rates and was fully repaid in October 2006. The remaining balances were fully provided.

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

25 DEBTORS AND PREPAYMENTS (Continued)

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

	2007	2006
	HK\$'000	HK\$'000
Below 30 days	2,946	3,254
31 to 60 days	759	1,542
61 to 90 days	486	1,607
Over 90 days	1,010	4,637
	5,201	11,040

26 AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2007	2006
	HK\$'000	HK\$'000
Amounts receivable	1,801,829	1,824,377
Impairment	(340,000)	(340,000)
	1,461,829	1,484,377

The amounts receivable are unsecured, interest free and have no fixed repayment terms.

27 CASH AND BANK BALANCES

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Cash at bank and in hand	75,861	23,639	344	1,198
Short-term bank deposits	278,300	124,053	261,500	97,589
	354,161	147,692	261,844	98,787

The effective interest rate on short-term bank deposits ranges from 3.61% to 4.01% (2006: 1.71% to 4.37%) per annum and these deposits have maturity ranged from 1 to 90 days (2006: 1 to 365 days).

Bank deposits amounting to HK\$3,223,000 (2006: Nil) are pledged as securities for certain guarantee facility granted to the Group (note 36).

Cash and bank balances are mainly denominated in Hong Kong dollar, Renminbi and United States dollar.

28 CREDITORS AND ACCRUALS

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Trade creditors	2,723	4,236	–	–
Other creditors	27,880	38,817	803	634
Amounts payable to minority shareholders	416	416	–	–
Tenant and other deposits	76,455	11,591	–	–
Accrued expenses	3,446	4,073	–	–
	110,920	59,133	803	634

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

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

28 CREDITORS AND ACCRUALS (Continued)

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

	2007	2006
	HK\$'000	HK\$'000
Below 30 days	1,874	2,612
31 to 60 days	331	849
61 to 90 days	518	698
Over 90 days	–	77
	2,723	4,236

29 SHARE CAPITAL

	2007	2006
	HK\$'000	HK\$'000
Authorised:		
18,000,000,000 shares of HK\$0.05 each	900,000	900,000
Issued and fully paid:		
1,280,549,612 shares (2006: 1,024,439,690 shares) of HK\$0.05 each	64,027	51,222

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

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

30 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 HK\$'000	Total HK\$'000
At 1st April, 2005	1,105,395	97,703	457,792	3,277	(13,613)	(2,862)	(311,467)	1,336,225
Changes in exchange rates	-	-	-	-	-	1,809	-	1,809
Change in fair value of available-for-sale financial assets	-	-	-	-	(11,143)	-	-	(11,143)
Profit for the year	-	-	-	-	-	-	36,023	36,023
2006 proposed final dividend	-	-	-	-	-	-	(12,805)	(12,805)
At 31st March, 2006	1,105,395	97,703	457,792	3,277	(24,756)	(1,053)	(288,249)	1,350,109
Changes in exchange rates	-	-	-	-	-	3,968	-	3,968
Change in fair value of available-for-sale financial assets	-	-	-	-	25,024	-	-	25,024
Rights issue of new shares	87,819	-	-	-	-	-	-	87,819
Loss for the year	-	-	-	-	-	-	(61,949)	(61,949)
2007 proposed final dividend	-	-	-	-	-	-	(12,805)	(12,805)
At 31st March, 2007	1,193,214	97,703	457,792	3,277	268	2,915	(363,003)	1,392,166

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

30 RESERVES (Continued)

Company

	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April, 2005	1,105,395	457,792	978	104,662	1,668,827
Profit for the year	–	–	–	13,527	13,527
2006 proposed final dividend	–	–	(978)	(11,827)	(12,805)
At 31st March, 2006	1,105,395	457,792	–	106,362	1,669,549
Rights issue of new shares	87,819	–	–	–	87,819
Profit for the year	–	–	–	16,933	16,933
2007 proposed final dividend	–	–	–	(12,805)	(12,805)
At 31st March, 2007	1,193,214	457,792	–	110,490	1,761,496

Under the Companies Act 1981 of Bermuda, the contributed surplus arising on the formation of the Company in 1989 is distributable to shareholders. Total distributable reserves of the Company amounted to HK\$123,295,000 (2006: HK\$119,167,000) as at 31st March, 2007.

31 LONG-TERM BORROWINGS

	Group	
	2007 HK\$'000	2006 HK\$'000
Secured bank loans		
Wholly repayable within five years	65,508	281,345
Wholly repayable after five years	272,000	–
	337,508	281,345
Current portion included in current liabilities	(2,000)	(8,000)
	335,508	273,345

31 LONG-TERM BORROWINGS (Continued)

The bank loans are secured by investment properties, land use rights, properties for/under development and properties for sale with an aggregate carrying amount of HK\$748,423,000 (2006: HK\$681,667,000), shares of a subsidiary and guaranteed by the Company. The bank loans are repayable in the following periods:

	Group	
	2007	2006
	HK\$'000	HK\$'000
Within one year	2,000	8,000
Second year	41,508	225,000
Third to fifth year	75,000	48,345
After five years	219,000	–
	337,508	281,345

The effective interest rate of the loans at the balance sheet date is ranging from 4.53% to 5.57% (2006: 4.43% to 5.76%) per annum. The fair values of the loans, based on cash flows discounted using a rate based on the borrowing rates of 4.53% to 5.57% (2006: 4.43% to 5.76%) per annum, are approximate their carrying amounts, which are denominated in the following currencies:

	Group	
	2007	2006
	HK\$'000	HK\$'000
Hong Kong dollar	272,000	233,000
Renminbi	65,508	48,345
	337,508	281,345

32 DEFERRED TAXATION LIABILITIES

	2007	Group
	HK\$'000	2006 HK\$'000
At the beginning of the year	235,366	235,366
Credited to profit and loss account (note 12)	(43,863)	–
At the end of the year	191,503	235,366

Deferred taxation liabilities have been provided for the fair value gains which represent the deferred taxation on the differences between the carrying amounts of the properties for/under development as included in the consolidated financial statements and the relevant subsidiaries. The amounts were based on the date of acquisition of those subsidiaries by the Group in prior years.

On 16th March, 2007, the National People's Congress approved the Corporate Income Tax Law in the Mainland China (the "New CIT Law"), which will reduce the corporate income tax rate from 33% to 25% with effect from 1st January, 2008. Consequently, the Group has reassessed the amount of deferred taxation liabilities base on the revised corporate income tax rate. As a result, deferred taxation liabilities of HK\$43.9 million have been written back during the year. The New CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. However, detailed measures concerning these matters have yet to be issued by the State Council. Consequently, the Group is not in a position to assess the impact, if any, of these changes. The Group will continue to evaluate the impact as more detailed regulations on these areas are announced.

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

Deferred taxation assets of HK\$75 million (2006: HK\$67 million) arising from unused tax losses of HK\$427 million (2006: HK\$384 million) have not been recognised in the financial statements. These tax losses have no expiry dates.

Deferred taxation liabilities of HK\$5 million (2006: HK\$4 million) on temporary differences in respect of depreciation allowances of HK\$31 million (2006: HK\$24 million) and of HK\$12 million (2006: HK\$4 million) on revaluation surplus in respect of investment properties of HK\$66 million (2006: HK\$20 million) have not been recognised in the financial statements as there are sufficient unrecognised deferred taxation assets to set off against them.

33 OTHER NON-CURRENT LIABILITIES

	2007	Group
	HK\$'000	2006 HK\$'000
Provisions (note 34)	21,019	21,019
Loans from minority shareholders	16,693	15,923
	37,712	36,942

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

34 PROVISIONS

	2007	Group
	HK\$'000	2006 HK\$'000
At the beginning of the year	21,019	33,414
Write back (note 7)	–	(12,395)
At the end of the year	21,019	21,019

Pursuant to an agreement dated 29th October, 2001, the Group disposed of certain properties in the Mainland China to Midas, formerly an associated company, and accordingly, a portion of the profit from such disposal has been deferred. The Group would be responsible for 51% of the construction costs for the properties during the period from 14th December, 2001 to completion of the construction. In addition, the Group executed a deed of indemnity dated 14th December, 2001 in favour of Midas, pursuant to which the Group would indemnify Midas the portion of land appreciation and enterprise income taxes in the Mainland China, that may arise upon subsequent disposal of the properties by Midas, attributable to the excess of the consideration paid by Midas over the carrying value of the properties. The provisions represent the estimated liabilities of the Group under the above undertakings and indemnities to Midas. Certain of these properties were disposed of by Midas to third parties in 2005 and therefore the related deferred profit has been recognised (note 21) and the related provisions for the undertakings had been written back by the Group.

35 COMMITMENTS

(a) Capital commitments

	2007	Group
	HK\$'000	2006 HK\$'000
Contracted but not provided for Property development expenditure	34,640	25,087
Authorised but not contracted for	–	–
	34,640	25,087

(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:

	2007	Group
	HK\$'000	2006 HK\$'000
Within one year	575	1,773
Two to five years	155	514
	730	2,287

Of the above operating lease commitment payable, HK\$994,000 was payable to an associated company in 2006.

35 COMMITMENTS (Continued)

(c) **Operating lease rental receivable**

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

	Group	
	2007	2006
	HK\$'000	HK\$'000
Within one year	14,573	10,133
Two to five years	16,737	5,352
	31,310	15,485

36 FINANCIAL GUARANTEES

	Group		Company	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees for mortgage bank loans to purchasers of properties of the Group	69,444	12,588	–	–
Guarantees for bank loan of a subsidiary	–	–	272,000	–
	69,444	12,588	272,000	–

37 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2007	2006
	HK\$'000	HK\$'000
Operating (loss)/profit	(73,674)	27,051
Interest income	(9,588)	(4,618)
Amortisation of land use rights	16,765	16,743
Depreciation	11,121	10,599
Change in fair value of investment properties	(47,487)	(50,000)
Write off of available-for-sale financial assets	–	18
Deferred profit realised on disposal of an associated company	(4,566)	–
Deferred profit realised on disposal of properties	–	(6,025)
Write back of provisions for construction costs and tax liabilities undertakings	–	(12,395)
Negative goodwill	–	(249)
Loss on disposal of an associated company	93,574	–
Gain on disposal of available-for-sale financial assets	(207)	–
Gain on disposal of property, plant and equipment	(74)	(64)
Operating loss before working capital changes	(14,136)	(18,940)
Decrease in properties for sale	106,671	15,370
Increase in inventories	(2,166)	(1,628)
Increase in debtors and prepayments	(125,321)	(5,676)
Increase in creditors and accruals	50,492	832
Changes in exchange rates	3,667	759
Cash from/(used in) operations	19,207	(9,283)

37 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of cash and cash equivalents

	2007 HK\$'000	2006 HK\$'000
Cash and bank balances	354,161	147,692
Bank deposits maturing more than three months from date of placement	(3,223)	(18,365)
	350,938	129,327

38 SUBSEQUENT EVENT

On 11th May, 2007, the Company entered into a conditional transfer agreement with Midas, an associated company of Chuang's Consortium, to dispose of the entire equity interests in, and shareholder's loan to Success Gain Investment Limited, a wholly owned subsidiary whose sole asset is the holding of a piece of industrial land in Dongguan, the Mainland China. The consideration of the transfer is the entire equity interests in, and shareholder's loan to Chuang's Development (Chengdu) Limited, a wholly owned subsidiary of Midas whose sole asset is the holding of an investment property in Chengdu, the Mainland China, and RMB13 million in cash from Midas. The estimated gain on disposal is approximately HK\$2.3 million. Details of the transaction are contained in the circular to the shareholders of the Company dated 4th June, 2007.

39 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 4th July, 2007.

40 PRINCIPAL SUBSIDIARIES

Name	Place of incorporation/ operation	Registered capital/ issued capital	Effective percentage held by Group		Principal activities
			2007	2006	
# Changsha Chuang's Property Development Limited	The Mainland China	US\$10,000,000	100	–	Property development
# Chengdu Palace Development Company Limited	The Mainland China	RMB20,000,000	51	51	Property development
@ China Cyberworld Limited	Hong Kong	2 shares of HK\$1 each	100	100	Investment holding

40 PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation	Registered capital/ issued capital	Effective percentage held by Group		Principal activities
			2007	2006	
@ Chinaculture.com Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	100	100	Investment holding
Chuang's China Commercial Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	100	100	Investment holding
@ Chuang's China Enterprises Limited	Hong Kong	458,310,965 shares of HK\$0.2 each	100	100	Securities trading and investment holding
@ Chuang's China Realty Limited	Bermuda/ Hong Kong	2,000,000 shares of HK\$0.05 each	100	100	Investment holding
@ Chuang's China Treasury Limited	Cayman Islands/ Hong Kong	1 share of US\$1	100	100	Investment holding
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
Chuang's Development (Nanning) Limited	Hong Kong	2 shares of HK\$1 each	100	100	Investment holding
Distinguished Properties Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	100	100	Investment holding
Double Wealthy Company Limited	Hong Kong	160 shares of HK\$1 each	100	100	Investment holding

40 PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation	Registered capital/ issued capital	Effective percentage held by Group		Principal activities
			2007	2006	
Dragon Rich Investments Limited	Hong Kong	2 shares of HK\$1 each	100	100	Property investment
@ Gold Throne Finance Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	–	100	Investment holding
Gold Capital Profits Limited	British Virgin Islands/ Hong Kong	100 shares of US\$1 each	75	75	Investment holding
# Guangzhou Panyu Chuang's Real Estate Development Company Limited	The Mainland China	RMB60,000,000	85	85	Property development and investment
# Hunan Han Ye Real Estate Development Company Limited	The Mainland China	RMB25,000,000	54	54	Property development and investment
Koledo Company Limited	Hong Kong	2 shares of HK\$100 each 2 non-voting deferred shares of HK\$100 each	100	100	Property investment
MD Limited	Hong Kong	1,000,000 shares of HK\$1 each	100	100	Project management
Noble Century Investment Limited	Hong Kong	1,000,000 shares of HK\$1 each	60	60	Investment holding
On Profit Investment Limited	Hong Kong	2 shares of HK\$1 each	100	100	Property development and investment
Silver Chase Investment Limited	Hong Kong	2 shares of HK\$1 each	100	100	Property development and investment

40 PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation	Registered capital/ issued capital	Effective percentage held by Group		Principal activities
			2007	2006	
Silver Dragon Investment Limited	Hong Kong	2 shares of HK\$1 each	100	100	Property development and investment
Success Gain Investment Limited	Hong Kong	2 shares of HK\$1 each	100	100	Property development and investment
Yuen Sang Hardware Company (1988) Limited	Hong Kong	1,000,000 shares of HK\$1 each	100	100	Manufacture and sale of watch components

@ Directly held by the Company
Not audited by PricewaterhouseCoopers

41 PRINCIPAL ASSOCIATED COMPANIES

Name	Place of incorporation/ operation	Issued capital	Effective percentage held by Group		Principal activities
			2007	2006	
Φ# Midas International Holdings Limited	Cayman Islands/ Hong Kong	534,290,068 ordinary shares of HK\$0.10 each	-	44.7	Books printing, paper products printing and property investment
# Treasure Auctioneer International Limited	British Virgin Islands/ Hong Kong	1,000,000 shares of US\$1 each	25	25	Auction services

Φ Listed in Hong Kong
Not audited by PricewaterhouseCoopers

PARTICULARS OF PROPERTIES

The following list contains properties held by the Group which are material to the Group at 31st March, 2007 as the Directors are of the opinion that a complete list will be of excessive length.

1. INVESTMENT PROPERTIES

Location	Term	Usage	Group's interest
Chuang's Tower Nos. 30-32 Connaught Road Central, Central, Hong Kong	Long lease	Commercial	100%
Carpark No. 48, 2nd Floor, and Flat D, 22nd Floor, Block 2, Jin Ming Building, 8 Zun Yi Road South, Shanghai, The People's Republic of China (the "PRC")	Long lease	Commercial/ residential	100%
Club house of Gold Coast, Phase II Chuang's New City, Dongguan, Guangdong, The PRC	Long lease	Commercial	100%

2. BUILDINGS

Location	Term	Usage	Group's interest
Chuang's New City Administrative Centre Dongguan, Guangdong, The PRC	Long lease	Office	100%

PARTICULARS OF PROPERTIES (Continued)

3. PROPERTIES FOR SALE

Location	Stage of completion	Expected completion date	Usage	Site area (sq. m.)	Unsold gross floor area	Group's interest
Gold Coast, Phase II Chuang's New City, Dongguan, Guangdong, The PRC	Completed	Completed	Residential	30,242	29,886 (and 370 carparking spaces)	100%
Chuang's Garden, Phases I, II and III Chuang's New Town, Huizhou, Guangdong, The PRC	Completed	Completed	Residential	16,400	5,956	100%
Beverly Hills, Phase I, Changsha, Hunan, The PRC	Construction works in progress	End of 2007	Residential/commercial	95,948	over 70,000	54%

4. LAND USE RIGHTS AND DEVELOPMENT RIGHTS

Location	Stage of completion	Expected completion date	Usage	Approximate site area (sq. m.)	Approximate gross floor area	Group's interest
Chuang's Le Papillon, Guangzhou, Guangdong, The PRC	Site investigation works completed	Early 2009	Comprehensive development area	204,000	450,000	85%
Imperial Garden, Phase III Chuang's New City, Dongguan, Guangdong, The PRC	Site investigation works completed	Early 2009	Comprehensive development area	236,000	530,000	100%
Chuang's New Town, Huizhou, Guangdong, The PRC	Planning stage	N/A	Comprehensive development area	66,000	144,000	100%
Beverly Hills, Changsha, Hunan, The PRC	Planning stage	N/A	Comprehensive development area	900,000	1,530,000	54%
Xingsha Beverly Hills, Changsha, Hunan, The PRC	Master planning completed	Early 2009	Comprehensive development area	280,000	500,000	100%

SUMMARY OF RESULTS, ASSETS AND LIABILITIES

	2007	2006	Restated 2005	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	230,292	77,228	54,857	53,861	63,879
(Loss)/profit for the year	(70,411)	34,153	11,025	20,238	(67,161)
Minority interests	8,462	1,870	793	114	333
(Loss)/profit attributable to equity holders	(61,949)	36,023	11,818	20,352	(66,828)
(Loss)/earnings per share (HK cents)	(4.86)	3.34	1.16	1.99	(6.52)
Total assets	2,247,146	2,115,289	2,012,670	2,155,544	2,152,938
Total liabilities	712,653	628,460	576,852	557,929	565,154
Minority interests	1,534,493	1,486,829	1,435,818	1,597,615	1,587,784
Net assets attributable to equity holders	65,495	72,693	72,536	85,185	85,299
Net assets attributable to equity holders	1,468,998	1,414,136	1,363,282	1,512,430	1,502,485

Note: The accounting policies were changed in 2006 and the figures prior to 2005 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 Thursday, 30th August, 2007 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 auditors for the year ended 31st March, 2007.
2. To declare a final dividend.
3. To re-elect retiring Directors as directors of the Company and to authorise the board of Directors to fix the remuneration of the Directors.
4. To re-appoint auditors and to authorise the board of Directors to fix their remuneration.
5. To consider and, if thought fit, pass with or without amendments the following resolutions as ordinary resolutions:

Ordinary Resolutions

(1) **"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
- (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."

NOTICE OF ANNUAL GENERAL MEETING (Continued)

(2) **“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 or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of Shares or rights to subscribe or otherwise acquire Shares in the capital 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.”

- (3) “**THAT** subject to the passing of Resolutions numbered (1) and (2), 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 (2) 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 (1) 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.”

6. To transact any other business.

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

Hong Kong, 20th July, 2007

NOTICE OF ANNUAL GENERAL MEETING *(Continued)*

Notes:

1. Any member entitled to attend and vote at the meeting 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 meeting or any adjournment thereof.
3. The register of members of the Company will be closed from Monday, 27th August, 2007 to Thursday, 30th August, 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrars in Hong Kong, Progressive Registration Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on Friday, 24th August, 2007.
4. Concerning Resolutions numbered 3, 5(1), 5(2) and 5(3) 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 2007 Annual Report.

Chuang's China Investments Limited

25th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong