



CHUANG'S  
CHINA  
INVESTMENTS LIMITED  
**ANNUAL REPORT 2008**

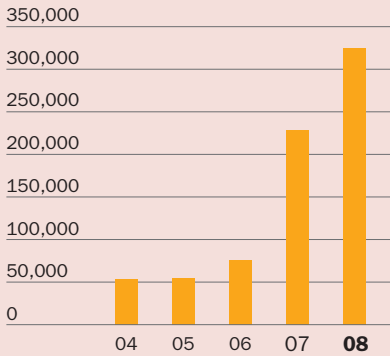
(Incorporated in Bermuda with limited liability) Stock Code: 298

**..... the Group focuses on developing high quality residential properties integrated with commercial and modern amenities and services**

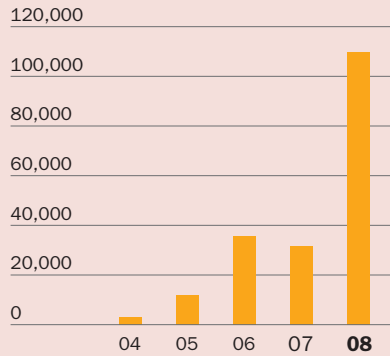
**with the relatively low land cost of the Group's projects, there will be remarkable returns to shareholders in the coming years**

# Financial Highlight

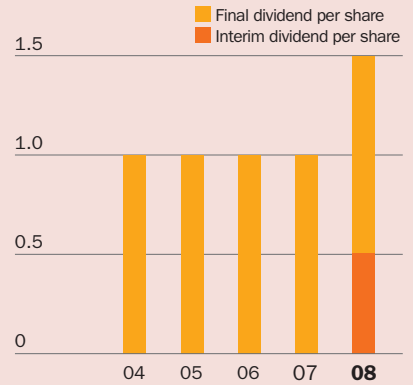
**Revenues** HK\$'000



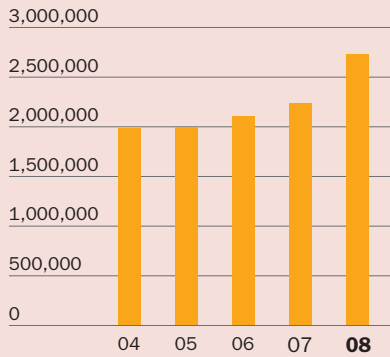
**Profit Attributable to Equity Holders** HK\$'000



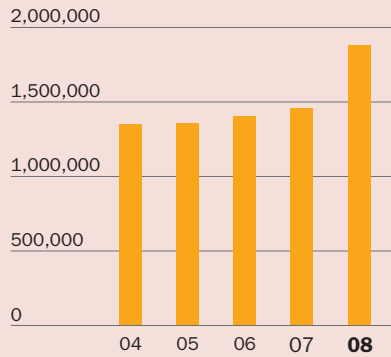
**Dividend per Share** HK cents



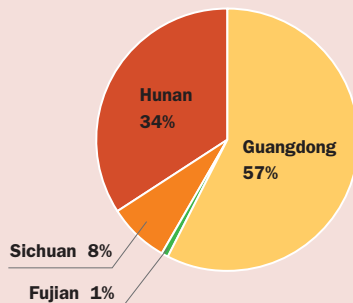
**Total Assets** HK\$'000



**Shareholders' Funds** HK'000



**Developable GFA by Province**



# Five Years' Summary

## Results

	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000
Revenues	53,861	54,857	77,228	230,292	<b>327,189</b>
Profit attributable to equity holders	2,971	11,818	36,023	31,625*	<b>110,244</b>
EPS (HK cents)	0.29	1.16	3.34	2.48*	<b>7.74</b>
Dividend per share (HK cents)					
Interim	-	-	-	-	<b>0.50</b>
Final	1.00	1.00	1.00	1.00	<b>1.00</b>
Total	1.00	1.00	1.00	1.00	<b>1.50</b>

\* Excluded one-off accounting loss of HK\$93.6 million

## Assets and Liabilities

	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000
Non-current assets	1,763,623	1,688,607	1,740,201	1,551,610	<b>810,623</b>
Current assets	232,069	324,063	375,088	695,536	<b>1,933,274</b>
Total assets	1,995,692	2,012,670	2,115,289	2,247,146	<b>2,743,897</b>
Total liabilities	(564,004)	(576,852)	(628,460)	(712,653)	<b>(847,615)</b>
Minority interests	(71,978)	(72,536)	(72,693)	(65,495)	<b>(6,502)</b>
Shareholders' funds	1,359,710	1,363,282	1,414,136	1,468,998	<b>1,889,780</b>

## Net Debt to Equity Ratio

	2004 HK\$'M	2005 HK\$'M	2006 HK\$'M	2007 HK\$'M	2008 HK\$'M
Cash and bank balances	184.2	157.9	147.7	354.2	<b>453.9</b>
Bank borrowings	245.0	239.0	281.3	337.5	<b>455.9</b>
Net debt to equity ratio (%)	4.47	5.95	9.50	N/A	<b>0.11</b>

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# Corporate Information

## Honorary Chairman

Alan Chuang Shaw Swee

## Directors

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

Tricor Progressive 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 Limited

## 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-s-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,  
No. 8 Chuang's Road, Dongguan,  
Guangdong, the PRC

**Changsha Office**

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

**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,  
Kai Cheng Road, Huizhou,  
Guangdong, the PRC

## Corporate Information (continued)

### Sales Offices in Hong Kong and in the PRC

#### **Chengdu Office**

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

#### **Hong Kong Sales Office**

Lower Ground 2nd Floor,  
Chuang's London Plaza,  
No. 219 Nathan Road,  
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,  
No. 8 Chuang's Road, Dongguan,  
Guangdong, the PRC

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

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

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

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

### Stock Code

298



# Biographical Details of Honorary Chairman, Directors and Senior Management

## HONORARY CHAIRMAN

**Mr. Alan Chuang Shaw Swee** (aged 56), the honorary chairman of the Company, the chairman of Chuang's Consortium International Limited ("Chuang's Consortium") and the honorary chairman of Midas International Holdings Limited ("Midas"). He has extensive experience in business development and investment in Hong Kong, the People's Republic of China (the "PRC") and Southeast Asia. With his substantial connections, he has been actively involved in development and management of investments in Hong Kong and Southeast Asia. He was an Adviser of Hong Kong Affairs and a member of the Selection Committee for the Government of the Hong Kong Special Administrative Region. He is a member of the National Committee of The Chinese People's Political Consultative Conference, a member of All-China Federation of Returned Overseas Chinese, a member of China Overseas Friendship Association, the Deputy Chairman of ESE Literature Fund, an economic adviser to Chengdu, Sichuan, an overseas consultant to Sichuan Provincial Overseas Exchanges Association, an Honorary Citizen of Xiamen City, Guangzhou City and Chia-Yi, Taiwan and a director of the Board of Trustees of Jimei University, Xiamen City. He is also the Vice President of the Hong Kong Factory Owners Association, the Honorary President of the Hong Kong Federation of Overseas Chinese Association, a director of the Chinese General Chamber of Commerce, the Senate of the Democratic Alliance for the Betterment and Progress of Hong Kong, the Life Honorary President and the Vice Director of the General Association of Xiamen (Hong Kong) Limited, the Permanent President of Hong Kong Hui An Natives Association, the Life Honorary President of Chuang & Yen Clansmen's General Association and a director of the Hong Kong Digestive Foundation Limited and the Friends of Hong Kong Associated Limited.

## DIRECTORS

**Mr. Abraham Shek Lai Him** S.B.S., J.P., (aged 63), was appointed as the chairman and an independent non-executive director of the Company in April 2008. He is currently a member of the Legislative Council for the Hong Kong Special Administrative Region, the Council of The Hong Kong University of Science & Technology and the Court of The University of Hong Kong. He holds a bachelor degree of arts. He is also an independent non-executive director of Chuang's Consortium, Midas, Paliburg Holdings Limited, Lifestyle International Holdings Limited, NWS Holdings Limited, See Corporation Limited, Titan Petrochemicals Group Limited, ITC Corporation Limited, Country Garden Holdings Company Limited, Hop Hing Group Holdings Limited, MTR Corporation Limited and Hsin Chong Construction Group Ltd., all are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and a director of The Hong Kong Mortgage Corporation Limited. Mr. Shek is also an independent non-executive director of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust, and Regal Portfolio Management Limited, the manager of Regal Real Estate Investment Trust, both trusts are listed on the Stock Exchange.

**Mr. Lee Sai Wai** (aged 71), the deputy chairman, has over 23 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, 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 47), the managing director, has over 22 years of experience in finance and investment banking. She is also an executive director of Midas. 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.

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

**Mr. Sunny Pang Chun Kit** (aged 50), an executive director, has over 30 years of experience in construction and real estate development business and is responsible for the property projects of the Group in 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 26), an executive director, has 4 years of 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 and Fujian Youth Federation and an executive director of Hong Kong United Youth Association. She joined the Group in 2005. Miss Chuang is the daughter of Mr. Alan Chuang Shaw Swee, 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 76), an independent non-executive director and had been the chairman 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.

**Mr. David Chu Yu Lin** S.B.S., J.P., (aged 64), was appointed an independent non-executive director in 1997. Mr. Chu has extensive experience in finance, banking and property investment. He has a bachelor of science degree and a master of science degree both from Northeastern University and a master of business administration degree from Harvard University. He is 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 86), 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.

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

**Mr. Chan Wai Dune** (aged 55), was appointed an independent non-executive director in 2005. Mr. Chan has over 27 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, Welling Holding Limited, Jinheng Automotive Safety Technology Holdings Limited, Minmetals Resources Limited, Sam Woo Holdings Limited, Hunan Nonferrous Metals Corporation Limited and Chaoyue Group Limited, all 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.

**Ms. Lee Wai Ching** (aged 47), the company secretary, has over 24 years of experience in corporate services and office administration. She holds a master degree in business administration and a master degree in laws. She is a fellow of both the Institute of Chartered Secretaries and Administrators in the United Kingdom and the Hong Kong Institute of Chartered Secretaries. She joined the Group in 1998.

**Miss Lai Wan Han** (aged 34), the qualified accountant and financial controller, has over 11 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.

## SENIOR MANAGEMENT

**Mr. Huang Shi Zhao** (aged 52), the general manager of the Group's operation in Guangdong, the PRC. He has over 34 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 43), the general manager of the Group's operation in Hunan, the PRC. He has over 20 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.



The Group's revenues increased by 42%, net profit amounted to HK\$110,200,000, dividends per share increased by 50%.





# Chairman's Statement

## FINANCIAL REVIEW

The Group's revenues for the year ended 31st March, 2008 was HK\$327.2 million (2007: HK\$230.3 million), representing 42.1% increase over that of last year. The increase was principally related to sale of properties in the People's Republic of China (the "PRC") which represented 80% of the Group's total revenues.

As a result of the increase in revenues, gross profit for the year increased by 48.4% to HK\$113.7 million (2007: HK\$76.6 million), representing a gross profit margin of about 34.7%. Other income increased to HK\$48.4 million. As a result of the strong office market in Hong Kong, the revaluation of the Group's investment properties has led to a gain in fair value of HK\$104.4 million. On the costs side, selling and marketing expenses remained at the same level, administrative expenses decreased by 9.1% and other operating expenses decreased by 36.0%. Thus, the Group reported an operating profit of HK\$165.6 million during the year (2007: operating loss of HK\$73.7 million). Finance costs increased by 20.7% to HK\$18.8 million as borrowings increased for our PRC property development. Taking all these into account, profit attributable to equity holders of the Company was HK\$110.2 million (2007: loss of HK\$61.9 million). Earnings per share were 7.74 HK cents (2007: loss per share of 4.86 HK cents).

## DIVIDENDS

The Directors have resolved to recommend for the shareholders' approval at the forthcoming annual general meeting the payment of a final dividend of 1.0 HK cent (2007: 1.0 HK cent) per share for the year ended 31st March, 2008. The final dividend, if approved, will be paid on or before 22nd October, 2008 by allotment of new shares with a cash option to the shareholders whose names appear on the Company's register of members on 28th August, 2008.

Subject to the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of and permission to deal in the new shares to be issued pursuant to the scrip dividend scheme, new share entitlements will be calculated by reference to the average of the closing prices on the Stock Exchange of the shares of the Company for the five consecutive trading days up to and including 28th August, 2008. A circular giving full details of the scrip dividend scheme and a form of election will be sent to the shareholders as soon as practicable.

An interim dividend of 0.5 HK cent (2007: Nil) per share has been paid in respect of the current financial year. Total dividends for the year amounted to 1.5 HK cents (2007: 1.0 HK cent) per share, representing an increase of 50%.

## BUSINESS REVIEW

### Land Acquisitions and Disposal

During the year ended 31st March, 2008, the Group completed the acquisition of the 15% minority interests in the subsidiary which owns Chuang's Le Papillon in Guangzhou, and is now wholly owned by the Group. Furthermore, the Group has invested in two projects, one in Chengdu and the other in Xiamen. The aggregate consideration for these acquisitions amounted to about RMB277 million.

In January 2008, the Group entered into an agreement with 大亞灣經濟技術開發集團公司 (Daya Bay Economic & Technological Development Group), a state-owned enterprise, to dispose of the Group's interest in a site of 55,355 sq. m. at Huizhou for about RMB195 million with original completion date before the end of April 2008. Deposit of about RMB14 million has been received. As affected by the macro economic measures in the PRC, 大亞灣國資委 (Daya Bay State-owned Assets Supervision and Administration Commission) has proposed for deferring completion of the transaction. The Group is currently considering the proposal.

Summary of the Group's projects is as follows:

	Total developable GFA (sq. m.)
Chuang's Le Papillon, Guangzhou	450,000
Imperial Garden, Chuang's New City, Dongguan	530,000
Beverly Hills, Changsha	1,600,000*
Chuang's Palazzo Caesar, Changsha	500,000
Chuang's Le Printemps, Chengdu	130,000
Xiamen Mingjia Binhai, Xiamen	16,500
<b>Total</b>	<b>3,226,500</b>

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

# BUSINESS REVIEW

## Property Development

With the implementation of a series of macro economic control policies in the PRC, property markets have been affected by the tightening of liquidity. The Group has cautiously reviewed the development schedule as follows:

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

Chuang's Le Papillon has total GFA of over 450,000 sq. m. and is located close to the station of Guangzhou Metro route number 4. Major improvements on city planning and infrastructures are being carried out in preparation for the 2010 Asian Games to be hosted in Guangzhou, and there will be athlete and games complex located some 3 km from Chuang's Le Papillon. Furthermore, the new Guangzhou-Shenzhen-Hong Kong Express Rail Link that is now under construction will shorten travelling time to less than 50 minutes from Guangzhou to West Kowloon of Hong Kong and will greatly stimulate demand from property buyers. All these improvements will strengthen the sustaining growth in the local property market.



The first phase of Chuang's Le Papillon comprising 60,000 sq. m. residential GFA and 10,000 sq. m. commercial and club house is under development. It will provide 11 residential blocks of over 400 apartments with typical flats ranging from 90 sq. m. to 185 sq. m. and executive duplex units of 343 sq. m.. Marketing will commence shortly and pre-sales will be launched in the third quarter of 2008.



# BUSINESS REVIEW

## Property Development (continued)

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



#### Imperial Garden, Chuang's New City, Dongguan

**Site Area:** 236,000 sq. m.

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

Chairman's Statement (continued)

## BUSINESS REVIEW

### Property Development (continued)

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



*Imperial Garden – perspective (above); under construction (below)*

## BUSINESS REVIEW

### Property Development (continued)

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



*Imperial Garden, shopping mall*

Chuang's New City has 530,000 sq. m. GFA and is located 18 km from the new Humen Station (虎門站) of the Guangzhou-Shenzhen-Hong Kong Express Rail Link that is now under construction. Furthermore, our site is just 3 minutes away from the exit of the new coastal highway under construction serving Guangzhou to Shekou, and in turn linking to Hong Kong by way of the Hong Kong-Shenzhen Western Corridor. Situated along these exciting

infrastructures, travelling from Chuang's New City to Guangzhou, Shenzhen or Hong Kong will be less than 40 minutes. To capture the advantages of the faster economic activities driven by these new infrastructures, the Group is reviewing the master plan of Chuang's New City and will incorporate a landmark complex providing luxurious hotel/service apartments and modern commercial mall.

Chairman's Statement (continued)

## BUSINESS REVIEW

### Property Development (continued)

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



Construction has commenced on Imperial Garden, the Phase III of Chuang's New City, with foundation works for total GFA of 146,000 sq. m. being completed. Superstructure works for 8 residential blocks with total GFA of 89,000 sq. m. are in full swing and will be completed in the financial year ending 2009. There will be over 600

apartments with typical flats ranging from 80 sq. m. to 160 sq. m., executive duplex units of about 280 sq. m. and unique simplex units of 445 sq. m.. In addition, superstructure works for another 6 residential blocks with GFA of 57,000 sq. m. will be ready for take off. Marketing of Phase III has commenced and pre-sales will be launched in the third quarter of 2008.

# 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.

Chairman's Statement (continued)

## BUSINESS REVIEW

### Property Development (continued)

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



At Beverly Hills of Changsha, construction works for 70,000 sq. m. GFA are progressing satisfactorily. During the financial year ended 2008, the low density development comprising 164 link houses and semi-detached houses with about 46,000 sq. m. GFA has been completed. Development of 144 units of high rise apartments with 19,800 sq. m. GFA and 8 bungalows with 4,200 sq. m. GFA will be completed within the next few months. Phase II

development of 480 mu is under planning stage. Sales are in progress with about 90% of link houses and 42% of semi-detached houses being sold. Pre-sales of high rise apartments have commenced with 26% sold. The Group will market the remaining 11 link houses, 38 semi-detached houses and 106 high rise apartments as well as the 8 bungalows in the financial year ending 2009.

Chairman's Statement (continued)

## BUSINESS REVIEW

Property Development (continued)

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





Chairman's Statement (continued)

## BUSINESS REVIEW

### Property Development (continued)

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

To enhance the higher value of development projects, the Group has included a boutique hotel and residence for sale with about 180 keys in the development of Changsha. It occupies a site area of about 7,800 sq. m. and total GFA is about 10,600 sq. m.. Superstructure works for the hotel development will be finished around mid July. The Group will enter into management agreement with an international hotel management group for operation of this hotel, so as to enhance the quality of our hotel management service as well as to nurturing and training talents. To enhance the quality of our residential development, the concierge services and all the club facilities of the hotel will be enjoyed by the residents of Beverly Hills.



*Boutique hotel and residence – perspective (below); under construction (above)*

## BUSINESS REVIEW

### Property Development (continued)

#### Chuang's Palazzo Caesar, Changsha, Hunan (100% owned)

The site of Chuang's Palazzo Caesar was delivered to the Group in April 2008. Master planning work for 500,000 sq. m. GFA is almost finalising. The development will

comprise low density semi-detached houses, link houses, bungalows, as well as apartments and commercial facilities. Site formation works have commenced on Phase I of 55,000 sq. m. GFA.



Bungalow



Link House



Clubhouse

## BUSINESS REVIEW

### Property Development (continued)

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

The site, having an area of about 30,000 sq. m., is situated in the prime area within the second ring road, in the region of 武侯區 (Wu Hou Qu). The development will comprise residential and commercial GFA of about 130,000 sq. m. and basement area of about 80,000 sq. m.. Master planning is in progress and the main theme is to create a health conscious environment with a combination of residences and commercial facilities and open spaces.

#### Xiamen Mingjia Binhai, Xiamen, Fujian (51% owned)

The site, having an area of about 27,574 sq. m., is located in 思明區 (Siming Qu) of Xiamen, and is within walking distance to the nearby beach area. It will be developed into luxurious villas and resort with GFA of about 16,500 sq. m. providing full hotel services and facilities blended with abundant greenery landscaping. Master planning work for this villa and resort is progressing. On the site, the Group will develop 40 villas with a plot ratio of just 0.3, aiming to create a secluded elegant lifestyle. A deluxe boutique hotel with 100 keys will be built and water features including waterfalls, cascades and infinity pool concept will be incorporated. The Group is in discussions with an international hotel management group regarding management and operation of this hotel.



Chuang's Le Printemps

# BUSINESS REVIEW

## Property Sales

For the financial year ended 2008, total property sold and recognised as revenue was about HK\$258.7 million, representing 56% increase when compared to that of the last corresponding year. The sales are principally relating to completed properties of Gold Coast in Dongguan and Beverly Hills in Changsha.

In the financial year ending 2009, the Group will market about 241,600 sq. m. GFA relating to projects in Dongguan, Guangzhou and Changsha, and 261 carparking spaces in Dongguan:



	Completed properties sq. m.	Properties under development sq. m.	Total GFA sq. m.
Gold Coast, Chuang's New City, Dongguan	1,950	–	1,950
Imperial Garden, Chuang's New City, Dongguan	–	146,000	146,000
Chuang's Le Papillon, Guangzhou	–	60,000	60,000
Beverly Hills, Changsha	33,650	–	33,650
	35,600	206,000	241,600

Up to the date of this report, the Group has contracted sales of about HK\$86 million relating to Gold Coast and Beverly Hills which can be recognised as revenue upon handover of properties in the financial year ending 2009.

Chairman's Statement (continued)

# BUSINESS REVIEW

## Property Management



*Supreme Homes*

The Group places strong emphasis on providing comprehensive property management services to meet customers' needs, which is one factor enhancing the quality of living environment. The Group believes that sustaining our quality and continuously upgrading our services will attract loyal customers.

The Company strives to provide premium property management services to property owners. Residents of our development will automatically become club members of the Group's Supreme Homes, which enables them to enjoy facilities within the club houses of all our property development in the PRC.



## BUSINESS REVIEW

### Other Investments

The Group owns Chuang's Tower in Central, Hong Kong with a total area of 60,587 sq. ft. of commercial and office space. Under the strong demand for office and commercial spaces in Central, Chuang's Tower maintained full occupancy with continuous rental improvement. Rental and other income during the year amounted to HK\$20.0 million, representing a 31.6% increase over that of last year. As adjustments in the PRC property market present good opportunities for the Group to expand our land bank in the PRC, accordingly, the Group will take advantage of the strong office market in Hong Kong to dispose of Chuang's Tower and has appointed a leading international agent to market Chuang's Tower.

The Group's other non-core assets include Yuen Sang Hardware Company (1988) Limited which engaged in the manufacture and sale of metalware for exports, 12.5% interests in a quoted investment in CNT Group Limited and 25% interests in Treasure Auctioneer International Limited.

The aggregate book values of these other investments amounted to over HK\$701 million as at 31st March, 2008. Apart from the marketing of Chuang's Tower as aforesaid, the Group will also assess the sale of these non-core assets when suitable opportunities arise and expected that such sales will generate substantial proceeds for additional working capital.



Chuang's Tower

## FINANCIAL POSITIONS

In August 2007, the Group raised net proceeds of approximately HK\$310 million by placing 220 million new shares to independent investors. The share placement further solidified the Group's financial strength for its property development business and the net proceeds have been used to finance the property development projects in the PRC.

As at 31st March, 2008, the Group's cash and bank balances amounted to HK\$453.9 million (2007: HK\$354.2 million). Bank borrowings of the Group as at the same date amounted to HK\$455.9 million (2007: HK\$337.5 million).

The net debt to equity ratio of the Group (expressed as a percentage of bank borrowings net of cash and bank balances over total net assets value attributable to the equity holders of the Company) was 0.1% (2007: N/A).

Approximately 78.5% of the Group's cash and bank balances were in Hong Kong dollar, United States dollar with the remaining 21.5% in Renminbi. Risk in exchange rate fluctuation would not be material.

About 59.2% of the Group's bank borrowings were in Hong Kong dollar and 40.8% in Renminbi. Approximately 33.0% of the Group's bank borrowings were repayable within one year, 11.9% repayable within 1 to 2 years, 11.2% repayable within 2 to 5 years and 43.9% repayable after 5 years.

As at 31st March, 2008, the net assets value attributable to equity holders of the Company was HK\$1,889.8 million. Net asset value per share amounted to HK\$1.26, which is calculated based on the historical cost of the Group's land bank, before taking into account the appreciated value.

## PROSPECTS

Looking forward, the Group remains cautiously optimistic about the property market in the PRC. Despite the challenges ahead, the Group believes that with sustaining economic growth, high savings, Renminbi appreciation and fast pace of urbanisation, the property market in the PRC is well supported by strong underlying demand from end users and investors. The real estate industry in the PRC will regain its stable development, after a short period of transitional adjustments and we remain bullish on the long-term prospects of the industry.

The Group continues to focus on development of high-end residential properties integrated with commercial and modern amenities and services. With the relatively low land cost of the Group's projects, there will be remarkable returns to shareholders in the coming years.

## STAFF

As at 31st March, 2008, the Group employed 336 staff. In addition, the subcontracting factories of the Group have 591 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.

## APPRECIATION

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

**Abraham Shek Lai Him**  
*Chairman*

Hong Kong, 3rd July, 2008

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

\* 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. Abraham Shek Lai Him	Chairman and Independent Non-Executive Director	0/4*
Mr. Lee Sai Wai	Deputy Chairman	4/4
Miss Ann Li Mee Sum	Managing Director	4/4
Mr. Sunny Pang Chun Kit	Executive Director	3/4
Miss Candy Chuang Ka Wai	Executive Director	3/4
Dr. Hwang Jen	Independent Non-Executive Director	4/4
Mr. David Chu Yu Lin	Independent Non-Executive Director	3/4
Dr. Peter Po Fun Chan	Independent Non-Executive Director	4/4
Mr. Chan Wai Dune	Independent Non-Executive Director	1/4

\* Mr. Abraham Shek Lai Him was appointed as the Chairman and an Independent Non-Executive Director on 24th April, 2008.

## REPORT ON CORPORATE GOVERNANCE PRACTICES (Continued)

### (A) The Board (Continued)

(v) **Chairman and Chief Executive Officer**

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

(vi) **Responsibilities of Directors**

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

(vii) **Directors' dealings in securities**

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

(viii) **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.

### (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.

## REPORT ON CORPORATE GOVERNANCE PRACTICES (Continued)

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

#### (iii) Remuneration Committee (Continued)

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

### (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.

## REPORT ON CORPORATE GOVERNANCE PRACTICES (Continued)

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

#### (iii) Audit Committee (Continued)

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

#### (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	HK\$'000
Audit services	1,150

### (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 2007 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, 2008.

On behalf of the Board of

**Chuang's China Investments Limited**

**Ann Li Mee Sum**

*Managing Director*

Hong Kong, 3rd July, 2008

# 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, 2008.

## 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 42 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 income statement on page 45.

The Directors have resolved to recommend for the shareholders’ approval at the forthcoming annual general meeting the payment of a final dividend of 1.0 HK cent (2007: 1.0 HK cent) per share for the year ended 31st March, 2008. The final dividend, if approved, will be paid on or before 22nd October, 2008 by allotment of new shares with a cash option to the shareholders whose names appear on the Company’s register of members on 28th August, 2008.

Subject to the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting listing of and permission to deal in the new shares to be issued pursuant to the scrip dividend scheme, new share entitlements will be calculated by reference to the average of the closing prices on the Stock Exchange of the shares of the Company for the five consecutive trading days up to and including 28th August, 2008.

An interim dividend of 0.5 HK cent (2007: Nil) per share has been paid in respect of the current financial year. Total dividend for the year amounted to 1.5 HK cents per share (2007: 1.0 HK cent per share), representing an increase of 50%.

## SUBSIDIARIES

Particulars regarding the principal subsidiaries of the Company are set out in note 42 to the financial statements.

## RESERVES

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

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

### **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 and property projects in the People's Republic of China (the "PRC") held by the Group are set out on page 102 to page 104.

### **SHARE CAPITAL**

Movements in share capital during the year are set out in note 31 to the financial statements.

### **DONATIONS**

During the year, the Group made charitable and other donations amounting to HK\$1,956,000.

### **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, 2008 is shown on the inside cover.



## Report of the Directors (continued)

### DIRECTORS

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

Mr. Abraham Shek Lai Him	(appointed on 24th April, 2008)
Mr. Lee Sai Wai	
Miss Ann Li Mee Sum	
Mr. Sunny Pang Chun Kit	
Miss Candy Chuang Ka Wai	
Dr. Hwang Jen	
Mr. David Chu Yu Lin	
Dr. Peter Po Fun Chan	
Mr. Chan Wai Dune	
Ms. So Kan Yiu	(resigned on 3rd July, 2007)
Mr. Ko Sheung Chi	(resigned on 24th April, 2008)

In accordance with the Company's Bye-law nos. 86(2) and 86(3), and Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), Mr. Abraham Shek Lai Him, Mr. Sunny Pang Chun Kit and Dr. Hwang Jen will retire from the Board at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the annual general meeting. Mr. Chan Wai Dune will also retire at the annual general meeting but will not offer himself 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, 2008, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors and chief executive of the Company would be taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Interests in the Company		
	Number of shares	Capacity	Percentage of shareholding
Dr. Hwang Jen	1,137,139	Beneficial owner	0.08
Mr. Lee Sai Wai	808,000	Beneficial owner	0.05
Mr. Sunny Pang Chun Kit	620,000	Beneficial owner	0.04
Miss Candy Chuang Ka Wai	1,000,000	Beneficial owner	0.07
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	Capacity	Percentage of shareholding
Mr. Lee Sai Wai	169,898,927	Note	11.44
Dr. Peter Po Fun Chan	756,297	Beneficial owner	0.05

Note: Interests in 169,175,703 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, 2008, 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

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"), a company listed on the Stock Exchange, the principal activities of which include property investments in the PRC. As the properties owned by Midas 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 Midas.

### 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, 2008, 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")	807,396,556	Beneficial Owner	53.81
CCIL	807,396,556	Note 1	53.81
Evergain Holdings Limited ("Evergain")	807,396,556	Note 1	53.81
Mr. Alan Chuang Shaw Swee ("Mr. Chuang")	809,996,556	Note 1	53.98
Mrs. Chong Ho Pik Yu	809,996,556	Note 2	53.98
Capital Research and Management Company	106,381,000	Investment Manager	7.09

Note 1: Interests in 807,396,556 shares of 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 through Evergain, a company beneficially owned by Mr. Chuang. The remaining 2,600,000 shares of the Company are beneficially owned by Mr. Chuang.

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

## Report of the Directors (continued)

### **SUBSTANTIAL SHAREHOLDERS (Continued)**

Save as disclosed above, as at 31st March, 2008, there was no other person who was recorded in the register of the Company as having interests and short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which was required, pursuant to Section 336 of Part XV of the SFO, to be entered in the register referred to therein.

### **CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS**

Save as disclosed, 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 33 to the financial statements.

### **PLEDGE OF ASSETS**

As at 31st March, 2008, 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\$809,816,000 (2007: HK\$751,646,000), to secure banking and financial guarantee facilities granted to those subsidiaries.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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

### **MAJOR SUPPLIERS AND CUSTOMERS**

The aggregate purchases attributable to the largest supplier and five largest suppliers of the Group accounted for 28% and 56% respectively of the total purchases of the Group for the year.

The aggregate sales attributable to the five largest customers of the Group accounted for less than 30% 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 of the Group.

### **RETIREMENT SCHEMES**

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

## 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 6.83% 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, 2008.

## CONNECTED TRANSACTIONS

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

1. 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 connected transaction were contained in the circular to shareholders of the Company dated 4th June, 2007.
2. On 1st November, 2007, the Group entered into a tenancy agreement with Jannerson Limited, a wholly owned subsidiary of CCIL, for the lease of a property for a term of two years from 1st November, 2007 to 31st October, 2009. Details of the continuing connected transaction were announced by the Company on 1st November, 2007.

The Independent Non-Executive Directors have reviewed and confirmed that the continuing connected transaction has been entered into in the ordinary and usual course of business of the Group, on normal commercial terms and in accordance with the relevant agreement governing such transaction on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the auditors of the Company have performed certain agreed-upon procedures on the above continuing connected transaction in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants and reported that the continuing connected transaction has been approved by the Board, has been entered into in accordance with the terms of the relevant agreement governing such transaction and has not exceeded the cap disclosed in the announcement dated 1st November, 2007.

## DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

1. 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 times during the subsistence of the term loan facility. As at 31st March, 2008, the loan outstanding was HK\$270 million and the last instalment of the loan is repayable on 30th September, 2013.
2. The Group has entered into a loan agreement on 27th June, 2008, which still subsists as at the date of this report, with a bank for a five-year term loan facility of up to HK\$100 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 times during the subsistence of the term loan facility. The last instalment of the loan is repayable on 30th September, 2013.

## Report of the Directors (continued)

### 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, 3rd July, 2008

# 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 101, which comprise the consolidated and company balance sheets as at 31st March, 2008, and the consolidated income statement, 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, 2008 and of the profit 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, 3rd July, 2008



# Consolidated Income Statement

For the year ended 31st March, 2008

	Note	2008 HK\$'000	2007 HK\$'000
Revenues	5	<b>327,189</b>	230,292
Cost of sales		<b>(213,508)</b>	(153,649)
Gross profit		<b>113,681</b>	76,643
Other income	7	<b>48,379</b>	9,517
Selling and marketing expenses		<b>(15,246)</b>	(15,674)
Administrative expenses		<b>(77,320)</b>	(85,093)
Other operating expenses		<b>(8,302)</b>	(12,980)
Loss on disposal of an associated company		–	(93,574)
Change in fair value of investment properties		<b>104,435</b>	47,487
Operating profit/(loss)	8	<b>165,627</b>	(73,674)
Finance costs	10	<b>(18,840)</b>	(15,604)
Share of results of associated companies		<b>234</b>	8,393
Profit/(loss) before taxation		<b>147,021</b>	(80,885)
Taxation (charge)/credit	12	<b>(28,177)</b>	10,474
Profit/(loss) for the year		<b>118,844</b>	(70,411)
Attributable to:			
Equity holders	13	<b>110,244</b>	(61,949)
Minority interests		<b>8,600</b>	(8,462)
		<b>118,844</b>	(70,411)
Dividends	14	<b>22,508</b>	12,805
		<b>HK cents</b>	HK cents
Earnings/(loss) per share (basic and diluted)	15	<b>7.74</b>	(4.86)

The notes on pages 52 to 101 are an integral part of these financial statements.

# Consolidated Balance Sheet

As at 31st March, 2008

	Note	2008 HK\$'000	2007 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	16	41,480	28,636
Investment properties	17	699,488	567,800
Land use rights	18	1,771	882,319
Properties for/under development	19	–	23,284
Associated companies	22	2,938	2,651
Available-for-sale financial assets	23	43,153	46,920
Loans and receivables	24	21,793	–
		<b>810,623</b>	1,551,610
<b>Current assets</b>			
Properties for sale	25	1,348,333	176,858
Inventories	26	7,260	7,902
Debtors and prepayments	27	123,751	156,615
Cash and bank balances	29	453,930	354,161
		<b>1,933,274</b>	695,536
<b>Current liabilities</b>			
Creditors and accruals	30	131,503	110,920
Short-term borrowings	33	144,638	–
Current portion of long-term borrowings	33	6,000	2,000
Taxation		56,663	35,010
		<b>338,804</b>	147,930
<b>Net current assets</b>		<b>1,594,470</b>	547,606
<b>Total assets less current liabilities</b>		<b>2,405,093</b>	2,099,216

## Consolidated Balance Sheet (Continued)

As at 31st March, 2008

	Note	2008 HK\$'000	2007 HK\$'000
<b>Equity</b>			
Share capital	31	75,027	64,027
Reserves	32	1,799,748	1,392,166
Proposed final dividend	32	15,005	12,805
Shareholders' funds		1,889,780	1,468,998
Minority interests		6,502	65,495
<b>Total equity</b>		<b>1,896,282</b>	1,534,493
<b>Non-current liabilities</b>			
Long-term borrowings	33	305,304	335,508
Deferred taxation liabilities	34	193,387	191,503
Other non-current liabilities	35	10,120	37,712
		508,811	564,723
		<b>2,405,093</b>	2,099,216

**Lee Sai Wai**  
Director

**Ann Li Mee Sum**  
Director

The notes on pages 52 to 101 are an integral part of these financial statements.

# Balance Sheet

As at 31st March, 2008

	Note	2008 HK\$'000	2007 HK\$'000
<b>Non-current assets</b>			
Subsidiaries	20	80,036	115,036
<b>Current assets</b>			
Debtors and prepayments	27	352	422
Amounts due from subsidiaries	28	1,869,359	1,461,829
Cash and bank balances	29	178,656	261,844
		<b>2,048,367</b>	1,724,095
<b>Current liabilities</b>			
Creditors and accruals	30	919	803
<b>Net current assets</b>		<b>2,047,448</b>	1,723,292
<b>Total assets less current liabilities</b>		<b>2,127,484</b>	1,838,328
<b>Equity</b>			
Share capital	31	75,027	64,027
Reserves	32	2,037,452	1,761,496
Proposed final dividend	32	15,005	12,805
<b>Total equity</b>		<b>2,127,484</b>	1,838,328

**Lee Sai Wai**  
Director

**Ann Li Mee Sum**  
Director

The notes on pages 52 to 101 are an integral part of these financial statements.

# Consolidated Cash Flow Statement

For the year ended 31st March, 2008

	Note	2008 HK\$'000	2007 HK\$'000
<b>Cash flows from operating activities</b>			
Cash used in operations	39(a)	(206,241)	(43,834)
Interest paid		(20,161)	(17,349)
Overseas tax paid		(4,640)	(14,053)
Net cash used in operating activities		(231,042)	(75,236)
<b>Cash flows from investing activities</b>			
Interest received		12,001	9,749
Dividend received from an associated company		–	10,746
Purchase of property, plant and equipment		(17,597)	(5,086)
Acquisition of minority interests in a subsidiary		(38,235)	–
Advance to joint venture partner		(21,793)	–
Proceeds from disposal of property, plant and equipment		220	208
Disposal of subsidiaries (net of cash and cash equivalents)	39(c)	(8,507)	–
Proceeds from disposal of an associated company		–	119,400
Proceeds from disposal of available-for-sale financial assets		2,579	207
Repayment from an associated company		–	750
(Increase)/decrease in pledged bank deposits and bank deposits maturing more than three months from date of placement		(146,146)	15,142
Net cash (used in)/from investing activities		(217,478)	151,116
<b>Cash flows from financing activities</b>			
Dividend paid to shareholders		(22,508)	(12,805)
Issue of new shares		310,520	100,624
New bank loans		158,768	78,000
Repayment of bank loans		(50,021)	(23,755)
Repayment of loan from minority shareholder		(6,603)	–
Net cash from financing activities		390,156	142,064
<b>Net (decrease)/increase in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		350,938	129,327
Exchange difference on cash and cash equivalents		11,987	3,667
<b>Cash and cash equivalents at the end of the year</b>	39(b)	<b>304,561</b>	<b>350,938</b>

The notes on pages 52 to 101 are an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31st March, 2008

	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, 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/(expenses) 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)
Dividend paid	–	–	(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

## Consolidated Statement of Changes in Equity (Continued)

For the year ended 31st March, 2008

	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, 2007	64,027	1,755,169	(350,198)	1,468,998	65,495	1,534,493
Changes in exchange rates	–	26,816	–	26,816	726	27,542
Change in fair value of available-for-sale financial assets	–	(4,282)	–	(4,282)	–	(4,282)
Release upon disposal of a subsidiary	–	(3,204)	3,204	–	–	–
Net income recognised directly in equity	–	19,330	3,204	22,534	726	23,260
Release upon disposal of available-for-sale financial assets	–	(8)	–	(8)	–	(8)
Profit for the year	–	–	110,244	110,244	8,600	118,844
Total income recognised for the year	–	19,322	113,448	132,770	9,326	142,096
Placing of new shares	11,000	308,000	–	319,000	–	319,000
Placing expenses	–	(8,480)	–	(8,480)	–	(8,480)
Dividends paid	–	–	(22,508)	(22,508)	–	(22,508)
Capital injection by minority shareholders	–	–	–	–	35	35
Reduction of interest by minority shareholders	–	–	–	–	(68,354)	(68,354)
<b>At 31st March, 2008</b>	<b>75,027</b>	<b>2,074,011</b>	<b>(259,258)</b>	<b>1,889,780</b>	<b>6,502</b>	<b>1,896,282</b>

The notes on pages 52 to 101 are an integral part of these financial statements.

# Notes to the Financial Statements

For the year ended 31st March, 2008

## 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, 2008, the Company was a 53.81% 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 ("Chuang's Consortium"), incorporated in Bermuda and listed on the Main Board of the Stock Exchange. The Directors regard Chuang's Consortium 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 significant 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 ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its 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.

### (a) **Standard, amendment and interpretations effective in 2007**

In 2007, the Group adopted the following new standard, amendment and interpretations that are effective for the Group's accounting periods beginning on 1st April, 2007 and relevant to the operations of the Group:

HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
HKFRS 7	Financial Instruments: 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



## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

##### (a) **Standard, amendment and interpretations effective in 2007** (Continued)

The Group has assessed the impact of the adoption of these new standard, amendment and interpretations and considered that there were neither significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies, whereas the adoption of HKAS 1 (Amendment) and HKFRS 7 introduces new disclosures relating to capital and financial instruments. There is no impact on the classification and valuation of the Group's financial instruments.

##### (b) **Standards and amendment that are not yet effective and have not been early adopted by the Group**

The following standards and amendment have been published and are mandatory for the Group's accounting periods beginning on or after 1st April, 2008, but have not yet adopted by the Group:

HKAS 1 (Revised)	Presentation of Financial Statements (effective from 1st January, 2009)
HKAS 23 (Revised)	Borrowing Costs (effective from 1st January, 2009)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements (effective from 1st July, 2009)
HKFRS 2 (Amendment)	Share-based Payment: Vesting Conditions and Cancellations (effective from 1st January, 2009)
HKFRS 3 (Revised)	Business Combinations (effective from 1st July, 2009)
HKFRS 8	Operating Segments (effective from 1st January, 2009)

The Group has not yet adopted any of the above standards and amendment. The Group has made an assessment of the impact of the above standards and amendment. They are not expected to have significant financial impact on the Group's results of operations and financial position.

##### (c) **Interpretations to existing standards that are not yet effective and not relevant for the Group's operations**

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st April, 2008 but are not relevant for the Group's operations:

HK(IFRIC) – Int 12	Service Concession Arrangements (effective from 1st January, 2008)
HK(IFRIC) – Int 13	Customer Loyalty Programmes (effective from 1st July, 2008)
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective from 1st January, 2008)

#### (b) Group accounting

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 income statement from the date of acquisition or up to the date of disposal as applicable.

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (b) Group accounting (Continued)

The gain 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 an indirect shareholding of more than one half of the voting power, or holds more than half of the issued equity capital. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

The 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 Group's 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 income statement.

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

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

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (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 or losses for the Group that are recorded in the income statement. 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 associates are accounted for under the equity method of accounting and are initially recognised at cost. The investments in associated companies of the Group include goodwill, net of any accumulated impairment loss, identified on acquisition.

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

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

#### (f) Joint venture

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

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (g) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the share of the net identifiable assets of the acquired subsidiaries or 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 acquisitions of subsidiaries is included in intangible assets while goodwill on acquisitions of associated companies is included in investments in associated companies. Goodwill is tested for impairment annually or when there is an indication for impairment 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 income statement.

#### (h) Property, plant and equipment

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

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

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

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

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

#### (i) Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group, are classified as investment properties. Investment properties 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.

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (i) Investment properties (Continued)

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 income statement. The fair value of an investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

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 are expensed in the income statement 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 its 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.

#### (j) Land use rights

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

#### (k) Properties for/under development

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

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

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (l) Properties for sale

Properties for sale which represent completed properties and land use rights 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.

#### (m) Financial assets

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

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

Available-for-sale financial assets are non-derivatives and 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. Unrealised gains and losses arising from the change in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are recognised in the income statement as gains or losses.

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

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**(m) Financial assets (Continued)**

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

**(n) Inventories**

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

**(o) 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 the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is recognised in the income statement.

**(p) Impairment of assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the fair value of an asset less costs to sell and value in use. For the purpose 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.

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (q) 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 only when the reimbursement is virtually certain.

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

#### (r) Borrowings

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

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

#### (s) 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. 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.



## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (s) 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.

#### (t) Operating leases

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

#### (u) Revenue and income recognition

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

- (i) Sales of properties are recognised when the risks and rewards of the properties have been passed to the purchasers, which is upon the completion of relevant sale and purchase contracts.
- (ii) Rental income, net of incentives given to lessees, is recognised on a straight-line basis over the period of the respective leases.
- (iii) Sales of goods are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to the customers and legal title has passed.
- (iv) Sales of securities are recognised on the transaction dates when the relevant sale and purchase contracts are entered into.
- (v) Service and management income are recognised when the services are rendered.
- (vi) Interest income is recognised on a time proportion basis, using the effective interest method, taking into account the principal amounts outstanding and the interest rates applicable.
- (vii) Dividend income is recognised when the right to receive payment is established.

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) **Borrowing costs**

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

(w) **Employee benefits**

Contributions to defined contribution retirement schemes are charged to the income statement in the financial period to which the contributions relate.

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

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

(x) **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.

(y) **Translation of foreign currencies**

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

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

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (y) 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 income statement are translated at average exchange rates unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions; and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

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

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

#### (z) 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.

#### (aa) Dividend distribution

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

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 3. FINANCIAL RISK MANAGEMENT

#### (a) Financial risk factors

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

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

#### (i) Credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial assets (other than available-for-sale financial assets) in the balance sheet.

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

The Group manages its deposits with banks and financial institutions by monitoring credit ratings and only places deposits to banks with no history of default. As at 31st March, 2008, the deposits placed in Hong Kong listed banks and the PRC state-owned banks amounting to HK\$270 million (2007: HK\$266 million) and HK\$183 million (2007: HK\$86 million) respectively.

In respect of credit exposures to customers, the Group normally receives deposits or progress payments from customers prior to the completion of sale of property transactions. Customers are assessed and rated individually based on the credit quality by taking into account their financial position, credit history and other factors. Rental in respect of investment properties are payable in advance by tenants in accordance with the lease agreements. It has policies in place to ensure that rental deposits are required from tenants prior to commencement of leases. The credit risk exposure of the advance to joint venture partner is mentioned in note 24.

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

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 3. FINANCIAL RISK MANAGEMENT (Continued)

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

##### (ii) Liquidity risk

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

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

Group	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000
<b>As at 31st March, 2008</b>				
Bank borrowings	<b>161,877</b>	<b>62,807</b>	<b>69,037</b>	<b>202,621</b>
Creditors and accruals	<b>131,503</b>	–	–	–
Loans from minority shareholders	–	–	–	<b>10,120</b>
<b>As at 31st March, 2007</b>				
Bank borrowings	19,462	57,156	114,380	234,477
Creditors and accruals	110,920	–	–	–
Loans from minority shareholders	–	–	–	16,693

As at 31st March, 2008 and 2007, the contractual maturity dates of all financial liabilities of the Company are within one year.

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

Interest rate risk is the risk that the position of the Group may be adversely affected by the changes in market interest rate. The 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.

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

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 3. FINANCIAL RISK MANAGEMENT (Continued)

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

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

At 31st March, 2008, if interest rates had been 0.5% higher/lower with all other variables held constant, the profit of the Group would increase/decrease by approximately HK\$263,000 (2007: decrease/increase by HK\$103,000).

##### (iv) Foreign exchange risk

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

The Group mainly operates in Hong Kong and the Mainland China. The Group has no significant exchange risk due to limited foreign currency transaction other than the functional currency of the entities.

##### (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. Unrealised gains and losses arising from the change in the fair value of available-for-sale financial assets are recognised in equity.

The available-for-sale financial assets of the Group are publicly traded. If the equity price at the reporting date had been 5% higher/lower, the investment revaluation reserve would increase/decrease by HK\$2.2 million (2007: HK\$2.3 million) as a result of change in fair value of available-for-sale financial assets.

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 3. FINANCIAL RISK MANAGEMENT (Continued)

#### (b) Capital risk management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and bank balances. Total capital represents shareholders' funds as shown in the consolidated balance sheet.

The gearing ratios at 31st March, 2008 and 2007 were as follows:

	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Total borrowings	<b>455,942</b>	337,508
Less: cash and bank balances	<b>(453,930)</b>	(354,161)
Net debt/cash and bank balances	<b>2,012</b>	(16,653)
Total capital	<b>1,889,780</b>	1,468,998
Gearing ratio	<b>0.1%</b>	N/A

#### (c) Fair value estimation

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

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

The carrying amounts 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.

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 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.

Should the capitalisation rates or market rates differ by 0.1%, the fair value gain would be reduced or increased by HK\$21 million or HK\$23 million (2007: HK\$20 million or HK\$22 million) respectively.

#### (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 assets exceed their 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.

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

#### (c) Taxation

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

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

Borrowing costs directly attributable to the construction of property under development, and amortisation of land use rights, are capitalised from the date that expenditure is incurred and development activities on the qualifying asset commence. As part of this assessment, judgment is required in determining the unit of account in circumstances where development will be performed in phases. Management assesses the date from which capitalisation of borrowing costs and amortisation of land use rights should commence on a project-by-project basis. Key indicators used by the management to identify a standalone development include that all properties in the development are:

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



## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 5. REVENUES

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

	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Sale of properties*	<b>258,727</b>	165,868
Sale of goods	<b>32,821</b>	38,546
Rental and management fees	<b>20,874</b>	16,196
Dividend from listed investments	<b>1,955</b>	–
Services fee and others	<b>12,812</b>	9,682
	<b>327,189</b>	230,292

\* Sale of properties include sale of completed properties and land use rights for sale in the Group's ordinary course of business.

### 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, the Mainland China and other countries. 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, loans and receivables, inventories, debtors and prepayments. Segment liabilities mainly comprise creditors and accruals and mainly exclude short-term and long-term borrowings and taxation liabilities. 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, revenues are based on the country in which the customer is located. Total assets and capital expenditure are based on where the assets are located.

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 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	2008 HK\$'000
Revenues	279,763	32,821	14,605	327,189
Other income	44,101	2,110	2,168	48,379
Segment results	195,820	(2,152)	(28,041)	165,627
Finance costs				(18,840)
Share of results of associated companies	–	–	234	234
Profit before taxation				147,021
Taxation charge				(28,177)
Profit for the year				118,844
Segment assets	2,201,714	13,039	969	2,215,722
Associated companies	–	–	2,938	2,938
Unallocated assets				525,237
Total assets				2,743,897
Segment liabilities	132,253	6,182	849	139,284
Unallocated liabilities				708,331
Total liabilities				847,615
Other segment items are as follows:				
Capital expenditure	172,706	12	4,543	177,261
Depreciation	2,525	695	7,738	10,958
Amortisation of land use rights				
– charged to income statement	1,808	–	–	1,808
– capitalised into properties under development for sale	16,476	–	–	16,476
Write off of trade and other debtors	2,745	–	–	2,745

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 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	2007 HK\$'000
Revenues	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	141,197	4,199	605	146,001
Unallocated liabilities				566,652
Total liabilities				712,653
Other segment items are as follows:				
Capital expenditure	20,012	432	2,909	23,353
Depreciation	2,094	733	8,294	11,121
Amortisation of land use rights				
– charged to income statement	16,765	–	–	16,765
Write off of trade and other debtors	3,232	–	–	3,232

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 6. SEGMENT INFORMATION (Continued)

#### (b) Geographical segments

	Revenues HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
<b>2008</b>			
Hong Kong	<b>63,301</b>	<b>1,002,888</b>	<b>6,781</b>
Mainland China	<b>261,890</b>	<b>1,739,856</b>	<b>170,480</b>
Other countries	<b>1,998</b>	<b>1,153</b>	<b>-</b>
	<b>327,189</b>	<b>2,743,897</b>	<b>177,261</b>
<b>2007</b>			
Hong Kong	61,293	885,355	3,260
Mainland China	167,309	1,361,462	20,093
Other countries	1,690	329	-
	230,292	2,247,146	23,353

### 7. OTHER INCOME

	2008 HK\$'000	2007 HK\$'000
Excess of fair value of net assets acquired over cost of acquisition of minority interests in a subsidiary	<b>20,976</b>	-
Write back of provisions for tax liabilities undertakings (note 36)	<b>21,019</b>	-
Deferred profit realised on disposal of an associated company	-	4,566
Sale of scraped material	<b>2,110</b>	3,054
Gain on disposal of available-for-sale financial assets	<b>1,147</b>	207
Sundries	<b>3,127</b>	1,690
	<b>48,379</b>	9,517

**Notes to the Financial Statements (Continued)**  
For the year ended 31st March, 2008

**8. OPERATING PROFIT/(LOSS)**

	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Operating profit/(loss) is stated after crediting:		
Interest income	<b>12,664</b>	9,588
Gross rental income from investment properties	<b>16,890</b>	12,902
Gain on disposal of property, plant and equipment	<b>220</b>	74
and after charging:		
Amortisation of land use rights	<b>1,808</b>	16,765
Cost of properties sold	<b>177,390</b>	115,199
Cost of inventories sold	<b>31,702</b>	34,623
Depreciation	<b>10,958</b>	11,121
Exchange loss	<b>5,499</b>	2,573
Write off of trade and other debtors	<b>2,745</b>	3,232
Operating lease rental on land and buildings	<b>3,267</b>	2,501
Outgoings in respect of investment properties	<b>3,280</b>	2,813
Staff costs, including Directors' emoluments		
Wages and salaries	<b>29,252</b>	24,263
Retirement benefit costs (note 9)	<b>940</b>	790
Auditors' remuneration for audit services		
Current	<b>1,351</b>	768
Under-provision of prior years	<b>170</b>	50

**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.

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 10. FINANCE COSTS

	2008 HK\$'000	2007 HK\$'000
Interest expenses		
Bank loans wholly repayable within five years	7,582	3,447
Bank loans wholly repayable after five years	13,322	12,822
Loans from minority shareholders and overdraft wholly repayable within five years	201	347
	<b>21,105</b>	16,616
Amount capitalised into properties under development for sale	<b>(2,265)</b>	(1,012)
	<b>18,840</b>	15,604

The capitalisation rate applied to funds borrowed generally and used for the development of properties ranged from 5.83% to 8.32% (2007: 6.93% to 7.56%) per annum.

### 11. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

#### (a) Directors' emoluments

Name of Director	Fees HK\$'000	Salaries HK\$'000	Retirement		Total HK\$'000
			Other benefits HK\$'000	scheme contributions HK\$'000	
<b>2008</b>					
Mr. Ko Sheung Chi	30	–	–	–	30
Mr. Lee Sai Wai	20	1,060	210	81	1,371
Miss Ann Li Mee Sum	20	1,522	346	86	1,974
Mr. Sunny Pang Chun Kit	20	1,275	–	81	1,376
Ms. So Kan Yiu	–	240	–	3	243
Miss Candy Chuang Ka Wai	20	627	–	12	659
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
	<b>510</b>	<b>4,724</b>	<b>556</b>	<b>263</b>	<b>6,053</b>

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 11. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

#### (a) Directors' emoluments (Continued)

Name of Director	Fees HK\$'000	Salaries HK\$'000	Other benefits HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
2007					
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

The emoluments paid to Independent Non-Executive Directors amounted to HK\$400,000 (2007: HK\$400,000).

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

The five highest paid individuals in the Group include four (2007: five) Directors. Details of the aggregate emoluments paid to the one (2007: Nil) individual, whose emolument was the highest in the Group and who is not a Director, is set out below:

	2008 HK\$'000	2007 HK\$'000
Salaries, bonuses, housing and allowances, and benefits in kind	624	–
Retirement scheme contributions	12	–
	636	–

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

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

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 12. TAXATION CHARGE/(CREDIT)

	2008 HK\$'000	2007 HK\$'000
Current		
Mainland China corporate income tax	7,382	12,580
Mainland China land appreciation tax	19,660	20,809
Deferred (note 34)	1,135	(43,863)
Taxation charge/(credit)	28,177	(10,474)

No provision for Hong Kong profits tax has been made as the Group does not have any estimated assessable profits for the year (2007: 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\$203,000 (2007: HK\$2,804,000) is included in the income statement as share of results of associated companies.

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

	2008 HK\$'000	2007 HK\$'000
Profit/(loss) before taxation	147,021	(80,885)
Share of results of associated companies	(234)	(8,393)
	146,787	(89,278)
Tax charge/(credit) at the rate of 17.5% (2007: 17.5%)	25,688	(15,624)
Effect of different taxation rates in other countries	13,710	16,935
Income not subject to taxation	(10,184)	(10,652)
Expenses not deductible for taxation purposes	5,666	34,396
Utilisation of previously unrecognised tax losses	(7,076)	(186)
Other temporary difference and tax losses not recognised	8,317	8,520
Write back of deferred taxation in previous years	(7,944)	(43,863)
Taxation charge/(credit)	28,177	(10,474)



## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 13. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

Profit attributable to equity holders includes HK\$1,144,000 (2007: HK\$16,933,000) which is dealt with in the financial statements of the Company.

### 14. DIVIDENDS

	2008 HK\$'000	2007 HK\$'000
Interim cash dividend paid of 0.5 HK cent (2007: Nil) per share	7,503	–
Proposed final scrip dividend with a cash option of 1.0 HK cent (2007: cash dividend of 1.0 HK cent) per share	15,005	12,805
	<b>22,508</b>	12,805

On 4th July, 2007, the Board proposed a final cash dividend of 1.0 HK cent per share, totaling HK\$12,805,000. Subsequent to a placement in August 2007 under which 220 million new shares were issued, the 2007 final cash dividends amounting to HK\$15,005,000 were paid.

On 3rd July, 2008, the Board proposed a final scrip dividend with a cash option of 1.0 HK cent per share amounting to HK\$15,005,000. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of reserves in the year ending 31st March, 2009 upon the approval of shareholders.

### 15. EARNINGS/(LOSS) PER SHARE

The calculation of the earnings/(loss) per share is based on the profit attributable to equity holders of HK\$110,244,000 (2007: loss of HK\$61,949,000) and the weighted average number of 1,424,210,814 (2007: 1,273,867,459) shares in issue during the year.

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

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 16. PROPERTY, PLANT AND EQUIPMENT

#### Group

	Buildings HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Other assets HK\$'000	Total HK\$'000
<b>Cost</b>					
At 31st March, 2006	10,257	18,648	13,622	46,159	88,686
Changes in exchange rates	–	–	30	26	56
Additions	–	392	938	3,756	5,086
Disposals	–	–	–	(887)	(887)
At 31st March, 2007	10,257	19,040	14,590	49,054	92,941
Changes in exchange rates	–	–	50	92	142
Additions	10,248	49	3,299	4,001	17,597
Transferred from properties for sale	6,180	–	–	–	6,180
Disposals	–	–	–	(740)	(740)
Disposal of a subsidiary	–	–	(422)	–	(422)
<b>At 31st March, 2008</b>	<b>26,685</b>	<b>19,089</b>	<b>17,517</b>	<b>52,407</b>	<b>115,698</b>
<b>Accumulated depreciation and impairment</b>					
At 31st March, 2006	237	15,749	6,772	31,143	53,901
Changes in exchange rates	–	–	21	15	36
Charge for the year	205	617	1,892	8,407	11,121
Disposals	–	–	–	(753)	(753)
At 31st March, 2007	442	16,366	8,685	38,812	64,305
Changes in exchange rates	–	–	23	40	63
Charge for the year	290	601	2,387	7,680	10,958
Disposals	–	–	–	(740)	(740)
Disposal of a subsidiary	–	–	(368)	–	(368)
<b>At 31st March, 2008</b>	<b>732</b>	<b>16,967</b>	<b>10,727</b>	<b>45,792</b>	<b>74,218</b>
<b>Net book value</b>					
<b>At 31st March, 2008</b>	<b>25,953</b>	<b>2,122</b>	<b>6,790</b>	<b>6,615</b>	<b>41,480</b>
At 31st March, 2007	9,815	2,674	5,905	10,242	28,636

The buildings are situated in the Mainland China under long-term leases. Other assets comprise computer equipment, motor vessels and motor vehicles.

**Notes to the Financial Statements (Continued)**  
**For the year ended 31st March, 2008**

**17. INVESTMENT PROPERTIES**

	<b>Group</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
At the beginning of the year	<b>567,800</b>	502,400
Changes in exchange rates	<b>2,479</b>	–
Additions	<b>27,473</b>	–
Transferred from land use rights	–	2,577
Transferred from properties for/under development	–	15,336
Disposals	<b>(2,699)</b>	–
Change in fair value	<b>104,435</b>	47,487
At the end of the year	<b>699,488</b>	567,800

- (a) Investment properties held under long-term leases in Hong Kong of HK\$650,000,000 (2007: HK\$546,000,000) were revalued at 31st March, 2008 on an open market value basis by Vigers Appraisal & Consulting Limited, independent professional property valuer.
- (b) Investment properties held under long-term leases in the Mainland China of HK\$49,488,000 (2007: HK\$21,800,000) were revalued at 31st March, 2008 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\$650,000,000 (2007: HK\$546,000,000) have been pledged as securities for bank loans (note 33).

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 18. LAND USE RIGHTS

	Group	
	2008 HK\$'000	2007 HK\$'000
At the beginning of the year	882,319	947,377
Changes in exchange rates	6,052	2,771
Additions	159,664	15
Transferred to investment properties	–	(2,577)
Transferred to properties for sale	(1,044,456)	(48,502)
Amortisation	(1,808)	(16,765)
At the end of the year	1,771	882,319
Held outside Hong Kong under:		
Long-term leases	1,771	807,551
Medium-term leases	–	74,768
	1,771	882,319

The interests in land use rights represent prepaid operating lease payments, and land use rights of HK\$177,565,000 were pledged as securities for bank loans as at 31st March, 2007 (note 33).

### 19. PROPERTIES FOR/UNDER DEVELOPMENT

	Group	
	2008 HK\$'000	2007 HK\$'000
At the beginning of the year	23,284	20,365
Changes in exchange rates	151	3
Property development expenditure	–	18,252
Transferred to investment properties	–	(15,336)
Transferred to properties under development in current assets	(23,435)	–
At the end of the year	–	23,284

Properties for/under development amounting to HK\$10,133,000 were pledged as securities for bank loans as at 31st March, 2007 (note 33).

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 20. SUBSIDIARIES

	Company	
	2008 HK\$'000	2007 HK\$'000
Unlisted shares, at cost	150,036	150,036
Impairment	(70,000)	(35,000)
	<b>80,036</b>	115,036

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 42 to the financial statements.

### 21. INVESTMENT IN JOINTLY CONTROLLED ASSETS

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

During the year ended 31st March, 2008, the Group's interest in the jointly controlled assets was 51% (2007: Nil). The Group's share of the net loss of the jointly controlled assets for the year amounted to HK\$402,000 (2007: Nil) and the net assets of the jointly controlled assets as at 31st March, 2008 amounted to HK\$61,003,000 (2007: Nil).

As at 31st March, 2008, the Group had made an advance to joint venture partner amounting to HK\$21,793,000 (2007: Nil) (note 24). The proportionate interest in joint venture's commitment was HK\$4,237,000 (2007: Nil).

### 22. ASSOCIATED COMPANIES

	Group	
	2008 HK\$'000	2007 HK\$'000
Share of net assets	2,938	2,651

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 22. ASSOCIATED COMPANIES (Continued)

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

	<b>2008</b>	<b>Group</b>
	<b>HK\$'000</b>	<b>2007</b>
		<b>HK\$'000</b>
At the beginning of the year	<b>2,651</b>	213,378
Changes in exchange rates	<b>53</b>	34
Share of profit before taxation	<b>437</b>	11,197
Share of taxation	<b>(203)</b>	(2,804)
Dividend received	–	(10,746)
Deferred profit realised on disposal of an associated company	–	4,566
Disposal	–	(212,974)
At the end of the year	<b>2,938</b>	2,651

All the associated companies held by the Group as at 31st March, 2008 are unlisted.

Particulars of principal associated company which, in the opinion of the Directors, materially affect the results or net assets of the Group are set out in note 43 to the financial statements.

The Group's share of the results of its associated companies, and their aggregated assets and liabilities, are as follows:

	<b>2008</b>	<b>Group</b>
	<b>HK\$'000</b>	<b>2007</b>
		<b>HK\$'000</b>
Revenues	<b>3,742</b>	335,642
Profit for the year	<b>234</b>	8,393
Assets	<b>5,055</b>	4,252
Liabilities	<b>(2,117)</b>	(1,601)
Net assets	<b>2,938</b>	2,651

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

**Notes to the Financial Statements (Continued)**  
For the year ended 31st March, 2008

**23. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>Group</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Listed equity securities in Hong Kong, at market value	<b>43,153</b>	46,920
At the beginning of the year	<b>46,920</b>	21,896
Addition	<b>1,955</b>	–
Disposal	<b>(1,440)</b>	–
Change in fair value	<b>(4,282)</b>	25,024
At the end of the year	<b>43,153</b>	46,920

**24. LOANS AND RECEIVABLES**

	<b>Group</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Advance to joint venture partner	<b>21,793</b>	–

Advance to joint venture partner is provided for financing the property development in Chengdu, the Mainland China (note 21) and carries interest at the prevailing lending rate quoted by the People's Bank of China. According to the agreement, the advance and interests accrued thereon will be repaid from the joint venture partner's share of proceeds upon the sale of completed properties.

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 25. PROPERTIES FOR SALE

	Group	
	2008 HK\$'000	2007 HK\$'000
Completed properties	<b>110,078</b>	113,909
Land use rights for sale	<b>42,057</b>	–
Properties under development	<b>1,196,198</b>	62,949
	<b>1,348,333</b>	176,858
Properties under development		
At the beginning of the year	<b>62,949</b>	18,895
Changes in exchange rates	<b>4,890</b>	618
Property development expenditure	<b>252,395</b>	42,424
Interest expenses capitalised	<b>2,265</b>	1,012
Transferred from land use rights	<b>967,364</b>	–
Transferred from properties for/under development	<b>23,435</b>	–
Transferred to buildings	<b>(6,180)</b>	–
Transferred to completed properties	<b>(110,920)</b>	–
At the end of the year	<b>1,196,198</b>	62,949

The Group's interest in properties for sale at their net book values are analysed as follows:

	Group	
	2008 HK\$'000	2007 HK\$'000
Held outside Hong Kong under:		
Long-term leases	<b>1,309,618</b>	176,858
Medium-term leases	<b>38,715</b>	–
	<b>1,348,333</b>	176,858

Properties for sale with net book value of HK\$10,618,000 (2007: HK\$14,725,000) have been pledged as securities for bank loans (note 33).



## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 26. INVENTORIES

	Group	
	2008 HK\$'000	2007 HK\$'000
Raw materials	1,673	2,812
Work in progress	3,087	2,453
Finished goods	2,500	2,637
	<b>7,260</b>	7,902

### 27. DEBTORS AND PREPAYMENTS

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Trade debtors	6,803	6,684	-	-
Impairment	-	(1,483)	-	-
Trade debtors – net	6,803	5,201	-	-
Other debtors and prepayments	23,715	23,575	352	422
Utility and other deposits	93,233	127,839	-	-
	<b>123,751</b>	156,615	<b>352</b>	422

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:

	2008 HK\$'000	2007 HK\$'000
Below 30 days	3,151	2,946
31 to 60 days	849	759
61 to 90 days	990	486
Over 90 days	1,813	2,493
	<b>6,803</b>	6,684

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 27. DEBTORS AND PREPAYMENTS (Continued)

As at 31st March, 2008, trade debtors of HK\$2,507,000 (2007: HK\$2,080,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade debtors of the Group is as follows:

	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Below 30 days	<b>576</b>	1,060
31 to 60 days	<b>84</b>	5
61 to 90 days	<b>34</b>	5
Over 90 days	<b>1,813</b>	1,010
	<b>2,507</b>	2,080

As at 31st March, 2007, trade debtors of HK\$1,483,000 were impaired and fully provided for. The impaired receivables mainly relate to customers from sale of goods with economic uncertainties.

Movements on the impairment of trade debtors of the Group are as follows:

	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
At the beginning of the year	<b>1,483</b>	1,483
Write off as uncollectible	<b>(1,483)</b>	–
At the end of the year	–	1,483

Other deposits include deposits of HK\$72,643,000 (2007: HK\$125,710,000) for property development projects and acquisition of land.

Other debtors and prepayments include amounts receivable from associated companies amounting to HK\$1,609,000 (2007: HK\$1,609,000) which were fully provided for at the balance sheet date.

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

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 28. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2008 HK\$'000	2007 HK\$'000
Amounts receivable	<b>2,209,359</b>	1,801,829
Impairment	<b>(340,000)</b>	(340,000)
	<b>1,869,359</b>	1,461,829

The amounts receivable are unsecured, interest free and repayable on demand.

### 29. CASH AND BANK BALANCES

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Cash at bank and in hand	<b>133,424</b>	75,861	<b>5,338</b>	344
Short-term bank deposits	<b>320,506</b>	278,300	<b>173,318</b>	261,500
	<b>453,930</b>	354,161	<b>178,656</b>	261,844

The effective interest rate on short-term bank deposits ranges from 0.85% to 2.79% (2007: 3.61% to 4.01%) per annum and these deposits have maturity ranged from 1 to 365 days (2007: 1 to 90 days).

Bank deposits amounting to HK\$149,198,000 (2007: HK\$3,223,000) are pledged as securities for certain guarantee facilities and bank loans granted to the Group (note 33 and 38).

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

### 30. CREDITORS AND ACCRUALS

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Trade creditors	<b>3,939</b>	2,723	–	–
Other creditors	<b>79,582</b>	27,880	<b>919</b>	803
Amounts payable to minority shareholders	<b>416</b>	416	–	–
Tenant and other deposits	<b>43,921</b>	76,455	–	–
Accrued expenses	<b>3,645</b>	3,446	–	–
	<b>131,503</b>	110,920	<b>919</b>	803

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 30. CREDITORS AND ACCRUALS (Continued)

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

	2008 HK\$'000	2007 HK\$'000
Below 30 days	1,691	1,874
31 to 60 days	736	331
61 to 90 days	1,098	518
Over 90 days	414	–
	<b>3,939</b>	<b>2,723</b>

The amounts payable to minority shareholders are unsecured, interest free and repayable on demand.

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

### 31. SHARE CAPITAL

	2008 HK\$'000	2007 HK\$'000
Authorised:		
18,000,000,000 shares of HK\$0.05 each	900,000	900,000
Issued and fully paid:		
1,500,549,612 shares (2007: 1,280,549,612 shares) of HK\$0.05 each	75,027	64,027

In August 2007, the Company made a placement of 220 million new shares of HK\$0.05 each to independent investors at HK\$1.45 per share. All the new shares rank pari passu to the existing shares. The net proceeds have been used to finance the property development projects in the Mainland China.

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.

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 32. 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, 2006	1,105,395	97,703	457,792	3,277	(24,756)	(1,053)	(275,444)	1,362,914
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)
2006 final dividend	-	-	-	-	-	-	(12,805)	(12,805)
<b>At 31st March, 2007</b>	<b>1,193,214</b>	<b>97,703</b>	<b>457,792</b>	<b>3,277</b>	<b>268</b>	<b>2,915</b>	<b>(350,198)</b>	<b>1,404,971</b>
Representing:								
Reserves	1,193,214	97,703	457,792	3,277	268	2,915	(363,003)	1,392,166
2007 proposed final dividend	-	-	-	-	-	-	12,805	12,805
	<b>1,193,214</b>	<b>97,703</b>	<b>457,792</b>	<b>3,277</b>	<b>268</b>	<b>2,915</b>	<b>(350,198)</b>	<b>1,404,971</b>
At 1st April, 2007	1,193,214	97,703	457,792	3,277	268	2,915	(350,198)	1,404,971
Changes in exchange rates	-	-	-	-	-	26,816	-	26,816
Change in fair value of available-for-sale financial assets	-	-	-	-	(4,282)	-	-	(4,282)
Placing of new shares	299,520	-	-	-	-	-	-	299,520
Release upon disposal of a subsidiary	-	-	-	(3,204)	-	-	3,204	-
Release upon disposal of available-for-sale financial assets	-	-	-	-	(8)	-	-	(8)
Profit for the year	-	-	-	-	-	-	110,244	110,244
2007 final dividend	-	-	-	-	-	-	(15,005)	(15,005)
2008 interim dividend	-	-	-	-	-	-	(7,503)	(7,503)
<b>At 31st March, 2008</b>	<b>1,492,734</b>	<b>97,703</b>	<b>457,792</b>	<b>73</b>	<b>(4,022)</b>	<b>29,731</b>	<b>(259,258)</b>	<b>1,814,753</b>
Representing:								
Reserves	1,492,734	97,703	457,792	73	(4,022)	29,731	(274,263)	1,799,748
2008 proposed final dividend	-	-	-	-	-	-	15,005	15,005
	<b>1,492,734</b>	<b>97,703</b>	<b>457,792</b>	<b>73</b>	<b>(4,022)</b>	<b>29,731</b>	<b>(259,258)</b>	<b>1,814,753</b>

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

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 32. 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, 2006	1,105,395	457,792	978	118,189	1,682,354
Rights issue of new shares	87,819	–	–	–	87,819
Profit for the year	–	–	–	16,933	16,933
2006 final dividend	–	–	(978)	(11,827)	(12,805)
At 31st March, 2007	1,193,214	457,792	–	123,295	1,774,301
Representing:					
Reserves	1,193,214	457,792	–	110,490	1,761,496
2007 proposed final dividend	–	–	–	12,805	12,805
	1,193,214	457,792	–	123,295	1,774,301
At 1st April, 2007	1,193,214	457,792	–	123,295	1,774,301
Placing of new shares	299,520	–	–	–	299,520
Profit for the year	–	–	–	1,144	1,144
2007 final dividend	–	–	–	(15,005)	(15,005)
2008 interim dividend	–	–	–	(7,503)	(7,503)
<b>At 31st March, 2008</b>	<b>1,492,734</b>	<b>457,792</b>	<b>–</b>	<b>101,931</b>	<b>2,052,457</b>
Representing:					
Reserves	1,492,734	457,792	–	86,926	2,037,452
2008 proposed final dividend	–	–	–	15,005	15,005
	1,492,734	457,792	–	101,931	2,052,457

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\$101,931,000 (2007: HK\$123,295,000) as at 31st March, 2008.

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 33. BORROWINGS

	<b>2008</b>	<b>Group</b>
	<b>HK\$'000</b>	2007 HK\$'000
Secured bank loans		
Short-term borrowings	<b>144,638</b>	–
Long-term borrowings	<b>311,304</b>	337,508
	<b>455,942</b>	337,508
Long-term borrowings		
Wholly repayable within five years	<b>41,304</b>	65,508
Wholly repayable after five years	<b>270,000</b>	272,000
	<b>311,304</b>	337,508
Current portion included in current liabilities	<b>(6,000)</b>	(2,000)
	<b>305,304</b>	335,508

The bank loans are secured by bank deposits, investment properties, land use rights, properties for/under development and properties for sale with an aggregate carrying amount of HK\$806,618,000 (2007: HK\$748,423,000), shares of a subsidiary and guaranteed by the ultimate holding company. The bank loans of the Group are repayable in the following periods:

	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>150,638</b>	2,000
Second year	<b>54,304</b>	41,508
Third to fifth year	<b>51,000</b>	75,000
After five years	<b>200,000</b>	219,000
	<b>455,942</b>	337,508

The effective interest rate of the loans at the balance sheet date is ranging from 2.60% to 8.32% (2007: 4.53% to 5.57%) per annum. The fair values of the loans, based on cash flows discounted using a rate based on the borrowing rates of 2.60% to 8.32% (2007: 4.53% to 5.57%) per annum, are approximate their carrying amounts, which are denominated in the following currencies:

	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
Hong Kong dollar	<b>270,000</b>	272,000
Renminbi	<b>185,942</b>	65,508
	<b>455,942</b>	337,508

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 33. BORROWINGS (Continued)

The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
6 months or less	<b>425,507</b>	327,508
6 to 12 months	<b>30,435</b>	10,000
	<b>455,942</b>	337,508

### 34. DEFERRED TAXATION LIABILITIES

Deferred taxation assets and liabilities are offset when there is a legal enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

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

	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
At the beginning of the year	<b>191,503</b>	235,366
Changes in exchange rates	<b>749</b>	–
Charged/(credited) to income statement (note 12)	<b>1,135</b>	(43,863)
At the end of the year	<b>193,387</b>	191,503



## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 34. DEFERRED TAXATION LIABILITIES (Continued)

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

	Deferred taxation liabilities			Total	Deferred taxation assets
	Fair value gains	Revaluation surplus	Accelerated tax depreciation		Unused tax losses
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April, 2006	235,366	3,500	2,652	241,518	(6,152)
(Credited)/charged to income statement	(43,863)	8,050	261	(35,552)	(8,311)
At 31st March, 2007	191,503	11,550	2,913	205,966	(14,463)
Changes in exchange rates	–	749	–	749	–
(Credited)/charged to income statement	(7,944)	18,200	329	10,585	(9,450)
<b>At 31st March, 2008</b>	<b>183,559</b>	<b>30,499</b>	<b>3,242</b>	<b>217,300</b>	<b>(23,913)</b>

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 had reassessed the amount of deferred taxation liabilities based on the revised corporate income tax rate. As a result, deferred taxation liabilities of HK\$43.9 million had been written back in 2007.

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 34. DEFERRED TAXATION LIABILITIES (Continued)

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

Deferred taxation assets of HK\$60 million (2007: HK\$60 million) arising from unused tax losses of HK\$344 million (2007: HK\$343 million) have not been recognised in the financial statements. These tax losses have no expiry dates.

Deferred taxation liabilities of HK\$0.4 million (2007: HK\$1.3 million) on temporary differences in respect of depreciation allowances of HK\$2.4 million (2007: HK\$7.4 million) have not been recognised in the financial statements as there are sufficient unrecognised deferred taxation assets to set off against them.

### 35. OTHER NON-CURRENT LIABILITIES

	Group	
	2008 HK\$'000	2007 HK\$'000
Provisions (note 36)	–	21,019
Loans from minority shareholders	<b>10,120</b>	16,693
	<b>10,120</b>	37,712

Loans from minority shareholders are unsecured, interest free and not repayable within twelve months from the balance sheet date.

### 36. PROVISIONS

	Group	
	2008 HK\$'000	2007 HK\$'000
At the beginning of the year	<b>21,019</b>	21,019
Write back (note 7)	<b>(21,019)</b>	–
At the end of the year	–	21,019

In December 2001, the Group disposed of certain properties and provided undertakings to the purchaser, Midas, for the tax liabilities in relation to these properties. During the year, these properties were disposed of by the purchaser to third parties and therefore related provisions for the undertakings had been written back by the Group.

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 37. COMMITMENTS

#### (a) Capital commitments

	<b>2008</b>	<b>Group</b>
	<b>HK\$'000</b>	2007 HK\$'000
Contracted but not provided for property development expenditure	<b>492,573</b>	34,640

#### (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:

	<b>2008</b>	<b>Group</b>
	<b>HK\$'000</b>	2007 HK\$'000
Within one year	<b>3,802</b>	575
Two to five years	<b>2,541</b>	155
	<b>6,343</b>	730

Of the above operating lease commitment payable, HK\$3,572,000 (2007: Nil) is payable to, a fellow subsidiary, which is a wholly owned subsidiary of Chuang's Consortium.

#### (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:

	<b>2008</b>	<b>Group</b>
	<b>HK\$'000</b>	2007 HK\$'000
Within one year	<b>16,399</b>	14,573
Two to five years	<b>15,454</b>	16,737
	<b>31,853</b>	31,310

The Group leases properties under various agreements which terminate between 2008 to 2012.

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 38. FINANCIAL GUARANTEES

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Guarantees for mortgage bank loans to purchasers of properties of the Group	69,157	69,444	–	–
Guarantees for bank loan of a subsidiary	–	–	270,000	272,000
	<b>69,157</b>	69,444	<b>270,000</b>	272,000

Bank deposits with carrying amount of HK\$3,198,000 (2007: HK\$3,223,000) were pledged for the financial guarantees provided by the Group as disclosed above.

### 39. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2008 HK\$'000	2007 HK\$'000
Operating profit/(loss)	165,627	(73,674)
Interest income	(12,664)	(9,588)
Amortisation of land use rights	1,808	16,765
Depreciation	10,958	11,121
Change in fair value of investment properties	(104,435)	(47,487)
Dividend income from available-for-sale financial assets	(1,955)	–
Deferred profit realised on disposal of an associated company	–	(4,566)
Write back of provisions for tax liabilities undertakings	(21,019)	–
Excess of fair value of net assets acquired over cost of acquisition of minority interests in a subsidiary	(20,976)	–
Loss on disposal of an associated company	–	93,574
Gain on disposal of subsidiaries	(1,020)	–
Gain on disposal of available-for-sale financial assets	(1,147)	(207)
Gain on disposal of property, plant and equipment	(220)	(74)
Operating profit/(loss) before working capital changes	14,957	(14,136)
(Increase)/decrease in properties for sale and properties under development	(101,992)	47,297
Decrease/(increase) in inventories	642	(2,166)
Increase in debtors and prepayments	(92,304)	(125,321)
(Decrease)/increase in creditors and accruals	(27,544)	50,492
Cash used in operations	<b>(206,241)</b>	(43,834)

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 39. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

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

	2008 HK\$'000	2007 HK\$'000
Cash and bank balances	453,930	354,161
Bank deposits maturing more than three months from date of placement	(149,369)	(3,223)
	<b>304,561</b>	350,938

#### (c) Disposal of subsidiaries

	2008 HK\$'000	2007 HK\$'000
Net assets disposed of		
Property, plant and equipment	54	–
Debtors and prepayments	19	–
Cash and bank balances	19,041	–
Creditors and accruals	(455)	–
Minority interests	(9,143)	–
	<b>9,516</b>	–
Gain on disposal of subsidiaries	1,020	–
Changes in exchange rates	(2)	–
	<b>10,534</b>	–
Cash and bank balances disposed of	(19,041)	–
	<b>(8,507)</b>	–

#### (d) Non-cash transaction

The principal non-cash transaction is the acquisition of an investment property under a conditional transfer agreement with Midas. Details of the transaction are set out in note 40.

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 40. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, during the year, the Group has entered into the following related party transactions on mutually agreed terms.

	2008 HK\$'000	2007 HK\$'000
Rental expenses payable to a fellow subsidiary*	752	–

\* The fellow subsidiary is a wholly owned subsidiary of Chuang's Consortium.

During the year, 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 transfer was arrived at after arm's length negotiations between the parties to the transfer agreement with reference to the market value of the industrial land of RMB38 million and the market value of the investment property of RMB25 million.

### 41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 3rd July, 2008.

### 42. PRINCIPAL SUBSIDIARIES

Name	Place of incorporation/ operation	Registered capital/ issued capital	Effective percentage held by Group		Principal activities
			2008	2007	
# Changsha Chuang's Property Development Limited	Mainland China	US\$10,000,000	100	100	Property development and investment
#,* Chengdu Palace Development Company Limited	Mainland China	RMB20,000,000	–	51	Property development
China Charm Company Limited	Hong Kong	2 shares of HK\$1 each	100	–	Property development and investment
@ China Cyberworld Limited	Hong Kong	2 shares of HK\$1 each	100	100	Investment holding
@ Chinaculture.com Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	100	100	Investment holding

**Notes to the Financial Statements (Continued)**  
For the year ended 31st March, 2008

**42. PRINCIPAL SUBSIDIARIES (Continued)**

Name	Place of incorporation/ operation	Registered capital/ issued capital	Effective percentage held by Group		Principal activities
			2008	2007	
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 (Chengdu) Limited	Hong Kong	2 shares of HK\$10 each 100,000 non-voting deferred shares of HK\$10 each	100	–	Property investment
Chuang's Development (China) Limited	Hong Kong	2 shares of HK\$10 each	100	100	Property development and investment
Chuang's Development (Dong Guan) Limited	Hong Kong	2 shares of HK\$1 each	100	100	Investment holding
Chuang's Development (Hunan) Limited	Hong Kong	2 shares of HK\$100 each	100	100	Investment holding
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

## Notes to the Financial Statements (Continued)

For the year ended 31st March, 2008

### 42. PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation	Registered capital/ issued capital	Effective percentage held by Group		Principal activities
			2008	2007	
Dragon Rich Investments Limited	Hong Kong	2 shares of HK\$1 each	100	100	Property investment
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	Mainland China	RMB60,000,000	100	85	Property development and investment
# Hui Zhou Yuen Sang Hardware Company Limited	Mainland China	HK\$10,000,000	100	–	Manufacture and sale of watch components
# Hunan Han Ye Real Estate Development Company Limited	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
Silver Dragon Investment Limited	Hong Kong	2 shares of HK\$1 each	100	100	Property development and investment



**Notes to the Financial Statements (Continued)**  
For the year ended 31st March, 2008

**42. PRINCIPAL SUBSIDIARIES (Continued)**

Name	Place of incorporation/ operation	Registered capital/ issued capital	Effective percentage held by Group		Principal activities
			2008	2007	
* Success Gain Investment Limited	Hong Kong	2 shares of HK\$1 each	-	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
*	Disposed of during the year				
@	Directly held by the Company				
#	Not audited by PricewaterhouseCoopers				

**43. PRINCIPAL ASSOCIATED COMPANY**

Name	Place of incorporation/ operation	Registered capital/ issued capital	Effective percentage held by Group		Principal activities
			2008	2007	
# Treasure Auctioneer International Limited	British Virgin Islands/ Hong Kong	1,000,000 shares of US\$1 each	25	25	Auction services
#	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, 2008 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%
6th Floor, Chengdu Chuang's Centre No. 1 Renmin South Road, Section 4, Wuhou District, Chengdu, Sichuan Province, The People's Republic of China (the "PRC")	Long lease	Commercial	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%
Quarter 1 to 3, Chuang's New Town, Huizhou, Guangdong, The PRC	Long lease	Staff quarter	100%
Beverly Hills Administrative Centre No. 145 Zhongyier Road, Muyun, Changsha, Hunan, The PRC	Long lease	Office	54%

## Particulars of Properties (continued)

### 3. PROPERTY PROJECTS IN THE PRC

Location	Stage of completion	Expected completion date	Usage	Site area (sq. m.)	Available gross floor area	Group's interest
Chuang's Le Papillon, Guangzhou, Guangdong						
— Phase I	Foundation works completed and superstructure in progress	2009	Comprehensive development area	26,600	70,000	100%
— Remaining phase	Master planning completed	Beyond 2009	Comprehensive development area	177,400	380,000	100%
Chuang's New City, Dongguan, Guangdong						
— Phase II, Gold Coast	Completed	Completed	Residential	30,242	8,788 (and 273 carparking spaces)	100%
— Phase III, Imperial Garden	Superstructure in progress	2009	Comprehensive development area	50,000	89,000	100%
	Foundation works completed	Beyond 2009	Comprehensive development area		57,000	100%
— Remaining phase	Master planning completed	Beyond 2009	Comprehensive development area	186,000	384,000	100%
Chuang's New Town, Huizhou, Guangdong						
— Chuang's Garden, Phases I, II and III	Completed	Completed	Residential	16,400	3,107	100%
— Remaining phase	Planning stage	N/A	Comprehensive development area	52,055	200,000	100%

## Particulars of Properties (continued)

### 3. PROPERTY PROJECTS IN THE PRC (Continued)

Location	Stage of completion	Expected completion date	Usage	Site area (sq. m.)	Available gross floor area	Group's interest
Beverly Hills, Changsha, Hunan						
— Phase I	Completed	Completed	Residential	95,948	19,539	54%
	Construction works in progress	End of 2008	Residential/commercial		34,600	54%
— Remaining phase	Planning stage	N/A	Comprehensive development area	900,000	1,530,000	54%
Chuang's Palazzo Caesar, Changsha, Hunan	Master planning in progress	Beyond 2009	Comprehensive development area	280,000	500,000	100%
Chuang's Le Printemps, Chengdu, Sichuan	Master planning in progress	Beyond 2009	Residential/commercial	30,000	130,000	51%
Xiamen Mingjia Binhai, Xiamen, Fujian	Master planning in progress	Beyond 2009	Service apartments/hotel	27,500	16,500	51%

# 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, 28th August, 2008 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, 2008.
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

- (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

## Notice of Annual General Meeting (continued)

- (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, 23rd July, 2008

## 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 Friday, 22nd August, 2008 to Thursday, 28th August, 2008, 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, Tricor Progressive Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on Thursday, 21st August, 2008.
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 2008 Annual Report.





**CHUANG'S CHINA INVESTMENTS LIMITED**  
25th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong