



CHUANG'S
CHINA
INVESTMENTS
LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 298

Annual Report 2013

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A close-up photograph of a fountain pen nib, likely made of brass or gold, resting on a light-colored, slightly textured surface. The nib is angled towards the right. In the background, a piece of white paper is shown with its top-right corner folded over, creating a soft shadow. The overall lighting is soft and even.

Dear Shareholders

OUR MISSION

BUILD
Your Home
FROM
OUR HEART

Chairman's Statement

Financial Review

Revenues of the Group for the year ended 31st March, 2013 decreased to HK\$509.5 million (2012: HK\$1,487.1 million), comprising sales of properties in the People's Republic of China (the "PRC") of approximately HK\$485.6 million (2012: HK\$1,472.4 million), income from manufacturing business of HK\$15.2 million (2012: HK\$11.8 million) and rental and its related income of HK\$8.7 million (2012: HK\$2.9 million). The decrease in the sales of properties in the PRC was mainly attributable to the absence of the disposal of the property development project in Xingsha (the "Xingsha Project") as recorded in the last corresponding year.

During the year under review, gross profit decreased to HK\$183.3 million (2012: HK\$805.2 million) mainly as a result of the absence of profit generated from the Xingsha Project. Other income and net gain/(loss) increased to HK\$31.7 million (2012: HK\$17.5 million) mainly due to the gain recorded on the transfer of properties for sale to investment properties during the year under review. A breakdown of other income and net gain/(loss) is shown in note 7 to the financial statements. During the year under review, the Group recorded a gain on change in fair value of investment properties in the PRC of HK\$32.1 million (2012: HK\$1.4 million).

On the costs side, selling and marketing expenses decreased to HK\$30.1 million (2012: HK\$46.8 million) as a result of reduced revenue from property development during the year. Administrative and other operating expenses amounted to HK\$125.3 million (2012: HK\$122.6 million) and was generally in line with the last corresponding year.

Finance costs reduced to HK\$0.7 million (2012: HK\$4.2 million) as a result of increased capitalisation of interest expenses to properties under development in the PRC during the year. Share of loss of an associated company amounted to HK\$0.5 million (2012: profit of HK\$3.5 million) was in relation to the Group's 25% interests in Treasure Auctioneer International Limited. Taxation amounted to HK\$54.4 million (2012: HK\$220.3 million) and was mainly relating to tax on sales of properties in the PRC.

Taking into account the above, profit attributable to equity holders of the Company for the year ended 31st March, 2013 has decreased to HK\$40.4 million (2012: HK\$448.8 million). Earnings per share was 2.62 HK cents (2012: 29.46 HK cents).

Creating new lifestyles, with joy and flair

Dividends

After taking into account the need to maintain sufficient financial resources for the acquisition of additional landbank and as working capital for the Group's projects and businesses, the board of Directors (the "Board") has resolved to recommend for the shareholders' approval at the forthcoming annual general meeting of the Company the payment of a final dividend of 2.0 HK cents (2012: 2.0 HK cents) per share for the year ended 31st March, 2013. The final dividend, if approved, will be paid on or before 15th November, 2013 by allotment of new shares with a cash option to the shareholders whose names appear on the Company's register of members on 3rd October, 2013.

Subject to the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of and permission to deal in the new shares to be issued pursuant to the scrip dividend scheme, new share entitlements will be calculated by reference to the par

value of the shares of the Company, being HK\$0.05, or the average of the closing prices on the Stock Exchange of the shares of the Company for the five consecutive trading days up to and including 3rd October, 2013, whichever is higher. A circular giving full details of the scrip dividend scheme and a form of election will be sent to the shareholders as soon as practicable.

An interim dividend of 1.0 HK cent (2012: 1.0 HK cent) per share has been paid in respect of the current financial year. Total dividends for the year will amount to 3.0 HK cents (2012: 3.0 HK cents) per share.



TOTAL

Developable properties

1,210,000

(Gross floor area
("GFA") in sq. m.)



LIAONING



HUNAN



FUJIAN



GUANGDONG

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

Property Development

The Group maintains a strong net cash position of about HK\$700 million and will closely monitor the land market to replenish its land reserve in cities with focus on Shenzhen, Guangzhou, Xiamen, Beijing and Shanghai.

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

| Locations | Projects | Developable properties (GFA in sq. m.) |
|-----------------------|-------------------|---|
| Northern China | | |
| Anshan | Chuang's Mid-town | 100,000 |
| Anshan | Chuang's Plaza | 390,000 |
| Sub-total | | 490,000 |

| Locations | Projects | Developable properties (GFA in sq. m.) |
|-----------------------|---|---|
| Southern China | | |
| Guangzhou | Chuang's Le Papillon (Block I to Block X) | 279,000 |
| Dongguan | Imperial Garden (Block 9 to Block 55) | 423,000 |
| Xiamen | sáv Resort & Spa | 18,000 |
| Sub-total | | 720,000 |

Enjoy the spectacular lifestyle of
the PEARL RIVER DELTA region

all within **1hr**
distance



Guangzhou South Station
廣州南站



Humen Station
虎門站



Shenzhen North Station
深圳北站

Futian Station
福田站

West Kowloon Station
西九龍站

— Guangzhou-Shenzhen-Hong Kong Express Rail Link
廣深港高速鐵路

... Under Construction
興建中

GUANGZHOU, GUANGDONG

CHUANG'S
LE PAPILLON
100% OWNED







Chuang's Le Papillon, enjoying the convenience of the nearby Route 4 Metro Station, is an integrated community with a total GFA of over 420,000 *sq. m.*, providing daily living commercial, luxurious club houses and abundant green and open spaces. Pursuant to new regulations issued by the Guangzhou Land Bureau, the local authorities charged additional land premium for property developments in Panyu district with plot ratio in excess of 1.8 times. As our project in this district has an approved plot ratio of 2.13, the Group has paid about RMB119 million as additional land premium during the year under review. Taking this into account, the average land cost of this project is about RMB1,200 per *sq. m.*.

Phase I comprises completed residential properties (Block A to E) of 113,400 *sq. m.*, providing 789 flats, commercial podium and club house with total GFA of 3,400 *sq. m.* and 255 carparking spaces.





Block
H

Block
G

Block
F



全民旺铺 火爆招商 8465 6888

全民旺铺 火爆招商 8465 6888

全民旺铺 火爆招商

林格地板

金福源

Phase II (Block F, G, H, I, J, K, L, M, N and P) has an aggregate residential GFA of about 147,400 *sq. m.*, providing 1,288 flats and 22 villas, commercial podium and club house with total GFA of 5,380 *sq. m.* and 1,242 carparking spaces. Block F, G and H with total GFA of 33,900 *sq. m.* are completed properties and occupancy are handed over to buyers during the year under review. Construction works for Block I, J, K, L, M and N (total GFA of about 106,500 *sq. m.*) will be completed in the financial year 2014, whereas foundation works for Block P (22 villas of about 7,000 *sq. m.*) are in progress.







Phase III (Block Q, R, S, T, U, V and X) has total residential GFA of about 163,000 *sq. m.*, and Block W (GFA of 2,639 *sq. m.*) is for commercial use. Foundation works of Block Q and R with total GFA of 50,154 *sq. m.* have commenced.

Regarding the sales progress for phase I and II, Block A, C, D, E, F, G, H, I and M are virtually sold out at average selling price of about RMB8,000 per *sq. m.*. Sales of Block B which consists of 98 large-sized flats ranging from 202 *sq. m.* to 400 *sq. m.* were launched in April 2013. Presales of Block J and K are in progress and that for Block L and N will be launched in the coming months.

Phase III Perspective

CONSTRUCTION IN PROGRESS





As of to-date, sales of this project which have not yet been recognised as revenues amounted to RMB589,170,000 (equivalent to approximately HK\$745,094,000), of which about RMB437,281,000 (equivalent to approximately HK\$553,007,000) are expected to be recognised as revenues in the year ending 31st March, 2014 when these sales are completed and the remaining RMB151,889,000 (equivalent to approximately HK\$192,087,000) are expected to be recognised as revenues in the year ending 31st March, 2015.





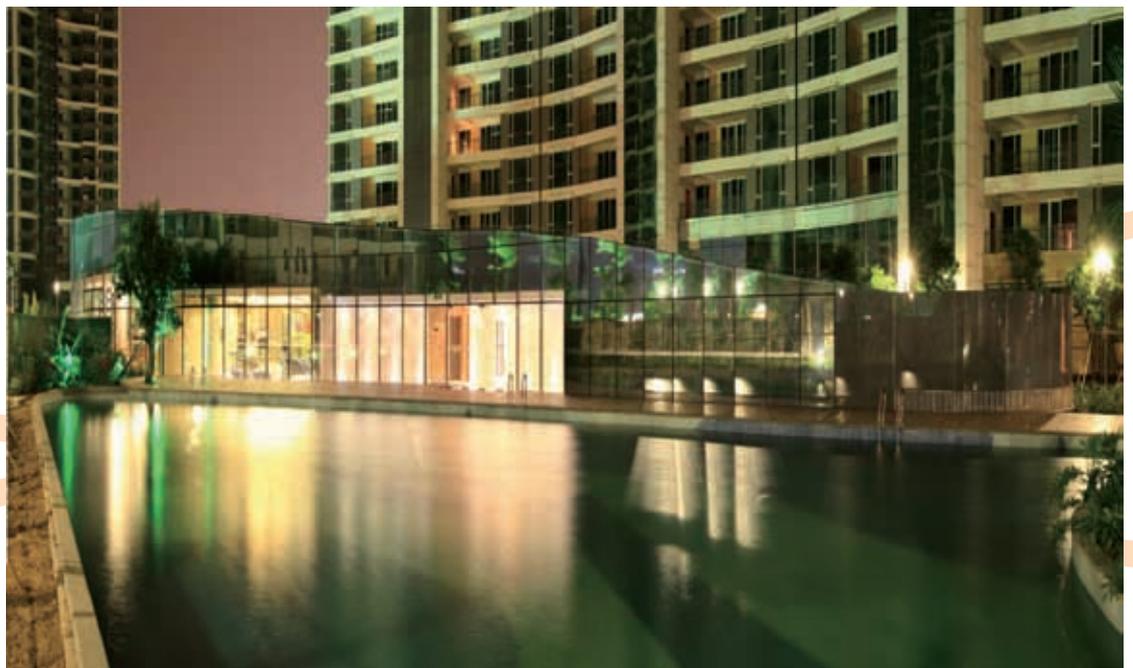
Block
|

CHUANG'S LE PAPILLON



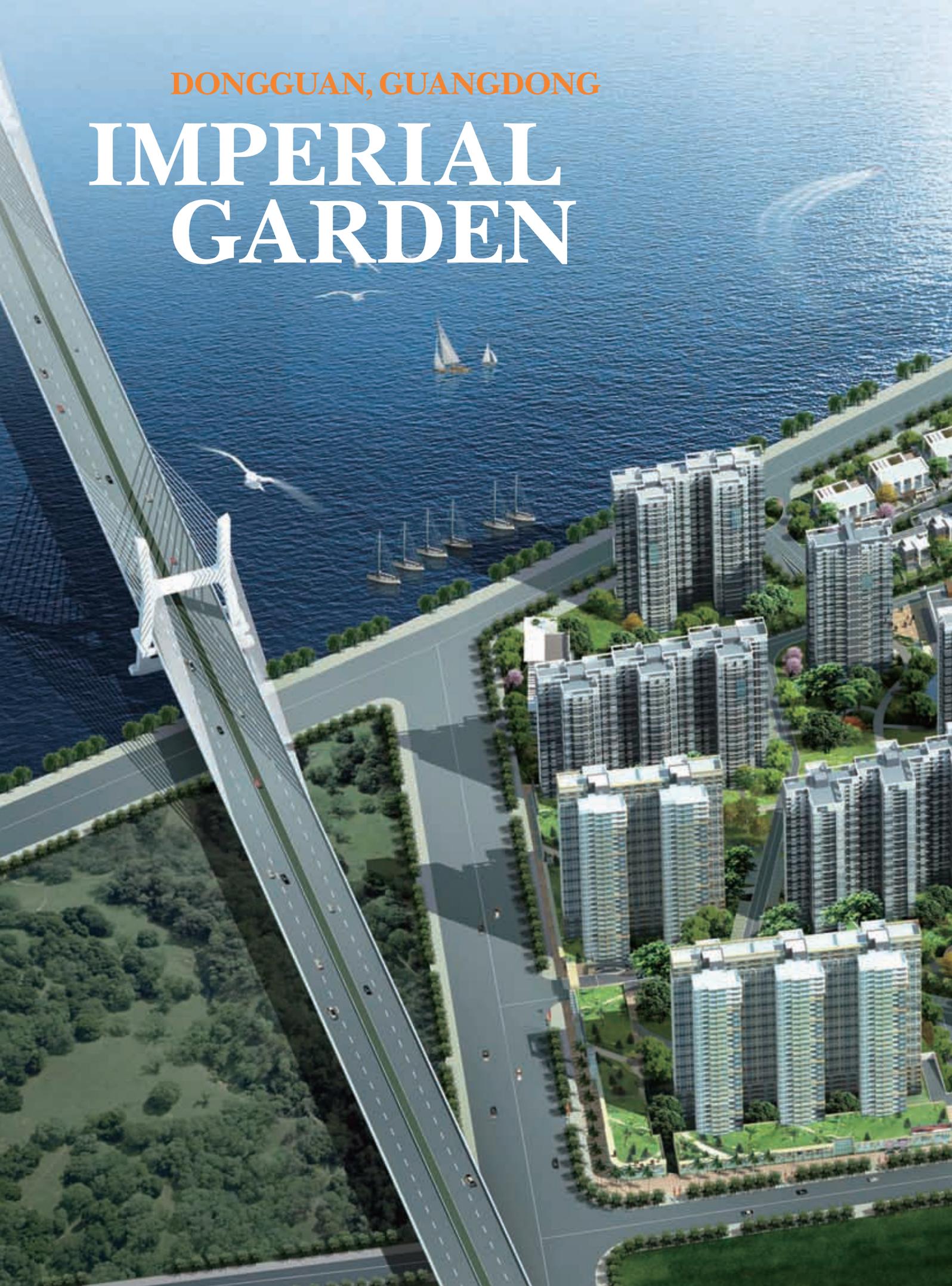
The sales target of unsold residential properties for Chuang's Le Papillon in the financial year ending 2014 amounted to about RMB944 million as follows:

| | | Sales target | | |
|--------------|---------------------------|----------------|--------------------|----------------------|
| | | | 2013/14 | 2014/15 |
| | | <i>sq. m.</i> | <i>RMB</i> | <i>and beyond</i> |
| | | | | <i>RMB</i> |
| Phase I | Block A,B,C,D,E | 22,294 | 180,837,000 | |
| Phase II | Block F,G,H,I,J,K,L,M,N,P | 60,728 | 763,462,000 | |
| Phase III | Block Q,R,S,T,U,V,X | 163,000 | | 1,514,695,000 |
| TOTAL | | 246,022 | 944,299,000 | 1,514,695,000 |



DONGGUAN, GUANGDONG

IMPERIAL GARDEN





IMPERIAL GARDEN

CHUANG'S NEW CITY
100% OWNED



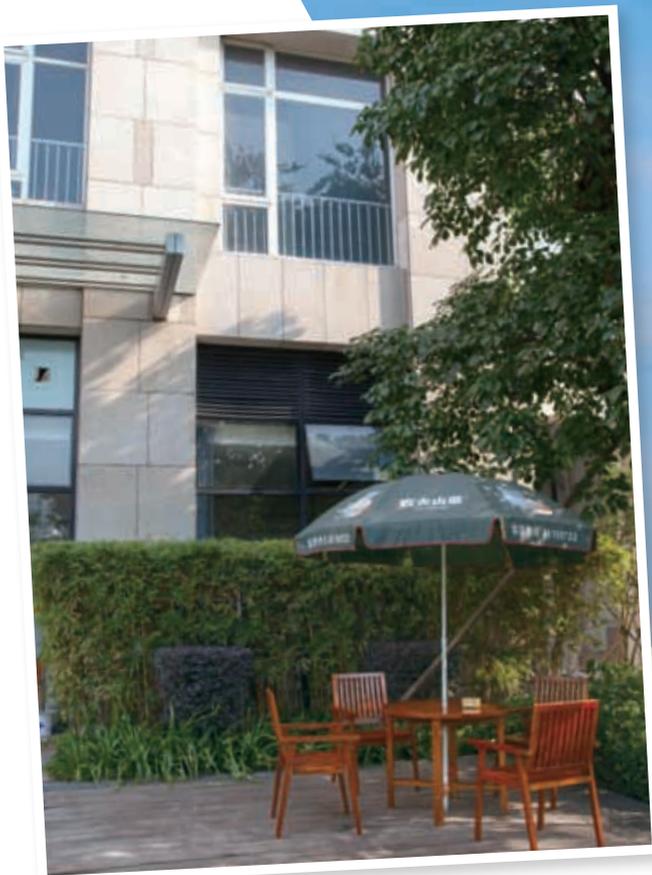






Chuang's New City is well equipped with ancillary facilities such as club house, kindergarten, sports arena and shopping mall to meet residents' pursuit of a refined lifestyle. The project has a total GFA of about 520,000 sq. m., comprising 95,700 sq. m. of completed properties and 423,000 sq. m. for development. The average land cost of the project is about RMB660 per sq. m..





Phase I consists of 8 completed residential towers totaling about 89,000 *sq. m.* in GFA, a modern commercial shopping complex of about 6,666 *sq. m.* and 184 carparking spaces. Block 1 to Block 8 comprise 665 apartments with size ranging from 80 *sq. m.* to 160 *sq. m.*, 27 executive duplex of about 280 *sq. m.* and 3 simplex of 445 *sq. m.*. Up to date, a total of 614 flats have been sold at an average selling price of about RMB5,300 per *sq. m.*.



Completed Block 1 to 8

Phase II comprises Block 9 to Block 14 providing 6 residential towers (total GFA of 61,272 *sq. m.*) with flats size ranging from 56 *sq. m.* to 127 *sq. m.*. Foundation works for Block 9 to Block 14 were completed. Superstructure works for Block 9 to Block 11 have commenced. Marketing and presales of Block 9 to Block 11 will be launched in the third quarter of this year.

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

As of to-date, sales of this project which have not yet been recognised as revenues amounted to RMB27,273,000 (equivalent to approximately HK\$34,491,000) and are expected to be recognised as revenues in the year ending 31st March, 2014 when these sales are completed.





The sales target of unsold residential properties for Imperial Garden in the financial year ending 2014 amounted to about RMB276 million as follows:

| | | Sales target | | |
|--------------|----------------|----------------|-----------------------|-------------------------------------|
| | | <i>sq. m.</i> | 2013/14 <i>RMB</i> | 2014/15 and beyond <i>RMB</i> |
| Phase I | Block 1 to 8 | 10,734 | 90,288,000 | |
| Phase II | Block 9 to 14 | 61,272 | 186,000,000 | 186,000,000 |
| Phase III | Block 15 to 55 | 356,000 | | 3,844,663,000 |
| TOTAL | | 428,006 | 276,288,000 | 4,030,663,000 |

IMPERIAL GARDEN

CHUANG'S NEW CITY





Perspective

sáv Resort & Spa

XIAMEN, FUJIAN

59.5% OWNED







Our luxurious hotel and resort development occupies a site with an area of about 27,574 sq. m.. Focusing on a low density development, the project has 18,000 sq. m. in GFA and stands out in its master planning, architectural and landscape design.

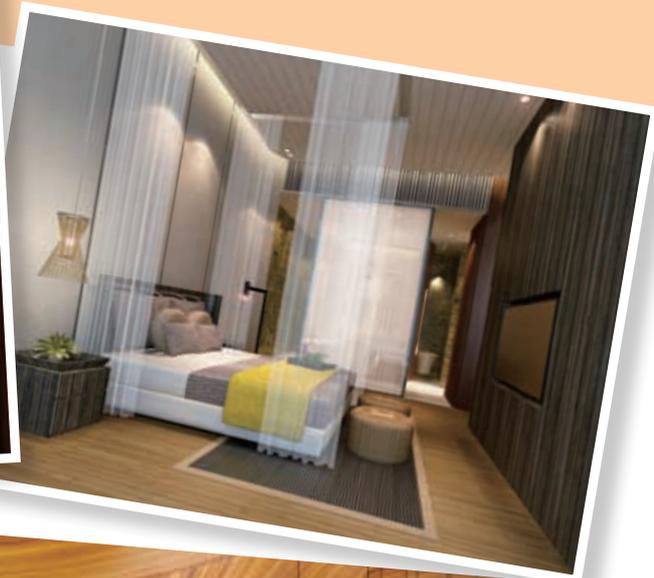
Superstructure works are expected to be completed in July 2013, while interior and fitting out works will be followed closely. Within this development, 27 villas with aggregate GFA of about 8,400 sq. m. will be rented out on long lease. An exclusive resort with 80 keys and 3 private pool villas (total GFA of 9,600 sq. m.) will be operated as hotel and resort.



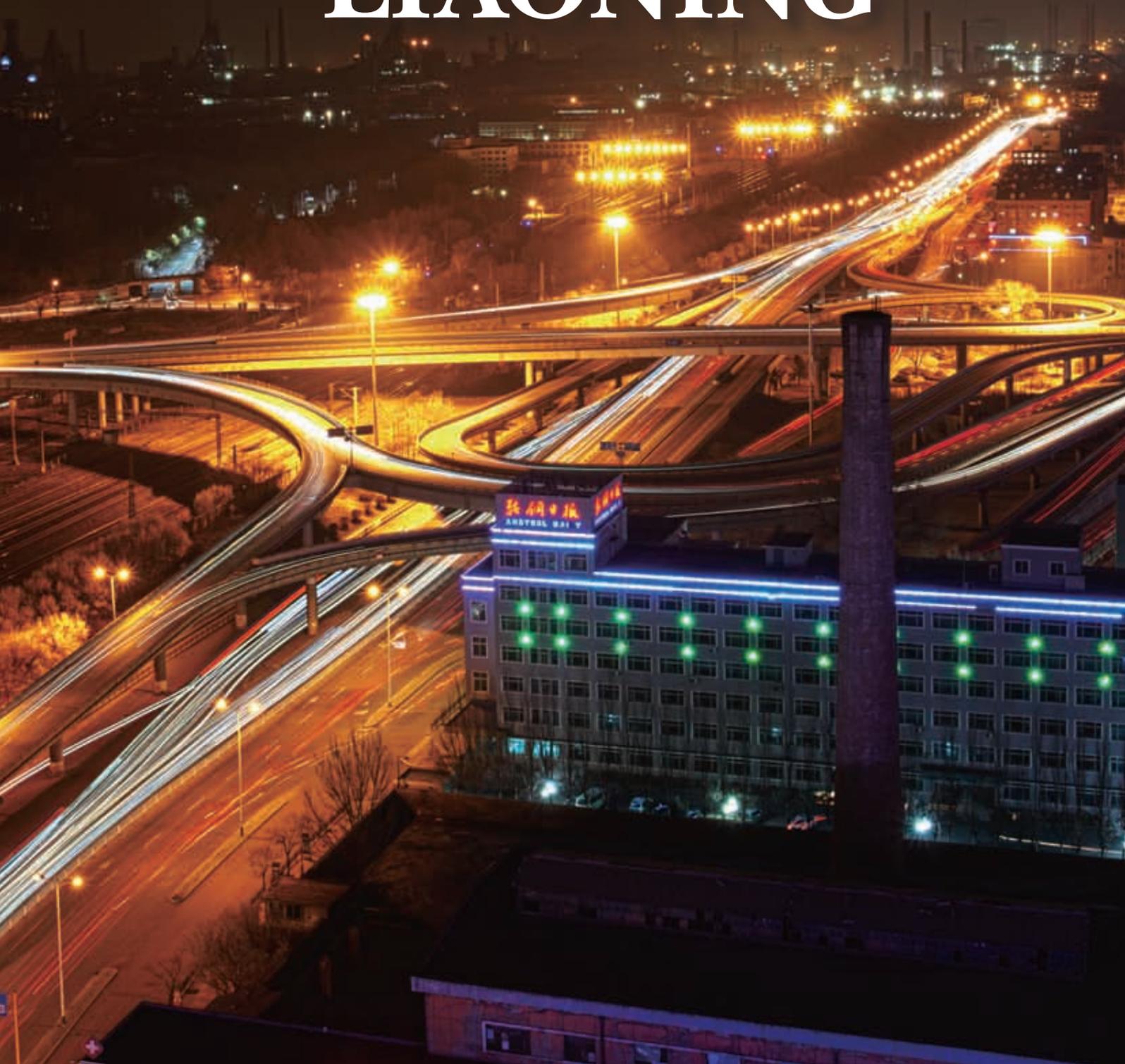


There are nice landscape gardening and big body water in the centre of private villas. Through the use of waterways (including waterfalls, cascades and infinity pool concept with pavilions), gardens, landscapes and colors will be incorporated. Its accommodation options include open suites and spacious villas overlooking the glamorous water feature.





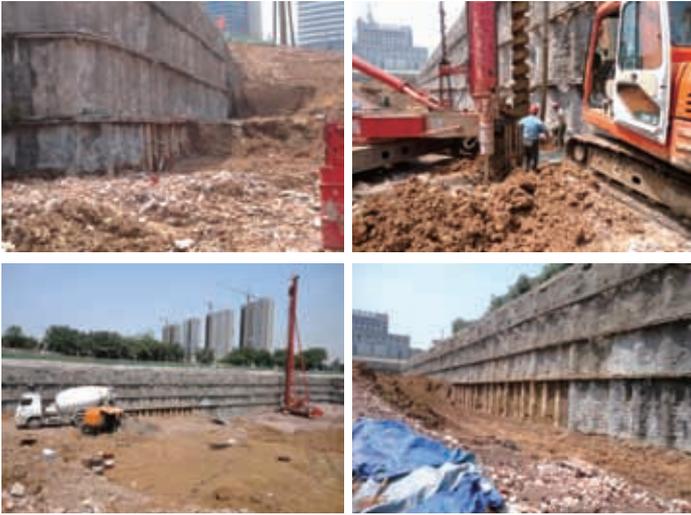
ANSHAN LIAONING



CHUANG'S MID-TOWN

100% OWNED

Situated right next to the Anshan rail station, this site is located at the core city centre of Tie Dong Qu (鐵東區). The development will provide integrated community with residential, shopping areas, specialty business activities, SOHO and office space with total GFA of about 100,000 sq. m.. Master planning for the project has been approved by the relevant PRC bureau. Works for excavation and lateral support have been completed and foundation works are in progress. Marketing of the project will commence in July 2013.



CHUANG'S PLAZA

100% OWNED

Adjacent to Chuang's Mid-town, the second site acquired by the Group is located in the prime city centre of Tie Dong Qu (鐵東區). The site has already been delivered by the local government. With developable GFA of 390,000 sq. m., the site will provide a mega integrated development including office towers, retail, food and beverage and entertainment facilities together with residential blocks. Master planning for the project is in progress.



BEVERLY HILLS

CHANGSHA, HUNAN

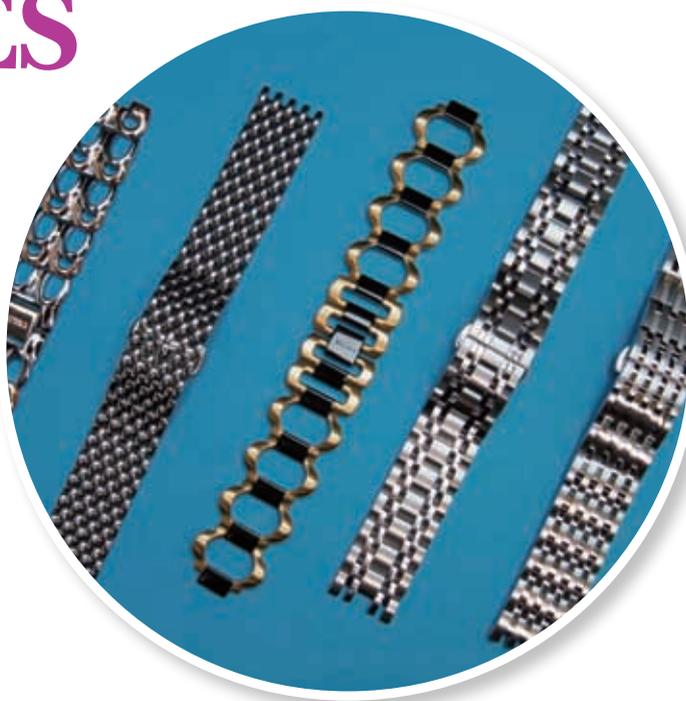
5 4 % O W N E D

Beverly Hills has total GFA of about 80,200 *sq. m.*. It comprises 172 low-rise villas and 144 high-rise flats with total GFA of 70,000 *sq. m.*. Commercial and SOHO properties have a total GFA of about 10,200 *sq. m.*. Portion of the properties has been sold and properties remain available for sales have a total book costs of about HK\$124 million. As at 31st March, 2013, the total

investment costs of the Group in this project amounted to about HK\$79 million. As the 10-year operating license of the joint venture company in the PRC has expired, the Group is taking advice from consultants, including legal advisers, as to the next courses of action which may include dissolution of this joint venture company.

OTHER BUSINESSES

As at 31st March, 2013, the aggregate net book value of the Group's other businesses amounted to approximately HK\$153.4 million. These include: (a) the Group's wholly-owned subsidiary, Yuen Sang Watch Industries Limited, which is engaged in the manufacturing and sale of watch components for export; (b) the 25% interests in Treasure Auctioneer International Limited; (c) the 14.88% interests in a quoted investment in CNT Group Limited; and (d) Level 6 of the commercial podium at Chengdu Digital Plaza in Chengdu with GFA of 4,255 *sq. m.* which is held for rental purpose.



Prospects

Looking forward, the control policies implemented by the central government over the property market in the PRC are expected to continue, which will lead the market back to a more stable and rational state in the long run. Therefore, the demands for end-user's housing with potential appreciation remain strong and solid. The Group remains optimistic in the long term development of the PRC property market, and will proactively seize market opportunities and adjust marketing and pricing strategies and product mix.

In the coming financial years, the Group will actively launch our projects in Guangzhou, Dongguan, Xiamen and Anshan, which are well located with convenient transportation network and comprehensive facilities. The total sales value of these projects amounts to over HK\$10 billion. With the sales of these projects, the Group is confident that its value will be significantly enhanced.

Financial Positions

As at 31st March, 2013, the Group's cash and bank balances (including pledged bank balances) amounted to HK\$1,011.5 million (2012: HK\$836.8 million). As at the same date, bank borrowings of the Group amounted to HK\$317.8 million (2012: HK\$41.9 million). The Group has net cash of HK\$693.7 million (2012: HK\$794.9 million). The calculation of net debt to equity ratio was therefore not applicable (2012: Not applicable).

Approximately 57.4% of the Group's cash and bank balances were in Hong Kong dollar and United States dollar with the remaining 42.6% in Renminbi. Approximately 23.8% of the Group's bank borrowings were in Hong Kong dollar with the remaining 76.2% in Renminbi. Accordingly, risk in exchange rate fluctuation would not be material.

Based on the agreed scheduled repayment dates in the loan agreements and ignoring the effect of any repayment on demand clause, approximately 3.8% of the Group's bank borrowings were repayable within the second year and the balance of 96.2% was repayable within the third to fifth years.

As at 31st March, 2013, the net asset value attributable to equity holders of the Company was HK\$2,473.1 million. Net asset value per share amounted to HK\$1.58, which is calculated based on the historical cost of the Group's land bank, before taking into account the appreciated value.

Staff

The Group puts emphasis on training and cultivating elite talent. We are committed to providing a dynamic and enthusiastic working atmosphere and increase hiring talents of all fields. As at 31st March, 2013, the Group employed 516 staff. The Group provides its staff with other benefits including discretionary bonus, contributory provident fund, share options and medical insurance. Staff training is also provided as and when required.

Appreciation

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

Abraham Shek Lai Him
Chairman

Hong Kong, 24th June, 2013

CORPORATE INFORMATION

Honorary Chairman

Alan Chuang Shaw Swee

Directors

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

Lee Sai Wai (*Deputy Chairman*)

Albert Chuang Ka Pun (*Deputy Chairman*)

Ann Li Mee Sum (*Managing Director*)

Chong Ka Fung

Sunny Pang Chun Kit

Wong Chung Wai

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

Andrew Fan Chun Wah*

* *Independent Non-Executive Directors*

Audit Committee/ Nomination Committee/ Remuneration Committee

Abraham Shek Lai Him, G.B.S., J.P.#

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

Andrew Fan Chun Wah

Corporate Governance Committee

Albert Chuang Ka Pun

Ann Li Mee Sum#

Chong Ka Fung

Chairman of the relevant committee

Company Secretary

Lee Wai Ching

Auditor

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

Registrars

Bermuda:

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street,
Hamilton HM 11,
Bermuda

Hong Kong:

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

CORPORATE INFORMATION (CONTINUED)

Principal Bankers

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

Registered Office

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

Principal Office in Hong Kong

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

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

Tsuen Wan Office

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

Beijing Office

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

Guangzhou Office

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

Dongguan Office

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

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

Anshan Office

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

Xiamen Office

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

Chengdu Office

Chengdu Chuang's Investment Services Limited
Room 1204, Block B,
Air China Century Centre,
No. 1 Hangkong Road,
Chengdu, Sichuan, the PRC

Sales Offices in the PRC

Chuang's Le Papillon Sales Office

Liangang Road, Guangzhou,
Guangdong, the PRC

Imperial Garden Sales Office

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

Chuang's Mid-town Sales Office

Jian Guo Road,
Tie Dong Qu,
Anshan, Liaoning, the PRC

Stock Code

298

BIOGRAPHICAL DETAILS OF HONORARY CHAIRMAN, DIRECTORS AND SENIOR MANAGEMENT

Honorary Chairman

Mr. Alan Chuang Shaw Swee (aged 61), the honorary chairman of the Company, is the chairman of Chuang's Consortium International Limited ("Chuang's Consortium", the controlling shareholder of the Company) and the honorary chairman of Midas International Holdings Limited ("Midas"), both are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He has extensive experience in business development and investment in Hong Kong, the People's Republic of China (the "PRC") and Southeast Asia. With his substantial connections, he has been actively involved in the development and management of investments in Hong Kong, the PRC and Southeast Asia. He was an Adviser of Hong Kong Affairs and a member of the Selection Committee for the Government of the Hong Kong Special Administrative Region. He is a member of the National Committee of The Chinese People's Political Consultative Conference, a standing committee member of All-China Federation of Returned Overseas Chinese, a member of China Overseas Friendship Association, the Honorary member of Guangzhou Panyu Overseas Exchanges Association, the Vice President of China Federation of Overseas Chinese Entrepreneurs and the Committee for the Promotion of Fujian-Taiwan Economic Cooperation, the Honorary President of Hunan Overseas Friendship Association and Fujian International Culture & Economy Exchange Foundation, an economic adviser to Chengdu, Sichuan, an overseas consultant to Sichuan Provincial Overseas Exchanges Association, an Honorary Citizen of Xiamen City, Guangzhou City and Chia-Yi, Taiwan and an executive director of the Board of Trustees of Jimei University, Xiamen City. He is also the Vice President of the Hong Kong Factory Owners Association, the Honorary President of the Hong Kong Federation of Overseas Chinese Association, a director of the Chinese General Chamber of Commerce, a director of The Real Estate Developers Association of Hong Kong, the Senate of the Democratic Alliance for the Betterment and Progress of Hong Kong, the Life Honorary President of the General Association of Xiamen (H.K.) Ltd., the Permanent President of Hong Kong Huian Natives Association, the Life Honorary President of Chuang & Yen Clansmen's General Association and a director of the Friends of Hong Kong Association Ltd..

Directors

Mr. Abraham Shek Lai Him G.B.S., J.P., (aged 68), was appointed as the chairman and an independent non-executive director of the Company in April 2008. He is currently a member of the Legislative Council for the Hong Kong Special Administrative Region, the Court of The Hong Kong University of Science & Technology, the Court and the Council of The University of Hong Kong and the vice chairman of Independent Police Complaints Council. He holds a Bachelor degree of Arts. He is also an independent non-executive director of Chuang's Consortium, Midas, Paliburg Holdings Limited, Lifestyle International Holdings Limited, NWS Holdings Limited, Titan Petrochemicals Group Limited, ITC Corporation Limited, Country Garden Holdings Company Limited, Hop Hing Group Holdings Limited, MTR Corporation Limited, Hsin Chong Construction Group Ltd., SJM Holdings Limited, Dorsett Hospitality International Limited, ITC Properties Group Limited, China Resources Cement Holdings Limited and Lai Fung Holdings Limited, all are listed on the Stock Exchange, and a director of The Hong Kong Mortgage Corporation Limited. Mr. Shek is also an independent non-executive director of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust, and Regal Portfolio Management Limited, the manager of Regal Real Estate Investment Trust, both trusts are listed on the Stock Exchange.

Mr. Lee Sai Wai (aged 76), the deputy chairman, has over 28 years of experience in the manufacturing and property sectors. He is a graduate of Shanghai Fudan University. Mr. Lee was a member of The Seventh and The Eighth Sichuan Committee of The Chinese People's Political Consultative Conference. He is an executive council of Sichuan Overseas Friendship Association, Hunan Overseas Friendship Association, Guangzhou Panyu Overseas Friendship Association and Sichuan Provincial Overseas Exchanges Association, the vice president of Sichuan Association of Chinese Entrepreneurs, Chengdu Overseas Exchanges Association and Changsha Overseas Friendship Association, and an adviser of Chengdu Overseas Friendship Association

Directors (Continued)

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

Mr. Albert Chuang Ka Pun (aged 33), the deputy chairman, has over 9 years of experience in property business and general management. He is also an executive director of Chuang's Consortium. He holds a Bachelor degree of Arts with major in Economics. He is a committee member (the Hong Kong Special Administrative Region) of the Tianjin Municipal Committee of the Chinese People's Political Consultative Conference and the Eleventh All-China Youth Federation. Mr. Chuang is the son of Mr. Alan Chuang Shaw Swee. He is also the nephew of Mr. Lee Sai Wai and the brother of Mr. Chong Ka Fung. He joined the Group in 2008.

Miss Ann Li Mee Sum (aged 52), the managing director, has over 27 years of experience in finance and investment banking. She holds a Master degree in Business Administration and is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Chartered Institute of Management Accountants. She joined the Group in 1999.

Mr. Chong Ka Fung (age 28), an executive director, has over 3 years of experience in architecture, interior design and general management. He is also an executive director of Chuang's Consortium. He holds a Bachelor degree of Fine Arts in Architecture Design covering architecture; interior; and urban planning. He is a member of The Hong Kong Institute of Architects, The Y. Elites Association Limited, The Chinese General Chamber of Commerce, the Hong Kong Huian Natives Association and the Internet Professional Association, a director of the Hong Kong Chang Sha Chamber of Commerce and a council of the Hunan Youth Federation. Mr. Chong is the son of Mr. Alan Chuang Shaw Swee. He is also the nephew of Mr. Lee Sai Wai and the brother of Mr. Albert Chuang Ka Pun. He joined the Group in 2012.

Mr. Sunny Pang Chun Kit (aged 55), an executive director, has over 35 years of experience in construction and real estate development business. He holds a Master of Science degree in Construction and Project Management and is a member of the Chartered Institute of Building and the Architects and Surveyors Institute, United Kingdom and an associate member of the Hong Kong Institution of Engineers. He joined the Group in 1992.

Mr. Wong Chung Wai (aged 44), an executive director, has over 21 years of experience in architecture, project management and contract administration. He is also an executive director of Chuang's Consortium. He holds a Bachelor degree of Science in Building Technology and Management and is an associate member of both the Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors. He joined the Group in 2009.

Mr. David Chu Yu Lin S.B.S., J.P., (aged 69), was appointed as an independent non-executive director in 1997. Mr. Chu has extensive experience in finance, banking and property investment. He holds 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. Mr. Chu was conferred with an Honorary Doctorate Degree in Public Service by the Northeastern University. He is also an independent non-executive director of Chuang's Consortium, AVIC International Holding (HK) Limited and Zhuhai Holdings Investment Group Limited, all are listed on the Stock Exchange. Mr. Chu was elected as a deputy of the Hong Kong Special Administrative Region to the 10th National Congress of the PRC.

BIOGRAPHICAL DETAILS OF HONORARY CHAIRMAN, DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Directors (Continued)

Mr. Andrew Fan Chun Wah (aged 34), was appointed as an independent non-executive director in 2013. He is a practising certified public accountant in Hong Kong with over 7 years of experience. He holds a Bachelor degree of Business Administration (accounting and finance) and a Bachelor degree in Laws. Mr. Fan is a member of the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Fan is an independent non-executive director of LT Holdings Limited and Milan Station Holdings Limited, both are listed on the Main Board of the Stock Exchange; and CIG Yangtze Ports PLC, listed on the Growth Enterprises Market of the Stock Exchange. He is also a committee member of the tenth and eleventh Chinese People's Political Consultative Conference of the Zhejiang Province, the fourth and fifth Chinese People's Political Consultative Conference of Shenzhen and the vice chairman of Zhejiang Province United Young Association.

Senior Management

Mr. Huang Shi Zhao (aged 57), the general manager of the Group's operation in Guangdong, the PRC. He has over 39 years of experience in legal field, electrical engineering, property development, construction project, administration and management. He is a university graduate in PRC laws and is a National Constructor (Class II) in the PRC. He is the vice president of Dongguan City Association of Enterprises with Foreign Investment, the executive vice president of The Association of Foreign Investment Enterprises of Shatian, Dongguan and the supervisor of Guangdong Quangang Association for Economic & Cultural Advancement. He joined the Group in 1993.

Mr. Huang Zemin (aged 49), the general manager of the Group's operation and development project in Anshan, the PRC. He has over 25 years of experience in property development and management. He holds a Bachelor degree of Arts. He joined the Group in 2012.

Mr. Wang Qingwu (aged 43), the assistant director of the Group's PRC property division. He has 22 years of experience in land acquisition, business development, project management and general management. He holds a Bachelor degree in Architectural Engineering. He joined the Group in 2006.

Mr. Peter Lui Gee Yee (aged 34), the senior project manager, has 10 years of experience in design, planning and development of property projects. He holds a Bachelor degree and a postgraduate diploma both in architectural studies. He is a chartered member of the Royal Institute of British Architects, a Chartered Environmentalist and a member of the Society of Environmental Engineers, the Hong Kong Institute of Environmentalist Founding Committee and the Chartered Management Institute. He joined the Group in 2008.

Ms. Alison Leung Chor Wing (aged 33), the senior project manager, has over 9 years of experience as an architect and in project administration. She holds a Bachelor degree of Arts in Architectural Studies and a Master degree in Architecture. She is a registered architect, a member of the Hong Kong Institute of Architects and has been accredited as a BEAM professional by the Hong Kong Green Building Council. She joined the Group in 2012.

Mr. Tao Jun (aged 49), the deputy general manager of the Group's development project in Panyu, the PRC. He has over 27 years of experience in construction project management. He is a university graduate with major in Industrial and Civil Construction and holds a senior engineer qualification in Hubei, the PRC. He joined the Group in 2004.

Mr. Chen Feng (aged 31), the deputy general manager of the Group's development project in Panyu, the PRC. He has over 6 years of experience in construction project management. He holds a Master degree in construction management. He joined the Group in 2007.

Senior Management (Continued)

Mr. Zhuang Xue Nong (aged 39), the general manager of the Group's project in Changsha, Hunan, the PRC. He has over 18 years of experience in real estate and project management, construction, administration, marketing and finance. He holds a postgraduate certificate in Economic Management. He joined the Group in 2003.

Mr. Zhuang Xueyu (aged 40), the deputy general manager of the Group's hotel development and management project in Xiamen, the PRC. He has over 16 years of experience in architectural engineering. He holds a Bachelor degree in Architecture and the PRC Class I Registered Architect Qualification. He joined the Group in 2011.

Mr. Liu Hua (aged 39), the deputy general manager of the Group's development project in Dongguan, the PRC. He has over 20 years of experience in construction and project management. He joined the Group in 2003.

Mr. Guo Caihong (aged 43), the deputy general manager of the Group's operation in Chengdu, the PRC. He has 21 years of experience in project planning, design and management. He joined the Group in 1992.

Mr. David Yeung Man Yung (aged 42), the general manager of the Group's manufacturing division. He has 20 years of experience in manufacturing management and trading business. He holds a Bachelor of Science degree in Electrical Engineering and a Master degree in Business Administration. He joined the Group in 2011.

Ms. Lee Wai Ching (aged 52), the company secretary, has over 29 years of experience in corporate services and office administration. She holds a Master degree in Business Administration and a Master degree in Laws. She is a fellow of both the Institute of Chartered Secretaries and Administrators in the United Kingdom and the Hong Kong Institute of Chartered Secretaries. She joined the Group in 1998.

CORPORATE GOVERNANCE REPORT

Introduction

The Company is committed to achieving a 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 Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Report on corporate governance practices

(A) The Board

The board of Directors (the “Board”) is responsible for overseeing the business and strategies of the Company and its subsidiaries (collectively as the “Group”) with the objective of enhancing value for its shareholders.

(i) *Board composition*

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 (“Mr. Abraham Shek”) | Chairman and Independent Non-Executive Director |
| Mr. Lee Sai Wai* | Deputy Chairman |
| Mr. Albert Chuang Ka Pun* (“Mr. Albert Chuang”) | Deputy Chairman |
| Miss Ann Li Mee Sum (“Miss Ann Li”) | Managing Director |
| Mr. Chong Ka Fung* (“Mr. Edwin Chong”) (appointed on 25th September, 2012) | Executive Director |
| Mr. Sunny Pang Chun Kit (“Mr. Sunny Pang”) | Executive Director |
| Mr. Wong Chung Wai | Executive Director |
| Mr. David Chu Yu Lin (“Mr. David Chu”) | Independent Non-Executive Director |
| Mr. Andrew Fan Chun Wah (“Mr. Andrew Fan”) (appointed on 15th January, 2013) | Independent Non-Executive Director |

* *Mr. Lee Sai Wai is the uncle of Mr. Albert Chuang and Mr. Edwin Chong. Mr. Albert Chuang is the brother of Mr. Edwin Chong.*

** *Miss Candy Chuang Ka Wai (“Miss Candy Chuang”) resigned as an Executive Director of the Company on 25th September, 2012. Both Dr. Hwang Jen and Dr. Peter Po Fun Chan retired on 26th March, 2013 and ceased to act as Independent Non-Executive Directors of the Company.*

Report on corporate governance practices (Continued)

(A) The Board (Continued)

(i) *Board composition (Continued)*

The composition of the Board is well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business of the Group. 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. Each of the Directors' respective biographical details are set out in the section headed "Biographical Details of Honorary Chairman, Directors and Senior Management" of this annual report.

(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 by the Company with clear terms of reference to review the composition of the Board. The Nomination Committee currently comprises three Independent Non-Executive Directors, Mr. Abraham Shek, Mr. David Chu and Mr. Andrew Fan. The committee met once during the year to review the structure, size and composition of the Board and to assess the independence of each Independent Non-Executive Director. The committee also approved the recommended candidates to become Board members by resolutions in writing.

The attendance record of each committee member is as follows:

| Name | No. of meeting attended/held |
|---|-------------------------------------|
| Mr. Abraham Shek (appointed as the Chairman on 26th March, 2013) | 0/1 |
| Mr. David Chu | 1/1 |
| Mr. Andrew Fan (appointed as a member on 26th March, 2013) | 0/1 |
| Dr. Hwang Jen (retired on 26th March, 2013) | 1/1 |
| Dr. Peter Po Fun Chan (retired on 26th March, 2013) | 0/1 |

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 | Chairman and Independent Non-Executive Director | 4/4 |
| Mr. Lee Sai Wai | Deputy Chairman | 4/4 |
| Mr. Albert Chuang | Deputy Chairman | 4/4 |
| Miss Ann Li | Managing Director | 4/4 |
| Mr. Edwin Chong (appointed on 25th September, 2012) | Executive Director | 2/4 |
| Mr. Sunny Pang | Executive Director | 4/4 |
| Mr. Wong Chung Wai | Executive Director | 4/4 |
| Mr. David Chu | Independent Non-Executive Director | 4/4 |
| Mr. Andrew Fan (appointed on 15th January, 2013) | Independent Non-Executive Director | 1/4 |
| Miss Candy Chuang (resigned on 25th September, 2012) | Executive Director | 1/4 |
| Dr. Hwang Jen (retired on 26th March, 2013) | Independent Non-Executive Director | 4/4 |
| Dr. Peter Po Fun Chan (retired on 26th March, 2013) | Independent Non-Executive Director | 3/4 |

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 is the Chairman and Miss Ann Li, the Managing Director, is the Chief Executive Officer.

(vi) *Responsibilities of Directors*

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

(vii) *Directors' dealings in securities*

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

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

Report on corporate governance practices (Continued)

(A) The Board (Continued)

(ix) Directors' Training

According to the code provision A.6.5 of the CG Code, all Directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, functions and duties of the Directors of the Company.

During the year, the Company has arranged seminars and provided reading materials to the Directors that are relevant to their duties and responsibilities. A summary of the training record of each Director received by the Company is as follows:

| Name | Reading regulatory updates relating to the director's duties and responsibilities or information relevant to the Group or its business | Reading newspapers, journals and updates relating to the economy, environment and social issues or the director's duties and responsibilities | Attending in-house seminar(s) or seminar(s) organised by external professional institution(s) or attending conference(s) relevant to the director's duties and responsibilities |
|--------------------|--|---|---|
| Mr. Abraham Shek | ✓ | ✓ | ✓ |
| Mr. Lee Sai Wai | ✓ | ✓ | ✓ |
| Mr. Albert Chuang | ✓ | ✓ | ✓ |
| Miss Ann Li | ✓ | ✓ | ✓ |
| Mr. Edwin Chong | ✓ | ✓ | ✓ |
| Mr. Sunny Pang | ✓ | ✓ | ✓ |
| Mr. Wong Chung Wai | ✓ | ✓ | ✓ |
| Mr. David Chu | ✓ | ✓ | ✓ |
| Mr. Andrew Fan | ✓ | ✓ | ✓ |

Report on corporate governance practices (Continued)

(B) Remuneration of Directors and senior management

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

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

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

The Chairman, being an Independent Non-Executive Director, entitles to an annual fee of HK\$300,000. Each of the other Independent Non-Executive Directors of the Company entitles to 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 by the Company with clear terms of reference and is responsible for making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the Company's establishment of a formal and transparent procedure for developing remuneration policy.

The Remuneration Committee comprises three Independent Non-Executive Directors, Mr. Abraham Shek, Mr. David Chu and Mr. Andrew Fan. The committee met once during the year to review the remuneration policy of the Group and the management remuneration proposals with reference to the Board's corporate goals and objectives. The committee performs an advisory role to the Board with the Board retaining the final authority to approve the remuneration packages of Directors and senior management and the model (c)(ii) as stipulated in code provision B.1.2. of the CG Code was adopted.

The attendance record of each committee member is as follows:

| Name | No. of meeting attended/held |
|---|------------------------------|
| Mr. Abraham Shek (appointed as the Chairman on 26th March, 2013) | 0/1 |
| Mr. David Chu | 1/1 |
| Mr. Andrew Fan (appointed as a member on 26th March, 2013) | 0/1 |
| Dr. Hwang Jen (retired on 26th March, 2013) | 1/1 |
| Dr. Peter Po Fun Chan (retired on 26th March, 2013) | 0/1 |

Report on corporate governance practices (Continued)

(C) Accountability and audit

(i) *Financial reporting*

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

The reporting responsibility of the Company's auditor on the financial statements of the Group is set out in the "Independent Auditor's Report" on pages 77 to 78 of this annual report.

(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. Upon the review of the effectiveness of the internal control system of the Group during the year and 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 by the Company 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, Mr. Abraham Shek, Mr. David Chu and Mr. Andrew Fan. The committee held three meetings during the year to discuss the relationship with the external auditor, to review the interim financial information and annual financial statements of the Group and to evaluate the internal control system of the Group. The committee has reviewed the results for the year ended 31st March, 2013 of the Group and this annual report.

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 |
|---|-------------------------------|
| Mr. Abraham Shek (appointed as the Chairman on 26th March, 2013) | 0/3 |
| Mr. David Chu | 3/3 |
| Mr. Andrew Fan (appointed as a member on 26th March, 2013) | 0/3 |
| Dr. Hwang Jen (retired on 26th March, 2013) | 3/3 |
| Dr. Peter Po Fun Chan (retired on 26th March, 2013) | 3/3 |

(iv) Auditor's remuneration

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

| Services rendered | HK\$'000 |
|----------------------------------|----------|
| Audit and audit related services | 1,170 |
| Non-audit services | 400 |
| | 1,570 |

(D) Delegation by the Board

(i) Board Committees

The Company has established four committees, namely Audit Committee, Nomination Committee, Remuneration Committee and Corporate Governance Committee (the "CG Committee"). These committees were formed with specific clear 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Report on corporate governance practices (Continued)

(E) Corporate Governance

The Board delegated the corporate governance functions to the CG Committee which was established with clear terms of reference and is responsible for developing and reviewing the Company's policies and practices on corporate governance. The CG Committee is also delegated the responsibility to review any potential inside information of the Group and to make recommendations to the Board for any disclosure requirement or actions required.

The CG Committee comprises three Executive Directors, Miss Ann Li, Mr. Albert Chuang and Mr. Edwin Chong. The committee met twice during the year to review the corporate governance matters of the Company to ensure that the Company has complied with the principles and applicable code provisions of the CG Code.

The attendance record of each committee member is as follows:

| Name | No. of meetings attended/held |
|---|-------------------------------|
| Miss Ann Li * | 2/2 |
| Mr. Albert Chuang | 2/2 |
| Mr. Edwin Chong (appointed on 25th September, 2012) | 2/2 |
| Miss Candy Chuang (resigned on 25th September, 2012) | 0/2 |

* *Chairman of the CG Committee*

(F) Communication with shareholders

The Company has established a shareholders communication policy with the objectives of enabling its shareholders to exercise their rights in an informed manner and to allow the shareholders and the investment communities to engage actively with the Company. The Board has the responsibility to review the policy regularly to ensure its effectiveness. A summary of the policy is set out below:

(i) *Annual general meeting*

The Board regards annual general meeting as the principal opportunity to meet the shareholders of the Company. With the exception of Mr. Sunny Pang who did not attend the 2012 annual general meeting of the Company held on 31st August, 2012 (the "2012 AGM"), all Directors (including the Chairman and members of the respective Board Committees) attended the 2012 AGM to answer questions raised by the shareholders.

Report on corporate governance practices (Continued)

(F) Communication with shareholders (Continued)

(i) *Annual general meeting (Continued)*

The attendance record of each Director in the 2012 AGM is as follows:

| Name | Position | Attendance |
|---|--|------------|
| Mr. Abraham Shek | Chairman and Independent Non-Executive Director | Yes |
| Mr. Lee Sai Wai | Deputy Chairman | Yes |
| Mr. Albert Chuang | Deputy Chairman | Yes |
| Miss Ann Li | Managing Director | Yes |
| Mr. Edwin Chong (appointed on 25th September, 2012) | Executive Director | N/A |
| Mr. Sunny Pang | Executive Director | No |
| Mr. Wong Chung Wai | Executive Director | Yes |
| Mr. David Chu | Independent Non-Executive Director | Yes |
| Mr. Andrew Fan (appointed on 15th January, 2013) | Independent Non-Executive Director | N/A |
| Miss Candy Chuang (resigned on 25th September, 2012) | Executive Director | Yes |
| Dr. Hwang Jen (retired on 26th March, 2013) | Independent Non-Executive Director | Yes |
| Dr. Peter Po Fun Chan (retired on 26th March, 2013) | Independent Non-Executive Director | Yes |

(ii) *Significant issues*

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

(iii) *Voting by poll*

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

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

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

(v) *Shareholders' enquiries*

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

Report on corporate governance practices (Continued)

(G) Shareholders' rights

(i) *Convening a special general meeting*

Pursuant to Bye-law no. 57 of the Company, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting ("SGM") to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date. The written requisition must state the purposes of the general meeting and is signed by the shareholder(s) concerned and may consist of several documents in like form, each signed by one or more of those shareholders.

If the requisition is in order, the secretary of the Company will ask the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the shareholders. On the contrary, if the requisition is invalid, the shareholders concerned will be advised of this outcome and accordingly, a SGM will not be convened as requested.

(ii) *Enquiries to the Board*

Shareholders of the Company will have the opportunity to ask questions to the Board in general meetings. Shareholders of the Company may also make enquires to the Board at their discretion. Such enquiries shall be made in writing directed to "The Board of Directors, Chuang's China Investments Limited" by one of the following means:

- By mail to : 25th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong
- By email to : china-board@chuangs.com.hk
- By facsimile to : (852) 2810 6213

The Board will respond promptly to proper enquiries raised by the shareholders.

Report on corporate governance practices (Continued)

(G) Shareholders' rights (Continued)

(iii) Putting forward proposals at shareholders' meetings

- (a) Shareholders may put forward proposals relating to the election of Directors in general meetings as follows:
- Pursuant to Bye-law no. 88 of the Company, a shareholder or shareholders (not being the person to be proposed) who holds or collectively hold not less than 5% in the nominal value of the issued shares of any class of the Company may propose a person for election as a Director at any general meeting of the Company by giving the secretary of the Company a notice in writing:
 - of his/their intention to propose such person for election; and
 - signed by the person to be proposed of his willingness to be elected.
 - Any notice given for such proposal must include such person's information as may from time to time be required to be disclosed under Rule 13.51(2) of the Listing Rules in the event that such person is elected as a Director or any other applicable laws, rules and regulations which the Company may be subject to. Currently, the following information are required:
 - Full name and age;
 - Positions held with the Company and other members of the Group (if any);
 - Experience including (i) other directorships held in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas, and (ii) other major appointments and professional qualifications;
 - Length or proposed length of service with the Company;
 - Relationships with any Directors, senior management or substantial or controlling shareholders of the Company;

Report on corporate governance practices (Continued)

(G) Shareholders' rights (Continued)

(iii) Putting forward proposals at shareholders' meetings (Continued)

(a) (Continued)

- His interests in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
 - Amount of the Director's or supervisor's emoluments and the basis of determining the Director's or supervisor's emoluments and how much of these emoluments are covered by a service contract; and
 - A declaration by the nominated person stating that he is not and has not been subject to any of the events provided for under Rule 13.51(2)(h) to (w) of the Listing Rules, or if any one or more of these provisions are applicable to him, full details thereof.
- Any notice given for this purpose shall be directed to "The secretary, Chuang's China Investments Limited" by one of the following means:
- By mail to : 25th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong
 - By email to : chuangs@chuangs.com.hk
 - By facsimile to : (852) 2810 6213
- Any such shareholder(s) shall be one(s) that is/are entitled to attend and vote at the meeting for which such notice is given.
- The minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that the period for lodgement of such notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. If the notice is received less than fifteen (15) business days prior to that general meeting, the Company will need to consider adjournment of the general meeting in order to (i) assess the suitability of the proposed candidate; and (ii) publish an announcement or circulate a supplementary circular in relation to the proposal to the shareholders at least fourteen (14) clear days and not less than ten (10) business days prior to the general meeting.

Report on corporate governance practices (Continued)

(G) Shareholders' rights (Continued)

(iii) Putting forward proposals at shareholders' meetings (Continued)

- (b) Except for proposals relating to the election of Directors which should follow the procedures mentioned in (a) above, shareholders may put forward proposals at general meetings by following the requirements and procedures as set out in sections 79 and 80 of the Companies Act 1981 of Bermuda (the "Act"). Specifically, such shareholders should:
- Collectively hold not less than one-twentieth of the total voting rights of all shareholders of the Company having at the date of the requisition the right to vote at the meeting to which the requisition relates, or constitute not less than 100 shareholders.
 - Submit a written request stating the resolution intended to be moved at the annual general meeting ("AGM"), or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or business to be dealt with at that general meeting.
 - The written request/statement must be signed by such shareholders, or two more copies which between them contain the signatures of all such shareholders, and deposited at the registered office of the Company at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal office in Hong Kong at 25th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong, for the attention of the secretary of the Company:
 - In the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and
 - In the case of any other requisition, not less than one week before the meeting, provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the registered office of the Company, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the time required by section 80 of the Act shall be deemed to have been properly deposited for the purposes thereof.
 - If the written request is in order, the secretary will ask the Board (i) to include the resolution in the agenda for the AGM; or (ii) to circulate the statement for the general meeting, provided that the shareholder(s) concerned have deposited a sum of money reasonably determined by the Board sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement submitted by the shareholder(s) concerned in accordance with the statutory requirements to all the registered shareholders. On the contrary, if the requisition is invalid or the shareholder(s) concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the shareholder(s) concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the AGM; or the statement will not be circulated for the general meeting.

Report on corporate governance practices (Continued)

(G) Shareholders' rights (Continued)

(iii) *Putting forward proposals at shareholders' meetings (Continued)*

(b) *(Continued)*

- Any questions relating to putting forward proposals at shareholders' meetings should be directed in writing to "The Board of Directors, Chuang's China Investments Limited" by one of the following means:

- By mail to : 25th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong
- By email to : china-board@chuangs.com.hk
- By facsimile to : (852) 2810 6213

(H) Amendments to constitutional documents of the Company

At the 2012 AGM, special resolutions were passed by shareholders to amend the Bye-laws of the Company and to adopt a new set of Bye-laws so as to consolidate all the changes previously made, to keep the Bye-laws in line with the changes made to the Act and to amend certain requirements relating to election of Directors at general meetings. Details of the amendments were included in the circular to shareholders dated 24th July, 2012.

After the relevant amendments, the followings were effected:

- (a) no person other than a retiring Director shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless there has been given to the secretary of the Company notice in writing by a member or members of the Company (not being the person to be proposed) who holds or collectively hold not less than 5% in nominal value of the issued shares of any class of the Company and is/are entitled to attend and vote at the meeting for which such notice is given, of his/their intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected and the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that the period for lodgement of such notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting;
- (b) the register and branch register of members of the Company, as the case may be, shall be open to inspection between 10:00 a.m. and 12:00 noon on every business day by members of the public without charge at the registered office or such other place at which such register is kept in accordance with the Act; and
- (c) No dividend shall be paid otherwise than out of profits available for distribution (such profits being ascertained in accordance with the Act) or contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than its liabilities.

Conclusion

Except as mentioned above, the Company has complied with the code provisions of the CG Code for the year ended 31st March, 2013.

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

Ann Li Mee Sum
Managing Director

Hong Kong, 24th June, 2013

REPORT OF THE DIRECTORS

The board of Directors (the “Board”) presents the audited financial statements of the Company and its subsidiaries (collectively as the “Group”) for the year ended 31st March, 2013.

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 lines and geographical segments is set out in note 6 to the financial statements.

Results and dividends

The results of the Group for the year are set out in the consolidated income statement on page 79.

After taking into account the need to maintain sufficient financial resources for the acquisition of additional landbank and as working capital for the Group’s projects and businesses, the Board has resolved to recommend for the shareholders’ approval at the forthcoming annual general meeting of the Company (the “AGM”) the payment of a final dividend of 2.0 HK cents (2012: 2.0 HK cents) per share for the year ended 31st March, 2013. The final dividend, if approved, will be paid on or before 15th November, 2013 by allotment of new shares with a cash option to the shareholders whose names appear on the Company’s register of members on 3rd October, 2013.

Subject to the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting listing of and permission to deal in the new shares to be issued pursuant to the scrip dividend scheme, new share entitlements will be calculated by reference to the par value of the shares of the Company, being HK\$0.05, or the average of the closing prices on the Stock Exchange of the shares of the Company for the five consecutive trading days up to and including 3rd October, 2013, whichever is higher.

An interim dividend of 1.0 HK cent (2012: 1.0 HK cent) per share has been paid in respect of the current financial year. Total dividends for the year will amount to 3.0 HK cents (2012: 3.0 HK cents) per share.

Subsidiaries

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

Property, plant and equipment

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

Share capital

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

Donations

During the year, the Group made charitable donations and sponsorships amounting to approximately HK\$3,425,000.

Pre-emptive rights

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

Reserves

Movements in reserves of the Company and the Group during the year are set out in note 33 to the financial statements. Total distributable reserves of the Company amounted to approximately HK\$648,086,000 as at 31st March, 2013.

Particulars of principal properties

Particulars of principal properties held by the Group as at 31st March, 2013 are set out on page 142 to page 143.

Financial summary

A summary of financial information of the Group for the last five financial years is set out on page 144.

Directors

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

| | |
|--------------------------|-------------------------------------|
| Mr. Abraham Shek Lai Him | |
| Mr. Lee Sai Wai | |
| Mr. Albert Chuang Ka Pun | |
| Miss Ann Li Mee Sum | |
| Mr. Chong Ka Fung | (appointed on 25th September, 2012) |
| Mr. Sunny Pang Chun Kit | |
| Mr. Wong Chung Wai | |
| Mr. David Chu Yu Lin | |
| Mr. Andrew Fan Chun Wah | (appointed on 15th January, 2013) |
| Miss Candy Chuang Ka Wai | (resigned on 25th September, 2012) |
| Dr. Hwang Jen | (retired on 26th March, 2013) |
| Dr. Peter Po Fun Chan | (retired on 26th March, 2013) |

In accordance with the Company's Bye-law nos. 85(2), 86(2) and 86(3), and Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, Mr. Wong Chung Wai, Mr. Chong Ka Fung, Mr. David Chu Yu Lin and Mr. Andrew Fan Chun Wah will retire from the Board at the AGM and, being eligible, will offer themselves for re-election at the AGM.

Directors' rights to acquire shares or debentures

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

REPORT OF THE DIRECTORS (CONTINUED)

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

As at 31st March, 2013, 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 (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors and chief executive of the Company would be taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

| Name of Director | Interests in the Company | | |
|-------------------------|--------------------------|------------------|----------------------------|
| | Number of shares | Capacity | Percentage of shareholding |
| Mr. Lee Sai Wai | 808,000 | Beneficial owner | 0.05 |
| Mr. Sunny Pang Chun Kit | 620,000 | Beneficial owner | 0.04 |

| Name of Director | Interests in CCIL | | |
|--|-------------------|------------------|----------------------------|
| | Number of shares | Capacity | Percentage of shareholding |
| Mr. Lee Sai Wai | 198,329,917 | Note | 11.80 |
| Mr. Albert Chuang Ka Pun ("Mr. Albert Chuang") | 1,211,293 | Beneficial owner | 0.07 |

Note: Interests in 197,606,693 shares in CCIL arose by attribution through his spouse who is a discretionary object and the trustee of a discretionary trust which owned such shares. The remaining interests in 723,224 shares in CCIL is beneficially owned by the Director.

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

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

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

Other than as disclosed herein, as at 31st March, 2013, none of the Directors and chief executive of the Company had any interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' interests in contracts

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

Directors' service contracts

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

Substantial shareholders

So far as is known to any Directors or chief executive of the Company and save as disclosed in the section headed "Directors' interests and short positions in shares, underlying shares and debentures" above, as at 31st March, 2013, 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") | 889,069,949 | Beneficial Owner | 56.92 |
| CCIL | 889,069,949 | Note 1 | 56.92 |
| Evergain Holdings Limited ("Evergain") | 889,069,949 | Note 1 | 56.92 |
| Mr. Alan Chuang Shaw Swee ("Mr. Alan Chuang") | 889,069,949 | Note 1 | 56.92 |
| Mrs. Chong Ho Pik Yu | 889,069,949 | Note 2 | 56.92 |

Note 1: Interests in 889,069,949 shares of the Company arose through the interests in the relevant shares owned by PSI, a wholly-owned subsidiary of CCIL. Mr. Alan Chuang is entitled to exercise or control the exercise of one third or more of the voting power in general meetings of CCIL through Evergain, a company beneficially owned by Mr. Alan Chuang. Mr. Albert Chuang and Mr. Chong Ka Fung are directors of CCIL and Evergain, and Mr. Albert Chuang is also a director of PSI.

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

REPORT OF THE DIRECTORS (CONTINUED)

Substantial shareholders (Continued)

Save as disclosed above, as at 31st March, 2013, there was no other person who was recorded in the register of the Company as having interests and short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which was required, pursuant to Section 336 of Part XV of the SFO, to be entered in the register referred to therein.

Controlling shareholder's interests in contracts

There was no contract of significance between the Company or any of its subsidiaries and the controlling shareholder or any of its subsidiaries at the balance sheet date or at any time during the year and up to the date of this report.

Borrowings

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

Pledge of assets

As at 31st March, 2013, the Group has pledged certain assets including properties for sale and bank deposits, with an aggregate carrying value of HK\$528,264,000 (2012: HK\$39,241,000), to secure general banking and financial guarantee facilities granted to the subsidiaries.

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

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

Major suppliers and customers

The aggregate purchases attributable to the largest supplier and five largest suppliers of the Group accounted for approximately 34% and 68% respectively of the total purchases of the Group for the year.

The aggregate turnover 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 of the Company held on 31st August, 2012, 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: 152,332,870 shares are available for issue under the Scheme, representing approximately 9.75% of the issued share capital as at the date of this report
4. Maximum entitlement of each participant: 1% of the maximum aggregate number of shares that may be issued within 12 months pursuant to the Scheme
5. Period within which the shares must be taken up under an option: Not applicable. No share option has been granted since the date of adoption of the Scheme on 31st August, 2012
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 highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the Offer Date (which must be a trading day); (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five (5) trading days immediately preceding the Offer Date (which must be a trading day); and (iii) the nominal value of a share
8. The remaining life of the Scheme: Valid until 30th August, 2022 unless otherwise terminated under the terms of the Scheme

REPORT OF THE DIRECTORS (CONTINUED)

Sufficiency of public float

The Company has maintained a sufficient public float of the Company's securities as required under the Listing Rules throughout the year ended 31st March, 2013 and up to the date of this report.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire 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, 24th June, 2013



羅兵咸永道

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

We have audited the consolidated financial statements of Chuang's China Investments Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 79 to 141, which comprise the consolidated and company balance sheets as at 31st March, 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March, 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 24th June, 2013

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2013

| | Note | 2013 HK\$'000 | 2012 HK\$'000 |
|---|------|--------------------------|-------------------|
| Revenues | 5 | 509,502 | 1,487,102 |
| Cost of sales | | (326,167) | (681,887) |
| Gross profit | | 183,335 | 805,215 |
| Other income and net gain/(loss) | 7 | 31,721 | 17,528 |
| Selling and marketing expenses | | (30,143) | (46,815) |
| Administrative and other operating expenses | | (125,266) | (122,599) |
| Change in fair value of investment properties | 17 | 32,084 | 1,402 |
| Operating profit | 8 | 91,731 | 654,731 |
| Finance costs | 10 | (683) | (4,202) |
| Share of result of an associated company | 21 | (449) | 3,487 |
| Profit before taxation | | 90,599 | 654,016 |
| Taxation | 12 | (54,437) | (220,254) |
| Profit for the year | | 36,162 | 433,762 |
| Attributable to: | | | |
| Equity holders | 13 | 40,390 | 448,755 |
| Non-controlling interests | | (4,228) | (14,993) |
| | | 36,162 | 433,762 |
| Dividends | 14 | 46,855 | 45,700 |
| Earnings per share (basic and diluted) | 15 | HK cents 2.62 | HK cents 29.46 |

The notes on pages 85 to 141 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH, 2013

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---|------------------|------------------|
| Profit for the year | 36,162 | 433,762 |
| Other comprehensive income: | | |
| Net exchange differences | 17,388 | 25,314 |
| Share of exchange reserve of an associated company | – | (19) |
| Change in fair value of available-for-sale financial assets | (12,591) | 4,904 |
| Other comprehensive income for the year | 4,797 | 30,199 |
| Total comprehensive income for the year | 40,959 | 463,961 |
| Total comprehensive income attributable to: | | |
| Equity holders | 44,228 | 476,506 |
| Non-controlling interests | (3,269) | (12,545) |
| | 40,959 | 463,961 |

The notes on pages 85 to 141 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31ST MARCH, 2013

| | Note | 2013 HK\$'000 | 2012 HK\$'000 |
|--|--------|------------------|------------------|
| Non-current assets | | | |
| Property, plant and equipment | 16 | 97,762 | 99,218 |
| Investment properties | 17 | 151,754 | 75,860 |
| Land use right | 18 | 1,664 | 1,694 |
| Properties for/under development | 19, 22 | 301,734 | 266,392 |
| Associated company | 21 | 7,522 | 7,971 |
| Available-for-sale financial assets | 23 | 94,152 | 74,537 |
| Loans and receivables | 22, 24 | 12,552 | 12,397 |
| | | 667,140 | 538,069 |
| Current assets | | | |
| Properties for sale | 25 | 1,726,447 | 1,531,707 |
| Inventories | 26 | 4,636 | 4,209 |
| Debtors and prepayments | 27 | 345,451 | 343,542 |
| Pledged bank balances | 29 | 30,516 | – |
| Cash and bank balances | 29 | 981,001 | 836,770 |
| | | 3,088,051 | 2,716,228 |
| Current liabilities | | | |
| Creditors and accruals | 30 | 129,532 | 140,049 |
| Sales deposits received | 31 | 330,337 | 134,656 |
| Current portion of long-term bank borrowing | 34 | 75,500 | 41,939 |
| Taxation payable | | 258,166 | 230,708 |
| | | 793,535 | 547,352 |
| Net current assets | | 2,294,516 | 2,168,876 |
| Total assets less current liabilities | | 2,961,656 | 2,706,945 |
| Equity | | | |
| Share capital | 32 | 78,092 | 76,166 |
| Reserves | 33 | 2,363,777 | 2,352,313 |
| Proposed final dividend | 33 | 31,237 | 30,467 |
| Shareholders' funds | | 2,473,106 | 2,458,946 |
| Non-controlling interests | | 62,363 | 65,632 |
| Total equity | | 2,535,469 | 2,524,578 |
| Non-current liabilities | | | |
| Long-term bank borrowing | 34 | 242,306 | – |
| Deferred taxation liabilities | 35 | 173,706 | 172,198 |
| Loans from non-controlling interests | 36 | 10,175 | 10,169 |
| | | 426,187 | 182,367 |
| | | 2,961,656 | 2,706,945 |

Lee Sai Wai
Director

Albert Chuang Ka Pun
Director

The notes on pages 85 to 141 are an integral part of these financial statements.

BALANCE SHEET

AS AT 31ST MARCH, 2013

| | Note | 2013 HK\$'000 | 2012 HK\$'000 |
|-------------------------------|------|------------------|------------------|
| Non-current assets | | | |
| Subsidiaries | 20 | 66,030 | 65,036 |
| Current assets | | | |
| Debtors and prepayments | 27 | 2,690 | 1,904 |
| Amounts due from subsidiaries | 28 | 2,034,771 | 2,214,161 |
| Pledged bank balance | 29 | 30,000 | – |
| Cash and bank balances | 29 | 566,236 | 446,463 |
| | | 2,633,697 | 2,662,528 |
| Current liabilities | | | |
| Creditors and accruals | 30 | 780 | 1,644 |
| Amount due to a subsidiary | 28 | 886 | – |
| | | 1,666 | 1,644 |
| Net current assets | | 2,632,031 | 2,660,884 |
| Net assets | | 2,698,061 | 2,725,920 |
| Equity | | | |
| Share capital | 32 | 78,092 | 76,166 |
| Reserves | 33 | 2,588,732 | 2,619,287 |
| Proposed final dividend | 33 | 31,237 | 30,467 |
| Total equity | | 2,698,061 | 2,725,920 |

Lee Sai Wai
Director

Albert Chuang Ka Pun
Director

The notes on pages 85 to 141 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2013

| | Note | 2013 HK\$'000 | 2012 HK\$'000 |
|---|-------|------------------|------------------|
| Cash flows from operating activities | | | |
| Cash (used in)/from operations | 39(a) | (3,513) | 572,404 |
| Interest paid | | (7,096) | (6,126) |
| Overseas tax paid | | (31,718) | (80,259) |
| Net cash (used in)/from operating activities | | (42,327) | 486,019 |
| Cash flows from investing activities | | | |
| Interest income received | | 10,625 | 13,217 |
| Dividend income received from an associated company | | – | 1,950 |
| Dividend income received from available-for-sale financial assets | | 977 | 1,954 |
| Purchase of property, plant and equipment | | (9,577) | (10,830) |
| Purchase of investment properties | | – | (1,399) |
| Purchase of available-for-sale financial assets | | (32,206) | – |
| Net proceeds from disposal of property, plant and equipment | | 33 | 451 |
| Net cash inflow from disposals of subsidiaries | 39(c) | – | 415,032 |
| (Increase)/decrease in pledged bank balances | | (29,795) | 119 |
| (Increase)/decrease in bank deposits maturing more than three months from date of placement | | (15,224) | 5,199 |
| Net cash (used in)/from investing activities | | (75,167) | 425,693 |
| Cash flows from financing activities | | | |
| Repayment of loan from ultimate holding company | | – | (180,000) |
| New bank borrowings | | 316,130 | – |
| Repayment of bank borrowings | | (43,190) | (116,928) |
| Dividends paid to shareholders | | (30,068) | (15,233) |
| Net cash from/(used in) financing activities | | 242,872 | (312,161) |
| Net increase in cash and cash equivalents | | | |
| Cash and cash equivalents at the beginning of the year | | 836,049 | 220,660 |
| Exchange difference on cash and cash equivalent | | 4,350 | 15,838 |
| Cash and cash equivalents at the end of the year | 39(b) | 965,777 | 836,049 |

The notes on pages 85 to 141 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH, 2013

Attributable to equity holders of the Company

| | Share capital HK\$'000 | Other reserves HK\$'000 | (Accumulated losses)/retained profits HK\$'000 | Proposed final dividend HK\$'000 | Shareholders' funds HK\$'000 | Non- controlling interests HK\$'000 | Total HK\$'000 |
|--|------------------------------|-------------------------------|---|--|------------------------------------|--|-------------------|
| At 1st April, 2011 | 76,166 | 2,212,023 | (290,516) | – | 1,997,673 | 78,177 | 2,075,850 |
| Profit/(loss) for the year | – | – | 448,755 | – | 448,755 | (14,993) | 433,762 |
| Other comprehensive income: | | | | | | | |
| Net exchange differences | – | 22,866 | – | – | 22,866 | 2,448 | 25,314 |
| Share of exchange reserve of an associated company | – | (19) | – | – | (19) | – | (19) |
| Change in fair value of available-for-sale financial assets | – | 4,904 | – | – | 4,904 | – | 4,904 |
| Total comprehensive income/(loss) for the year | – | 27,751 | 448,755 | – | 476,506 | (12,545) | 463,961 |
| Transactions with owners: | | | | | | | |
| 2012 interim dividend paid | – | – | (15,233) | – | (15,233) | – | (15,233) |
| 2012 proposed final scrip dividend | – | – | (30,467) | 30,467 | – | – | – |
| At 31st March, 2012 | 76,166 | 2,239,774 | 112,539 | 30,467 | 2,458,946 | 65,632 | 2,524,578 |
| Profit/(loss) for the year | – | – | 40,390 | – | 40,390 | (4,228) | 36,162 |
| Other comprehensive income: | | | | | | | |
| Net exchange differences | – | 16,429 | – | – | 16,429 | 959 | 17,388 |
| Change in fair value of available-for-sale financial assets | – | (12,591) | – | – | (12,591) | – | (12,591) |
| Total comprehensive income/(loss) for the year | – | 3,838 | 40,390 | – | 44,228 | (3,269) | 40,959 |
| Transactions with owners: | | | | | | | |
| 2012 final scrip dividend paid | 1,926 | 14,091 | – | (30,467) | (14,450) | – | (14,450) |
| 2013 interim dividend paid | – | – | (15,618) | – | (15,618) | – | (15,618) |
| 2013 proposed final scrip dividend | – | – | (31,237) | 31,237 | – | – | – |
| At 31st March, 2013 | 78,092 | 2,257,703 | 106,074 | 31,237 | 2,473,106 | 62,363 | 2,535,469 |

The notes on pages 85 to 141 are an integral part of these financial statements.

1 General information

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

As at 31st March, 2013, the Company was a 56.92% owned subsidiary of Profit Stability Investments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Chuang's Consortium International Limited ("CCIL"), a limited liability company incorporated in Bermuda and listed on the Main Board of the Stock Exchange. The Directors regard CCIL as the ultimate holding company.

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

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

The adoption of revised HKFRSs

For the financial year ended 31st March, 2013, the Group adopted the following amendment that is effective for the Group's accounting periods beginning on 1st April, 2012 and relevant to the operations of the Group:

| | |
|---------------------|--|
| HKFRS 7 (Amendment) | Financial Instruments: Disclosures – Transfers of Financial Assets |
|---------------------|--|

The Group has assessed the impact of the adoption of this amendment and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the financial statements.

The Group had early adopted HKAS 12 (Amendment) "Deferred Tax: Recovery of Underlying Assets" since the financial year beginning on 1st April, 2010.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Standards and amendments to existing standards that are not yet effective

The following new and amended standards and amendments have been published which are relevant to the Group's operations and are mandatory for the Group's accounting periods beginning on or after 1st April, 2013, but have not yet been adopted by the Group:

| | |
|--|--|
| HKAS 1 (Amendment) | Presentation of Financial Statements (effective from 1st July, 2012) |
| HKAS 19 (2011) | Employee Benefits (effective from 1st January, 2013) |
| HKAS 27 (2011) | Separate Financial Statements (effective from 1st January, 2013) |
| HKAS 28 (2011) | Investments in Associates and Joint Ventures (effective from 1st January, 2013) |
| HKAS 32 (Amendment) | Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (effective from 1st January, 2014) |
| HKFRS 7 (Amendment) | Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (effective from 1st January, 2013) |
| HKFRS 9 | Financial Instruments (effective from 1st January, 2015) |
| HKFRS 10 | Consolidated Financial Statements (effective from 1st January, 2013) |
| HKFRS 11 | Joint Arrangements (effective from 1st January, 2013) |
| HKFRS 12 | Disclosures of Interests in Other Entities (effective from 1st January, 2013) |
| HKFRS 10, HKFRS 11 and HKFRS 12 (Amendment) | Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance (effective from 1st January, 2013) |
| HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment) | Investment Entities (effective from 1st January, 2014) |
| HKFRS 13 | Fair Value Measurement (effective from 1st January, 2013) |
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2009-2011 Cycle (effective from 1st January, 2013) |

The Group will adopt the above new and amended standards and amendments as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

2 Summary of significant accounting policies (Continued)

(b) Consolidation

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

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

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

(c) Subsidiaries

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

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

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

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

2 Summary of significant accounting policies (Continued)

(c) Subsidiaries (Continued)

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

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

(d) Transactions with non-controlling interests

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

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

(e) Associated companies

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

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

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

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

2 Summary of significant accounting policies (Continued)

(e) Associated companies (Continued)

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

(f) Joint ventures

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

(g) Goodwill

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

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

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

Impairment testing of the investments in subsidiaries, associated companies and joint ventures is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries, associated companies and joint ventures in the period the dividend is declared or if the carrying amounts of the investments in the separate financial statements exceed the carrying amounts in the consolidated financial statements of the investee's net assets including goodwill.

2 Summary of significant accounting policies (Continued)

(h) Property, plant and equipment

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

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

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

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

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

(i) Investment properties

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

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

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

2 Summary of significant accounting policies (Continued)

(i) Investment properties (Continued)

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

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

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

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

(i) Investment properties (Continued)

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

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

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

(j) Land use rights

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

(k) Properties for/under development

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

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

(l) Properties for sale

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

2 Summary of significant accounting policies (Continued)

(m) Financial assets

The Group classifies its financial assets in the categories of loans and receivables and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition according to the purpose for which the financial assets are acquired.

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

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of available-for-sale financial assets, a significant or prolonged decline in the fair value below its cost is considered as 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.

2 Summary of significant accounting policies (Continued)

(o) Trade and other debtors

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

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

(p) Impairment of non-financial assets

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

(q) Creditors and accruals

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

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

2 Summary of significant accounting policies (Continued)

(r) Provisions

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

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

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

(s) Share capital

Ordinary shares are classified as equity.

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

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

(t) Borrowings

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

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

2 Summary of significant accounting policies (Continued)

(u) Current and deferred taxation

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

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

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

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

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

(v) Operating leases

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

2 Summary of significant accounting policies (Continued)

(w) Revenue and income recognition

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

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

2 Summary of significant accounting policies (Continued)

(x) Borrowing costs

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

(y) Employee benefits

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

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

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

(z) Cash and cash equivalents

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

(aa) Translation of foreign currencies

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

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

2 Summary of significant accounting policies (Continued)

(aa) 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.

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.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to the income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the income statement.

(ab) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors and senior management.

(ac) Dividend distribution

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

2 Summary of significant accounting policies (Continued)

(ad) Financial guarantee liabilities

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

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

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

3 Financial risk management

(a) Financial risk factors

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

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

(i) Credit risk

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

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

The Group manages its deposits with banks and financial institutions by monitoring credit ratings and only places deposits to banks and financial institutions with no history of defaults. As at 31st March, 2013, the monies (including pledged bank balances) placed in Hong Kong and the PRC banks and financial institutions amounted to approximately HK\$600 million (2012: HK\$449 million) and HK\$411 million (2012: HK\$388 million) respectively.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Credit risk (Continued)

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

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

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

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

(ii) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due. The Group measures and monitors its liquidity through the maintenance of prudent ratios regarding the liquidity structure of the overall assets, liabilities, loans and commitments of the Group. The Group has allowed a policy of obtaining long-term banking facilities to match its long-term investments in Hong Kong and the PRC. 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, as at 31st March, 2013, standby banking facilities are established to provide contingency liquidity support which amounted to approximately HK\$45 million (2012: Nil). Details of the bank borrowings are disclosed in note 34.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST MARCH, 2013

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Within the first year HK\$'000 | Within the second year HK\$'000 | Within the third to fifth years HK\$'000 | After the fifth year HK\$'000 | Total HK\$'000 |
|---|--------------------------------------|---|--|-------------------------------------|-------------------|
| Group 2013 | | | | | |
| Creditors and accruals | 129,532 | – | – | – | 129,532 |
| Sales deposits received | 330,337 | – | – | – | 330,337 |
| Bank borrowings | 92,949 | 15,109 | 249,053 | – | 357,111 |
| Loans from non-controlling interests | – | – | – | 10,175 | 10,175 |
| | 552,818 | 15,109 | 249,053 | 10,175 | 827,155 |
| Financial guarantees (note 38) | – | – | – | 443,160 | 443,160 |
| 2012 | | | | | |
| Creditors and accruals | 140,049 | – | – | – | 140,049 |
| Sales deposits received | 134,656 | – | – | – | 134,656 |
| Bank borrowing | 43,100 | – | – | – | 43,100 |
| Loans from non-controlling interests | – | – | – | 10,169 | 10,169 |
| | 317,805 | – | – | 10,169 | 327,974 |
| Financial guarantees (note 38) | – | – | – | 351,573 | 351,573 |
| Company 2013 | | | | | |
| Creditors and accruals | 780 | – | – | – | 780 |
| Amount due to a subsidiary | 886 | – | – | – | 886 |
| | 1,666 | – | – | – | 1,666 |
| Financial guarantees (note 38) | – | – | – | – | – |
| Bank borrowing | 77,841 | – | – | – | 77,841 |
| Bank bond | 8,106 | – | – | – | 8,106 |
| | 85,947 | – | – | – | 85,947 |
| 2012 | | | | | |
| Creditors and accruals | 1,644 | – | – | – | 1,644 |

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

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

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

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

As at 31st March, 2013, if interest rates had been 0.5% higher/lower with all other variables held constant, the pre-tax result of the Group would have increased/decreased by approximately HK\$4,573,000 (2012: HK\$1,333,000).

(iv) *Foreign exchange risk*

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

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

(v) *Price risk*

The Group is exposed to securities price risk because investments held by the Group are classified as available-for-sale financial assets. Unrealised gains and losses arising from the change in the fair value of available-for-sale financial assets are recognised in other comprehensive income. When available-for-sale financial assets are impaired, the accumulated fair value adjustments are recognised in the income statement as losses. To manage its price risk arising from investments in securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The available-for-sale financial assets of the Group are publicly traded. As at 31st March, 2013, if the market price of the available-for-sale financial assets had been 5% higher/lower with all other variables held constant, the investment revaluation reserve of the Group would have increased/decreased by approximately HK\$4.7 million (2012: HK\$3.7 million) as a result of change in fair value of the available-for-sale financial assets.

(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.

3 Financial risk management (Continued)

(b) Capital risk management (Continued)

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including short-term and long-term bank borrowings as shown in the consolidated balance sheet) less cash and bank balances (including pledged bank balances). Total capital represents shareholders' funds as shown in the consolidated balance sheet. As at 31st March, 2013, the gearing ratio is not applicable since the Group has net cash (2012: Not applicable).

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

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

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

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

The Group's financial instruments that are measured at fair value at 31st March, 2013 and 2012 are classified as available-for-sale financial assets and are measured by level 1 measurement.

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

3 Financial risk management (Continued)

(d) Financial instruments by category

| Group | Assets | | | Liabilities |
|---|-----------------------------------|---|-------------------|---|
| | Loans and receivables HK\$'000 | Available-for-sale financial assets HK\$'000 | Total HK\$'000 | Financial liabilities at amortised cost HK\$'000 |
| Balances as per balance sheet 2013 | | | | |
| Available-for-sale financial assets | – | 94,152 | 94,152 | – |
| Loans and receivables | 12,552 | – | 12,552 | – |
| Debtors and prepayments excluding prepayments | 343,549 | – | 343,549 | – |
| Pledged bank balances | 30,516 | – | 30,516 | – |
| Cash and bank balances | 981,001 | – | 981,001 | – |
| Creditors and accruals excluding accrued expenses | – | – | – | (117,972) |
| Sales deposits received | – | – | – | (330,337) |
| Bank borrowings | – | – | – | (317,806) |
| Loans from non-controlling interests | – | – | – | (10,175) |
| Total | 1,367,618 | 94,152 | 1,461,770 | (776,290) |
| 2012 | | | | |
| Available-for-sale financial assets | – | 74,537 | 74,537 | – |
| Loans and receivables | 12,397 | – | 12,397 | – |
| Debtors and prepayments excluding prepayments | 341,335 | – | 341,335 | – |
| Cash and bank balances | 836,770 | – | 836,770 | – |
| Creditors and accruals excluding accrued expenses | – | – | – | (130,348) |
| Sales deposits received | – | – | – | (134,656) |
| Bank borrowing | – | – | – | (41,939) |
| Loans from non-controlling interests | – | – | – | (10,169) |
| Total | 1,190,502 | 74,537 | 1,265,039 | (317,112) |

3 Financial risk management (Continued)

(d) Financial instruments by category (Continued)

Company

| | Assets | | Liabilities | |
|--|-----------------------|-----------|---|----------|
| | Loans and receivables | | Financial liabilities at amortised cost | |
| | 2013 | 2012 | 2013 | 2012 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Balances as per balance sheet | | | | |
| Debtors and prepayments excluding prepayments | 2,290 | 1,898 | – | – |
| Amounts due from subsidiaries | 2,034,771 | 2,214,161 | – | – |
| Pledged bank balance | 30,000 | – | – | – |
| Cash and bank balances | 566,236 | 446,463 | – | – |
| Creditors and accruals excluding accrued expenses | – | – | (780) | (1,644) |
| Amount due to a subsidiary | – | – | (886) | – |
| Total | 2,633,297 | 2,662,522 | (1,666) | (1,644) |

4 Critical accounting estimates and judgments

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

(a) Estimate of fair value of investment properties

The valuation of investment properties is mainly performed in accordance with the “The HKIS Valuation Standards on Properties (2012 Edition)” published by the Hong Kong Institute of Surveyors. The valuation is reviewed annually by qualified valuers by considering the information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices;

4 Critical accounting estimates and judgments (Continued)

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

- (iii) rental income derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using capitalisation rates that reflect current market assessments of the uncertainty in the amount and timing of the rental income; and
- (iv) estimated costs to completion for investment properties under construction with reference to past experience and committed contracts as well as allowances for contingencies.

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

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

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(b) Impairment of property, plant and equipment

The Group assesses the carrying values of property, plant and equipment with their recoverable amounts, which are the higher of the net realisable value and the value-in-use. In determining the value-in-use, the management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life at the appropriate discount rate based on cash flow projections. Provision for impairment is made when events or changes in circumstances indicate that the carrying values may not be realised. The assessment requires the use of judgment and estimates.

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

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

4 Critical accounting estimates and judgments (Continued)

(d) Impairment of receivables

The Group assesses the carrying values of receivables based on the evaluation of collectabilities and aging analysis of receivables, and management's judgment regarding the creditworthiness and the past collection history of each customer. Provision for impairment is made by reference to the estimates of the extent and timing of future cash flows using applicable discount rates. The final outcome of the recoverability and cash flows of these receivables will impact the amount of impairment required.

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

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

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

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

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

5 Revenues

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

| | 2013 | 2012 |
|-----------------------------------|-----------------|-----------|
| | HK\$'000 | HK\$'000 |
| Sales of properties | 485,546 | 1,472,439 |
| Sales of goods | 15,221 | 11,771 |
| Rental income and management fees | 8,735 | 2,892 |
| | 509,502 | 1,487,102 |

Sales of properties include sales of properties under development and land use rights for sale in the PRC of HK\$34.0 million (2012: HK\$818.9 million).

6 Segment information

(a) Segment information by business lines

The CODM has been identified as the Executive Directors and senior management. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST MARCH, 2013

6 Segment information (Continued)

(a) Segment information by business lines (Continued)

The segment information by business lines is as follows:

| | Property investment and development HK\$'000 | Sale of goods and services HK\$'000 | Others and corporate HK\$'000 | 2013 Total HK\$'000 |
|---|--|---|-------------------------------------|---------------------------|
| Revenues | 494,281 | 15,221 | – | 509,502 |
| Other income and net gain/(loss) | 23,625 | (123) | 8,219 | 31,721 |
| Operating profit/(loss) | 162,529 | (11,718) | (59,080) | 91,731 |
| Finance costs | (683) | – | – | (683) |
| Share of result of an associated company | – | – | (449) | (449) |
| Profit/(loss) before taxation | 161,846 | (11,718) | (59,529) | 90,599 |
| Taxation | (54,437) | – | – | (54,437) |
| Profit/(loss) for the year | 107,409 | (11,718) | (59,529) | 36,162 |
| Segment assets | 2,961,624 | 7,568 | 778,477 | 3,747,669 |
| Associated company | – | – | 7,522 | 7,522 |
| Total assets | 2,961,624 | 7,568 | 785,999 | 3,755,191 |
| Total liabilities | 1,205,491 | 3,683 | 10,548 | 1,219,722 |
| Other segment items are as follows: | | | | |
| Capital expenditure | 440,793 | 2,323 | 5,557 | 448,673 |
| Depreciation | 2,707 | 261 | 8,346 | 11,314 |
| Amortisation of land use rights | | | | |
| – charged to income statement | 32 | – | – | 32 |
| – capitalised into properties | 4,000 | – | – | 4,000 |
| Impairment of other deposits | 4,000 | – | – | 4,000 |

6 Segment information (Continued)

(a) Segment information by business lines (Continued)

| | Property investment and development HK\$'000 | Sale of goods and services HK\$'000 | Others and corporate HK\$'000 | 2012 Total HK\$'000 |
|--|--|---|-------------------------------------|---------------------------|
| Revenues | 1,475,331 | 11,771 | – | 1,487,102 |
| Other income and net loss | 12,098 | 188 | 5,242 | 17,528 |
| Operating profit/(loss) | 711,359 | (10,324) | (46,304) | 654,731 |
| Finance costs | (4,202) | – | – | (4,202) |
| Share of result of an associated company | – | – | 3,487 | 3,487 |
| Profit/(loss) before taxation | 707,157 | (10,324) | (42,817) | 654,016 |
| Taxation | (220,254) | – | – | (220,254) |
| Profit/(loss) for the year | 486,903 | (10,324) | (42,817) | 433,762 |
| Segment assets | 2,636,408 | 3,659 | 606,259 | 3,246,326 |
| Associated company | – | – | 7,971 | 7,971 |
| Total assets | 2,636,408 | 3,659 | 614,230 | 3,254,297 |
| Total liabilities | 716,966 | 2,623 | 10,130 | 729,719 |
| Other segment items are as follows: | | | | |
| Capital expenditure | 374,993 | 326 | 9,613 | 384,932 |
| Depreciation | 2,451 | 945 | 5,444 | 8,840 |
| Amortisation of land use rights | | | | |
| – charged to income statement | 32 | – | – | 32 |
| – capitalised into properties | 4,000 | – | – | 4,000 |
| Impairment of property, plant and equipment | – | 2,623 | – | 2,623 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST MARCH, 2013

6 Segment information (Continued)

(b) Geographical segment information

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

| | Revenues | | Capital expenditure | |
|-----------------|------------------|------------------|---------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Hong Kong | 14,086 | 11,091 | 5,557 | 9,632 |
| The PRC | 494,281 | 1,474,800 | 443,116 | 375,300 |
| Other countries | 1,135 | 1,211 | – | – |
| | 509,502 | 1,487,102 | 448,673 | 384,932 |

| | Non-current assets (Note) | | Total assets | |
|-----------------|---------------------------|------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Hong Kong | 79,913 | 82,689 | 785,853 | 615,487 |
| The PRC | 480,523 | 368,446 | 2,968,935 | 2,638,632 |
| Other countries | – | – | 403 | 178 |
| | 560,436 | 451,135 | 3,755,191 | 3,254,297 |

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

7 Other income and net gain/(loss)

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Interest income from | | |
| Bank deposits | 10,550 | 13,647 |
| Loans and receivables | 557 | – |
| Dividend income from available-for-sale financial assets | 977 | 1,954 |
| Compensation for late delivery of land use right | – | 2,923 |
| Sale of scraped material | – | 188 |
| Gain on transfer of properties from properties for sale to investment properties | 18,413 | – |
| Gain/(loss) on disposal of property, plant and equipment | 19 | (493) |
| Net exchange gain/(loss) | 29 | (2,424) |
| Sundries | 1,176 | 1,733 |
| | 31,721 | 17,528 |

8 Operating profit

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Operating profit is stated after crediting: | | |
| Gross rental income from investment properties | 2,952 | 2,139 |
| and after charging: | | |
| Amortisation of land use right | 32 | 32 |
| Auditors' remuneration | | |
| Audit and audit related services | 1,290 | 1,484 |
| Non-audit services | 400 | 700 |
| Cost of properties sold | 297,690 | 665,098 |
| Cost of inventories sold | 20,211 | 15,686 |
| Depreciation | 11,314 | 8,840 |
| Impairment of property, plant and equipment | – | 2,623 |
| Impairment of other deposits | 4,000 | – |
| Operating lease rental on land and buildings | 7,146 | 7,005 |
| Outgoings in respect of investment properties | 385 | 328 |
| Staff costs, including Directors' emoluments | | |
| Wages and salaries | 43,406 | 38,723 |
| Retirement benefit costs (note 9) | 1,134 | 1,090 |

9 Employee retirement benefits

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

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

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

10 Finance costs

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---|------------------|------------------|
| Interest expenses | | |
| Bank borrowings wholly repayable within five years | 7,134 | 5,906 |
| Loan from ultimate holding company wholly repayable within five years | – | 38 |
| | 7,134 | 5,944 |
| Amount capitalised into | | |
| Properties for/under development | (1,208) | – |
| Properties for sale | (5,243) | (1,742) |
| | (6,451) | (1,742) |
| | 683 | 4,202 |

The above analysis shows the finance costs in accordance with the agreed scheduled repayment dates set out in the agreements. The capitalisation rates applied to funds borrowed for the development of properties range from 3.10% to 6.15% (2012: 5.85%) per annum.

11 Directors', five highest paid individuals' and senior management's emoluments

(a) Directors' emoluments

| Name of Director | Fees HK\$'000 | Salaries and bonuses HK\$'000 | Other benefits HK\$'000 | Retirement scheme contributions HK\$'000 | Total HK\$'000 |
|---------------------------------------|------------------|-------------------------------------|-------------------------------|---|-------------------|
| 2013 | | | | | |
| Mr. Abraham Shek Lai Him | 300 | – | – | – | 300 |
| Mr. Lee Sai Wai | 20 | 990 | 210 | 90 | 1,310 |
| Mr. Albert Chuang Ka Pun | 20 | 1,440 | – | 15 | 1,475 |
| Miss Ann Li Mee Sum | 20 | 1,644 | 456 | 158 | 2,278 |
| Mr. Chong Ka Fung ¹ | 12 | – | – | – | 12 |
| Mr. Sunny Pang Chun Kit | 20 | 1,200 | – | 90 | 1,310 |
| Mr. Wong Chung Wai | 20 | – | – | – | 20 |
| Dr. Hwang Jen ² | 100 | – | – | – | 100 |
| Mr. David Chu Yu Lin | 100 | – | – | – | 100 |
| Dr. Peter Po Fun Chan ² | 100 | – | – | – | 100 |
| Mr. Andrew Fan Chun Wah ³ | 25 | – | – | – | 25 |
| | 737 | 5,274 | 666 | 353 | 7,030 |
| 2012 | | | | | |
| Mr. Abraham Shek Lai Him | 300 | – | – | – | 300 |
| Mr. Lee Sai Wai | 20 | 990 | 210 | 90 | 1,310 |
| Mr. Albert Chuang Ka Pun | 20 | 1,440 | – | 12 | 1,472 |
| Miss Ann Li Mee Sum | 20 | 1,524 | 396 | 144 | 2,084 |
| Miss Candy Chuang Ka Wai ⁴ | 20 | – | – | – | 20 |
| Mr. Sunny Pang Chun Kit | 20 | 1,200 | – | 90 | 1,310 |
| Mr. Wong Chung Wai | 20 | – | – | – | 20 |
| Dr. Hwang Jen | 100 | – | – | – | 100 |
| Mr. David Chu Yu Lin | 100 | – | – | – | 100 |
| Dr. Peter Po Fun Chan | 100 | – | – | – | 100 |
| | 720 | 5,154 | 606 | 336 | 6,816 |

¹ Appointed on 25th September, 2012

² Retired on 26th March, 2013

³ Appointed on 15th January, 2013

⁴ Resigned on 25th September, 2012

The emoluments paid to the Independent Non-Executive Directors amounted to HK\$625,000 (2012: HK\$600,000).

11 Directors', five highest paid individuals' and senior management's emoluments (Continued)

(b) Five highest paid individuals' emoluments

The five highest paid individuals in the Group include four (2012: four) Directors. Details of the emolument paid to the one (2012: one) individual, whose emolument was one of the five highest in the Group and who is not Director, is set out below:

| | 2013 | 2012 |
|--------------------------------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Salaries, bonuses and other benefits | 698 | 1,209 |
| Retirement scheme contributions | 273 | 12 |
| | 971 | 1,221 |

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.

(c) Senior management's emoluments

Other than the emoluments of Directors disclosed in note 11(a), the emoluments of senior management whose profiles are included in the section "Biographical Details of Honorary Chairman, Directors and Senior Management" of this report fall within the following band:

| Emolument band | Number of individuals | |
|------------------------|------------------------------|------|
| | 2013 | 2012 |
| HK\$1,000,000 or below | 13 | 10 |

12 Taxation

| | 2013 HK\$'000 | 2012 HK\$'000 |
|-----------------------------|------------------|------------------|
| Current taxation | | |
| PRC corporate income tax | 23,611 | 106,970 |
| PRC land appreciation tax | 29,482 | 129,972 |
| Deferred taxation (note 35) | 1,344 | (16,688) |
| | 54,437 | 220,254 |

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits for the year (2012: Nil). PRC corporate income tax has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the PRC. PRC land appreciation tax is levied at the progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development expenditures.

Share of taxation credit of an associated company for the year ended 31st March, 2013 amounting to HK\$70,000 (2012: taxation charge of HK\$542,000) is included in the income statement as share of result of an associated company.

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

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Profit before taxation | 90,599 | 654,016 |
| Share of result of an associated company | 449 | (3,487) |
| | 91,048 | 650,529 |
| Tax charge at the rate of 16.5% (2012: 16.5%) | 15,023 | 107,337 |
| Effect of different taxation rates in other countries | 2,340 | (27,534) |
| Income not subject to taxation | (1,934) | (3,333) |
| Expenses not deductible for taxation purposes | 2,807 | 10,032 |
| PRC land appreciation tax deductible for taxation purposes | (5,797) | (8,333) |
| Other temporary differences and tax losses not recognised | 12,516 | 12,113 |
| | 24,955 | 90,282 |
| PRC land appreciation tax | 29,482 | 129,972 |
| Taxation | 54,437 | 220,254 |

13 Profit attributable to equity holders

Profit attributable to equity holders includes profit of HK\$2,209,000 (2012: HK\$623,953,000) which is dealt with in the financial statements of the Company.

14 Dividends

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Interim dividend of 1.0 HK cent (2012: 1.0 HK cent) per share | 15,618 | 15,233 |
| Proposed final scrip dividend with a cash option of 2.0 HK cents (2012: 2.0 HK cents) per share | 31,237 | 30,467 |
| | 46,855 | 45,700 |

On 24th June, 2013, the Board proposed a final scrip dividend with a cash option of 2.0 HK cents (2012: 2.0 HK cents) per share amounting to HK\$31,237,000 (2012: HK\$30,467,000). The amount of HK\$31,237,000 is calculated based on 1,561,840,530 issued shares as at 24th June, 2013. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected and accounted for as an appropriation of reserves in the year ending 31st March, 2014 upon the approval by the shareholders.

15 Earnings per share

The calculation of the earnings per share is based on the profit attributable to equity holders of HK\$40,390,000 (2012: HK\$448,755,000) and the weighted average number of 1,539,260,991 (2012: 1,523,328,700) shares in issue during the year.

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

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 |
|--|-----------------------|------------------------------------|--|-----------------------------|-------------------|
| Cost | | | | | |
| At 1st April, 2011 | 22,867 | 4,565 | 18,128 | 22,661 | 68,221 |
| Changes in exchange rates | 886 | – | 200 | 338 | 1,424 |
| Additions | – | 74 | 405 | 10,351 | 10,830 |
| Transfer from debtors and prepayments | – | – | – | 68,884 | 68,884 |
| Disposals | – | (300) | (9,643) | (3,142) | (13,085) |
| Impairment | – | (4,339) | (3,012) | (1,086) | (8,437) |
| At 31st March, 2012 | 23,753 | – | 6,078 | 98,006 | 127,837 |
| Changes in exchange rates | 298 | 3 | 71 | 97 | 469 |
| Additions | – | 1,957 | 1,146 | 6,474 | 9,577 |
| Disposals | – | – | (324) | (738) | (1,062) |
| At 31st March, 2013 | 24,051 | 1,960 | 6,971 | 103,839 | 136,821 |
| Accumulated depreciation and impairment | | | | | |
| At 1st April, 2011 | 2,096 | 3,685 | 13,596 | 17,904 | 37,281 |
| Changes in exchange rates | 88 | – | 142 | 223 | 453 |
| Charge for the year | 528 | 271 | 1,331 | 6,710 | 8,840 |
| Disposals | – | (300) | (9,195) | (2,646) | (12,141) |
| Impairment | – | (3,656) | (1,173) | (985) | (5,814) |
| At 31st March, 2012 | 2,712 | – | 4,701 | 21,206 | 28,619 |
| Changes in exchange rates | 41 | 1 | 53 | 79 | 174 |
| Charge for the year | 535 | 221 | 892 | 9,666 | 11,314 |
| Disposals | – | – | (324) | (724) | (1,048) |
| At 31st March, 2013 | 3,288 | 222 | 5,322 | 30,227 | 39,059 |
| Net book value | | | | | |
| At 31st March, 2013 | 20,763 | 1,738 | 1,649 | 73,612 | 97,762 |
| At 31st March, 2012 | 21,041 | – | 1,377 | 76,800 | 99,218 |

16 Property, plant and equipment (Continued)

- (a) The buildings are situated in the PRC under long-term leases. Other assets comprise computer equipment, motor vehicles and yachts.
- (b) As at 31st March, 2012, buildings with net book value of HK\$11,507,000 had been pledged as securities for the borrowing facilities granted to the Group (note 34).
- (c) Depreciation of HK\$603,000 (2012: HK\$917,000) and HK\$10,711,000 (2012: HK\$7,923,000) have been included in cost of sales and administrative and other operating expenses.
- (d) In view of the respective performance of the sale of goods and services segment, management performed impairment assessment on the respective property, plant and equipment and determined that there is no impairment on the respective property, plant and equipment as at 31st March, 2013 (2012: impairment of HK\$2,623,000 was made). The recoverable amounts were determined based on the cash flow projections from the management, taking into account the estimated useful lives of the respective property, plant and equipment.

17 Investment properties

| | Group | |
|--|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| At the beginning of the year | 75,860 | 70,300 |
| Changes in exchange rates | 1,923 | 2,759 |
| Additions | – | 1,399 |
| Transfer from properties for sale | 23,474 | – |
| Gain on transfer from properties for sale (note 7) | 18,413 | – |
| Change in fair value | 32,084 | 1,402 |
| At the end of the year | 151,754 | 75,860 |

Investment properties are held under long-term leases in the PRC and were revalued at 31st March, 2013 on an open market value basis by DTZ Debenham Tie Leung Limited, an independent professional property valuer.

18 Land use right

| | Group | |
|------------------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| At the beginning of the year | 1,694 | 1,718 |
| Changes in exchange rates | 2 | 8 |
| Amortisation | (32) | (32) |
| At the end of the year | 1,664 | 1,694 |

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

As at 31st March, 2012, the land use right had been pledged as securities for the borrowing facilities granted to the Group (note 34).

19 Properties for/under development

| | Group | |
|-----------------------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| At the beginning of the year | 266,392 | 106,039 |
| Changes in exchange rates | 3,661 | 4,104 |
| Additions | 30,473 | 6,346 |
| Interest expenses capitalised | 1,208 | – |
| Transfer from properties for sale | – | 149,903 |
| At the end of the year | 301,734 | 266,392 |

Properties for/under development of the Group are held under the following lease terms:

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--------------------|------------------|------------------|
| In the PRC: | | |
| Long-term leases | 151,766 | 149,903 |
| Medium-term leases | 149,968 | 116,489 |
| | 301,734 | 266,392 |

During the year, amortisation of land use right classified under properties for/under development of HK\$4,000,000 (2012: HK\$4,000,000) was capitalised therein.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST MARCH, 2013

20 Subsidiaries

| | Company | |
|-------------------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Unlisted investments, at cost | 151,030 | 150,036 |
| Impairment | (85,000) | (85,000) |
| | 66,030 | 65,036 |

Particulars of the 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 Associated company

| | Group | |
|-----------------------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Share of net assets | 7,522 | 7,971 |
| Unlisted investment, at cost, net | 2,425 | 2,425 |

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

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| At the beginning of the year | 7,971 | 6,453 |
| Share of (loss)/profit before taxation | (519) | 4,029 |
| Share of taxation credit/(charge) | 70 | (542) |
| Share of result | (449) | 3,487 |
| Share of exchange reserve | – | (19) |
| Dividend income received | – | (1,950) |
| At the end of the year | 7,522 | 7,971 |

21 Associated company (Continued)

Particulars of the associated company are set out below:

| Name | Place of incorporation/ operation | Registered capital/ issued capital | Effective interest held by the Group | | Principal activities |
|---|--------------------------------------|---------------------------------------|--------------------------------------|------|----------------------|
| | | | 2013 | 2012 | |
| Treasure Auctioneer International Limited | British Virgin Islands/ Hong Kong | 1,000,000 shares of US\$1 each | 25% | 25% | Auction services |

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

| | 2013 HK\$'000 | 2012 HK\$'000 |
|----------------------------|------------------|------------------|
| Revenues | 5,419 | 13,131 |
| (Loss)/profit for the year | (449) | 3,487 |
| Assets | 9,125 | 19,692 |
| Liabilities | (1,603) | (11,721) |
| Net assets | 7,522 | 7,971 |

22 Investment in jointly controlled assets

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

For the year ended 31st March, 2013, the Group's interest in the jointly controlled assets was 51% (2012: 51%). The Group's share of the net loss of the jointly controlled assets for the year amounted to HK\$4,000 (2012: HK\$72,000) and the net assets of the jointly controlled assets as at 31st March, 2013 amounted to HK\$151,329,000 (2012: HK\$149,475,000).

As at 31st March, 2013, the Group had made an advance to the joint venture partner amounting to HK\$12,552,000 (2012: HK\$12,397,000) (note 24). The proportionate interest of the Group in the jointly controlled assets' commitment was HK\$2,909,000 (2012: HK\$2,904,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST MARCH, 2013

23 Available-for-sale financial assets

| | Group | |
|---|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Listed securities in Hong Kong, at market value | 94,152 | 74,537 |

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

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---|------------------|------------------|
| At the beginning of the year | 74,537 | 69,633 |
| Additions | 32,206 | – |
| Change in fair value recognised in other comprehensive income | (12,591) | 4,904 |
| At the end of the year | 94,152 | 74,537 |

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

24 Loans and receivables

| | Group | |
|--------------------------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Advance to the joint venture partner | 12,552 | 12,397 |

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

25 Properties for sale

| | Group | |
|------------------------------|------------------|-----------|
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Completed properties | 367,204 | 411,293 |
| Land use right for sale | – | 4,974 |
| Properties under development | 1,359,243 | 1,115,440 |
| | 1,726,447 | 1,531,707 |

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

| | 2013 | 2012 |
|--|------------------|-----------|
| | HK\$'000 | HK\$'000 |
| At the beginning of the year | 1,115,440 | 1,346,282 |
| Changes in exchange rates | 9,024 | 25,014 |
| Property development expenditure | 400,074 | 352,932 |
| Interest expenses capitalised | 5,243 | 1,742 |
| Disposals | – | (190,463) |
| Transfer from other deposits included in debtors and prepayments | 68,114 | – |
| Transfer to investment properties | (13,475) | – |
| Transfer to properties for/under development | – | (149,903) |
| Transfer to completed properties | (225,177) | (270,164) |
| At the end of the year | 1,359,243 | 1,115,440 |

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

| | 2013 | 2012 |
|--------------------|------------------|-----------|
| | HK\$'000 | HK\$'000 |
| In the PRC: | | |
| Long-term leases | 1,684,814 | 1,490,591 |
| Medium-term leases | 41,633 | 41,116 |
| | 1,726,447 | 1,531,707 |

(c) Properties for sale of HK\$497,748,000 (2012: HK\$25,319,000) have been pledged as securities for the borrowing facilities granted to the Group (note 34).

(d) Completed properties of HK\$9,999,000 (2012: Nil) have been transferred to investment properties during the year (note 17).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST MARCH, 2013

26 Inventories

| | Group | |
|--------------------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Raw materials | 290 | 276 |
| Work in progress | 888 | 456 |
| Finished goods and merchandise | 3,458 | 3,477 |
| | 4,636 | 4,209 |

27 Debtors and prepayments

| | Group | | Company | |
|-------------------------------|------------------|------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Trade debtors | 39,241 | 13,471 | – | – |
| Other debtors and prepayments | 35,979 | 36,944 | 2,690 | 1,904 |
| Utility and other deposits | 270,231 | 293,127 | – | – |
| | 345,451 | 343,542 | 2,690 | 1,904 |

Rental income and management fees are received 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:

| | Group | |
|---------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Below 30 days | 35,003 | 9,932 |
| 31 to 60 days | 261 | 792 |
| 61 to 90 days | 1,097 | 107 |
| Over 90 days | 2,880 | 2,640 |
| | 39,241 | 13,471 |

As at 31st March, 2013, trade debtors of HK\$36,361,000 (2012: HK\$10,832,000) of the Group were neither past due nor impaired.

As at 31st March, 2013, trade debtors of HK\$2,880,000 (2012: HK\$2,639,000) of the Group were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging of these trade debtors is over 90 days as at 31st March, 2013 and 2012.

27 Debtors and prepayments (Continued)

Other deposits of the Group include net deposits of HK\$232,768,000 (2012: HK\$273,471,000) for property development projects and acquisition of properties and land use rights in the PRC after the impairment of HK\$4,000,000 (2012: Nil) provided for the year. Deposits of HK\$68,114,000 (2012: Nil) have been transferred to properties for sale during the year (note 25(a)).

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

Debtors and prepayments are mainly denominated in Hong Kong dollar and Renminbi. The carrying values of debtors and prepayments approximate their fair values.

28 Amounts due from/to subsidiaries

| | Company | |
|--------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Amounts receivable | 2,538,221 | 2,697,611 |
| Impairment | (503,450) | (483,450) |
| | 2,034,771 | 2,214,161 |
| Amount payable | (886) | – |

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST MARCH, 2013

29 Pledged bank balances and cash and bank balances

| | Group | | Company | |
|--------------------------|------------------|------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Pledged bank balances | 30,516 | – | 30,000 | – |
| Cash and bank balances | | | | |
| Cash at bank and in hand | 288,886 | 172,261 | 1,351 | 1,999 |
| Short-term deposits | 692,115 | 664,509 | 564,885 | 444,464 |
| | 981,001 | 836,770 | 566,236 | 446,463 |
| | 1,011,517 | 836,770 | 596,236 | 446,463 |

The effective interest rates on short-term deposits range from 0.001% to 3.08% (2012: 0.01% to 3.10%) per annum and these deposits have maturities ranging from 1 to 180 days (2012: 1 to 90 days).

Pledged bank balances of HK\$30,000,000 (2012: Nil) and HK\$516,000 (2012: HK\$721,000, included in cash at bank and in hand) have been pledged as securities for the borrowing facilities (note 34) and the financial guarantee facilities (note 38) granted to the Group, respectively.

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

Cash and bank balances (including pledged bank balances) are denominated in the following currencies:

| | Group | | Company | |
|----------------------|------------------|------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Hong Kong dollar | 359,757 | 320,166 | 342,883 | 307,799 |
| Renminbi | 431,387 | 403,032 | 32,980 | 25,092 |
| United States dollar | 220,373 | 113,572 | 220,373 | 113,572 |
| | 1,011,517 | 836,770 | 596,236 | 446,463 |

30 Creditors and accruals

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Trade creditors | 2,170 | 1,435 | – | – |
| Other creditors and accrued expenses | 125,207 | 137,373 | 780 | 1,644 |
| Amounts payable to non-controlling interests | 416 | 416 | – | – |
| Tenant and other deposits | 1,739 | 825 | – | – |
| | 129,532 | 140,049 | 780 | 1,644 |

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

| | Group | |
|---------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Below 30 days | 853 | 575 |
| 31 to 60 days | 561 | 244 |
| 61 to 90 days | 390 | 297 |
| Over 90 days | 366 | 319 |
| | 2,170 | 1,435 |

Other creditors and accrued expenses of the Group include the construction cost payables and accruals of HK\$66,555,000 (2012: HK\$91,500,000) for the PRC property development projects of the Group.

Amounts payable to non-controlling interests are unsecured, interest free and repayable on demand.

Creditors and accruals are mainly denominated in Hong Kong dollar and Renminbi. The carrying values of creditors and accruals approximate their fair values.

31 Sales deposits received

Sales deposits received represents deposits received from the sales of properties of the Group in the PRC which have not yet been recognised as revenues for the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST MARCH, 2013

32 Share capital

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---|----------------------|--------------------|
| Authorised: | | |
| 18,000,000,000 shares of HK\$0.05 each | 900,000 | 900,000 |
| | Number of shares | Amount HK\$'000 |
| Issued and fully paid at HK\$0.05 each: | | |
| At 31st March, 2011 and 2012 | 1,523,328,700 | 76,166 |
| 2012 final scrip dividend (note 14) | 38,511,830 | 1,926 |
| At 31st March, 2013 | 1,561,840,530 | 78,092 |

All new shares rank pari passu to the existing shares.

The old share option scheme of the Company, which was for a period of 10 years, had expired on 25th August, 2012 and no options had been granted under the scheme since its adoption.

During the year, the Company has adopted a new share option scheme (the "Scheme") pursuant to the annual general meeting of the Company held on 31st August, 2012, which is valid and effective for a term of ten years from the date of its adoption. Under the Scheme, the Directors may grant options to the eligible persons as defined in the Scheme, inter alia, any Directors, employees 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 the adoption date which is 31st August, 2012. No options have been granted under the Scheme since its adoption.

33 Reserves

Group

| | Share premium HK\$'000 | Capital reserve on consolidation HK\$'000 | Capital reserve HK\$'000 | Statutory reserve HK\$'000 | Investment revaluation reserve HK\$'000 | Exchange reserve HK\$'000 | (Accumulated losses)/ retained profits HK\$'000 | Proposed final dividend HK\$'000 | Total HK\$'000 |
|--|------------------------------|--|--------------------------------|----------------------------------|--|---------------------------------|---|---|-------------------|
| At 1st April, 2011 | 1,500,000 | 97,703 | 457,792 | 73 | 47,458 | 108,997 | (290,516) | - | 1,921,507 |
| Profit for the year | - | - | - | - | - | - | 448,755 | - | 448,755 |
| Net exchange differences | - | - | - | - | - | 22,866 | - | - | 22,866 |
| Share of exchange reserve of an associated company | - | - | - | - | - | (19) | - | - | (19) |
| Change in fair value of available-for-sale financial assets | - | - | - | - | 4,904 | - | - | - | 4,904 |
| 2012 interim dividend paid | - | - | - | - | - | - | (15,233) | - | (15,233) |
| 2012 proposed final scrip dividend | - | - | - | - | - | - | (30,467) | 30,467 | - |
| At 31st March, 2012 | 1,500,000 | 97,703 | 457,792 | 73 | 52,362 | 131,844 | 112,539 | 30,467 | 2,382,780 |
| Profit for the year | - | - | - | - | - | - | 40,390 | - | 40,390 |
| Net exchange differences | - | - | - | - | - | 16,429 | - | - | 16,429 |
| Change in fair value of available-for-sale financial assets | - | - | - | - | (12,591) | - | - | - | (12,591) |
| 2012 final scrip dividend paid | 14,091 | - | - | - | - | - | - | (30,467) | (16,376) |
| 2013 interim dividend paid | - | - | - | - | - | - | (15,618) | - | (15,618) |
| 2013 proposed final scrip dividend | - | - | - | - | - | - | (31,237) | 31,237 | - |
| At 31st March, 2013 | 1,514,091 | 97,703 | 457,792 | 73 | 39,771 | 148,273 | 106,074 | 31,237 | 2,395,014 |

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST MARCH, 2013

33 Reserves (Continued)

Company

| | Share premium HK\$'000 | Capital reserve HK\$'000 | Retained profits HK\$'000 | Proposed final dividend HK\$'000 | Total HK\$'000 |
|------------------------------------|------------------------------|--------------------------------|---------------------------------|---|-------------------|
| At 1st April, 2011 | 1,500,000 | 457,792 | 83,242 | – | 2,041,034 |
| Profit for the year | – | – | 623,953 | – | 623,953 |
| 2012 interim dividend paid | – | – | (15,233) | – | (15,233) |
| 2012 proposed final scrip dividend | – | – | (30,467) | 30,467 | – |
| At 31st March, 2012 | 1,500,000 | 457,792 | 661,495 | 30,467 | 2,649,754 |
| Profit for the year | – | – | 2,209 | – | 2,209 |
| 2012 final scrip dividend paid | 14,091 | – | – | (30,467) | (16,376) |
| 2013 interim dividend paid | – | – | (15,618) | – | (15,618) |
| 2013 proposed final scrip dividend | – | – | (31,237) | 31,237 | – |
| At 31st March, 2013 | 1,514,091 | 457,792 | 616,849 | 31,237 | 2,619,969 |

Total distributable reserves of the Company amounted to HK\$648,086,000 (2012: HK\$691,962,000) as at 31st March, 2013.

34 Borrowings

| | Group | |
|-----------------------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Secured long-term bank borrowings | 317,806 | 41,939 |

The long-term bank borrowings are analysed as follows:

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Long-term bank borrowings wholly repayable within five years* | 317,806 | 41,939 |
| Current portion included in current liabilities | | |
| Portion due within one year | – | (41,939) |
| Portion due after one year which contains a repayment on demand clause | (75,500) | – |
| | 242,306 | – |

* Ignoring the effect of any repayment on demand clause

34 Borrowings (Continued)

The bank borrowings of the Group are secured by certain properties for sale and bank deposits with an aggregate carrying value of HK\$527,748,000 (2012: HK\$38,520,000 secured by certain property, plant and equipment, land use right and properties for sale). Borrowing of HK\$75,500,000 (2012: Nil) is also guaranteed by the Company.

The bank borrowings are repayable in the following periods based on the agreed scheduled repayment dates set out in the loan agreements:

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---------------------------------|--------------------------------|------------------|
| Within the first year | – | 41,939 |
| Within the second year | 12,080 | – |
| Within the third to fifth years | 305,726 | – |
| | 317,806 | 41,939 |

The effective interest rates of the bank borrowings at the balance sheet date range from 3.10% to 6.15% (2012: 6.65%) per annum. The fair values of the bank borrowings, based on cash flows discounted at the borrowing rates of 3.10% to 6.15% (2012: 6.65%) per annum, approximate their carrying values.

The bank borrowings are denominated in the following currencies:

| | 2013 HK\$'000 | 2012 HK\$'000 |
|------------------|--------------------------------|------------------|
| Hong Kong dollar | 75,500 | – |
| Renminbi | 242,306 | 41,939 |
| | 317,806 | 41,939 |

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

| | 2013 HK\$'000 | 2012 HK\$'000 |
|------------------|--------------------------------|------------------|
| 6 months or less | 75,500 | – |
| 6 to 12 months | 242,306 | 41,939 |
| | 317,806 | 41,939 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST MARCH, 2013

35 Deferred taxation liabilities

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

Group

| | HK\$'000 |
|--|----------------|
| At 1st April, 2011 | 188,774 |
| Changes in exchange rates | 112 |
| Credited to income statement (note 12) | (16,688) |
| At 31st March, 2012 | 172,198 |
| Changes in exchange rates | 164 |
| Charged to income statement (note 12) | 1,344 |
| At 31st March, 2013 | 173,706 |

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

| | Deferred taxation liabilities | | | Deferred taxation assets | |
|---|-------------------------------|--|--|--------------------------|------------------------|
| | Fair value gains HK\$'000 | Revaluation of investment properties HK\$'000 | Accelerated tax depreciation HK\$'000 | Total HK\$'000 | Tax losses HK\$'000 |
| At 1st April, 2011 | 186,340 | 2,434 | 4,247 | 193,021 | (4,247) |
| Changes in exchange rates (Credited)/charged to income statement | 10 (17,267) | 102 579 | – 3,569 | 112 (13,119) | – (3,569) |
| At 31st March, 2012 | 169,083 | 3,115 | 7,816 | 180,014 | (7,816) |
| Changes in exchange rates (Credited)/charged to income statement | – (7,999) | 164 9,343 | – 956 | 164 2,300 | – (956) |
| At 31st March, 2013 | 161,084 | 12,622 | 8,772 | 182,478 | (8,772) |

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

35 Deferred taxation liabilities (Continued)

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

Deferred taxation assets of HK\$94 million (2012: HK\$77 million) arising from unused tax losses of HK\$570 million (2012: HK\$467 million) have not been recognised in the financial statements. These tax losses either have no expiry dates or will expire within five years for those from the PRC.

Deferred taxation liabilities of HK\$22 million (2012: HK\$12 million) arising from withholding tax on the unremitted earnings of certain PRC subsidiaries have not been recognised in the financial statements as these earnings are expected to be reinvested.

36 Loans from non-controlling interests

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

37 Commitments

(a) Capital commitments

| | Group | |
|---|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Contracted but not provided for in respect of property development projects and property, plant and equipment | 316,686 | 454,975 |

(b) Operating lease rental payable

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

| | Group | |
|----------------------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Within the first year | 931 | 1,531 |
| Within the second to fifth years | 295 | 201 |
| | 1,226 | 1,732 |

37 Commitments (Continued)

(c) Operating lease rental receivable

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

| | Group | |
|----------------------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Within the first year | 832 | 1,432 |
| Within the second to fifth years | 2,480 | 2,635 |
| After the fifth year | 2,696 | 3,246 |
| | 6,008 | 7,313 |

The Group leases properties under various agreements which will be terminated between 2013 to 2025 (2012: 2012 to 2025).

38 Financial guarantees

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 |
| Guarantee for outstanding bank borrowing of a subsidiary as at the balance sheet date (note 34) | – | – | 75,500 | – |
| Guarantee for a bank bond of a construction contract of a subsidiary | – | – | 8,106 | – |
| Guarantees for mortgage loans to purchasers of properties of the Group in the PRC | 443,160 | 351,573 | – | – |
| | 443,160 | 351,573 | 83,606 | – |

The financial guarantees provided by the Group represented the guarantees in respect of mortgage loans made by certain banks to certain purchasers of the Group's properties in the PRC. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees will be terminated upon the earlier of (i) issuance of the property ownership certificates which is generally available within six months to one year after the purchasers take possession of the relevant properties; or (ii) the satisfaction of mortgage loans by the purchasers of properties. Since the Group is able to retain the purchasers' deposits and sell the properties to recover any amounts paid by the Group to the banks, the estimated net amounts required to be settled by the Group and the fair value of the financial guarantees as calculated are not material and hence not recognised in the financial statements. Bank deposits of HK\$516,000 (2012: HK\$721,000) have been pledged for such financial guarantees provided by the Group (note 29).

39 Notes to the consolidated cash flow statement

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

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Operating profit | 91,731 | 654,731 |
| Interest income | (11,107) | (13,647) |
| Amortisation of land use right | 32 | 32 |
| Depreciation | 11,314 | 8,840 |
| Dividend income from available-for-sale financial assets | (977) | (1,954) |
| Change in fair value of investment properties | (32,084) | (1,402) |
| Gain on transfer of properties from properties for sale to investment properties | (18,413) | – |
| Impairment of property, plant and equipment | – | 2,623 |
| Impairment of other deposits | 4,000 | – |
| (Gain)/loss on disposal of property, plant and equipment | (19) | 493 |
| Operating profit before working capital changes | 44,477 | 649,716 |
| (Increase)/decrease in properties for/under development and properties for sale | (186,994) | 277,044 |
| Increase in inventories | (427) | (739) |
| Increase in debtors and prepayments | (71,104) | (8,502) |
| Decrease in restricted bank balance | – | 125,004 |
| Increase in creditors and accruals | 14,854 | 4,985 |
| Increase/(decrease) in sales deposits received | 195,681 | (475,104) |
| Cash (used in)/from operations | (3,513) | 572,404 |

(b) Analysis of cash and cash equivalents

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Cash and bank balances | 981,001 | 836,770 |
| Pledged bank balances | – | (721) |
| Bank deposits maturing more than three months from date of placement | (15,224) | – |
| | 965,777 | 836,049 |

39 Notes to the consolidated cash flow statement (Continued)

(c) Disposals of subsidiaries

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|------------------|------------------|
| Net assets disposed of: | | |
| Investment property held for sale | – | 790,000 |
| Tenants' deposits received | – | (7,968) |
| Bank borrowings | – | (367,000) |
| Liabilities of investment property held for sale | – | (374,968) |
| Net cash inflow from disposals of subsidiaries | – | 415,032 |

40 Subsequent event

On 27th May, 2013, a wholly-owned subsidiary (the "Vendor") of the Group entered into an agreement with an independent third party (the "Purchaser") to dispose of its investment in a wholly-owned subsidiary at the consideration of HK\$1. The Vendor will also execute a tax indemnity deed in favour of the Purchaser (the "Indemnity") subject to a cap of approximately RMB48.8 million (equivalent to approximately HK\$61.8 million) for a period of two years from the date of completion of the disposal which will be on or before 31st August, 2013. The estimated net gain expected to accrue to the Group as a result of the completion of the disposal would be approximately RMB31.7 million (equivalent to approximately HK\$40.1 million). In the event that the Indemnity is not called upon, the maximum additional gain expected to accrue to the Group would be approximately RMB48.8 million (equivalent to approximately HK\$61.8 million). Details of the transaction were set out in the announcement of the Company on 27th May, 2013.

41 Approval of financial statements

The financial statements were approved by the Board on 24th June, 2013.

42 Principal subsidiaries

| Name | Place of incorporation/ operation | Registered capital/ issued capital | Effective interest held by Group | | Principal activities |
|---|--------------------------------------|--|----------------------------------|------|-------------------------------------|
| | | | 2013 | 2012 | |
| # Anshan Chuang's Property Development Company Limited | PRC | RMB90,000,000 (2012: RMB50,000,000) | 100% | 100% | Property development and investment |
| # Anshan Chuang's Real Estate Development Company Limited | PRC | RMB170,000,000 | 100% | 100% | Property development and investment |
| # Chengdu Chuang's Investment Services Limited | PRC | HK\$80,000,000 | 100% | 100% | Property development and investment |
| # Chengdu Chuang's Property Development Company Limited | PRC | RMB2,000,000 | 51% | 51% | Property development and investment |
| China Art Exchange Limited | Hong Kong | 10,000,000 shares of HK\$0.1 each | 100% | 100% | Trading of merchandise |
| @ China Cyberworld Limited | Hong Kong | 2 shares of HK\$1 each | 100% | 100% | Investment holding |
| @ Chinaculture.com Limited | British Virgin Islands/ Hong Kong | 1 share of US\$1 | 100% | 100% | Investment holding |
| @ Chuang's China Enterprises Limited | Hong Kong | 458,310,965 shares of HK\$0.2 each | 100% | 100% | Investment holding |
| Chuang's China Italia Plaza Limited | Hong Kong | 2 shares of HK\$1 each | 100% | 100% | Investment holding |
| @ Chuang's China Realty Limited | Bermuda/ Hong Kong | 2,000,000 shares of HK\$0.05 each | 100% | 100% | Investment holding |
| @ Chuang's China Treasury Limited | Cayman Islands/ Hong Kong | 1 share of US\$1 | 100% | 100% | Investment holding |
| Chuang's Development (Anshan) Limited | Hong Kong | 2 shares of HK\$1 each | 100% | 100% | Investment holding |
| Chuang's Development (Beijing) Limited | Hong Kong | 100 shares of HK\$1 each | 100% | 100% | Investment holding |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST MARCH, 2013

42 Principal subsidiaries (Continued)

| Name | Place of incorporation/ operation | Registered capital/ issued capital | Effective interest held by Group | | Principal activities |
|--|--------------------------------------|--|----------------------------------|------|-------------------------------------|
| | | | 2013 | 2012 | |
| Chuang's Development (Chengdu) Limited | Hong Kong | 2 shares of HK\$10 each 100,000 non-voting deferred shares of HK\$10 each | 100% | 100% | Property investment |
| Chuang's Development (China) Limited (note 40) | 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 (Huiyang) Real Estate Company Limited | PRC | HK\$50,000,000 | 100% | 100% | Investment holding |
| Chuang's Development (Liaoning) Limited | Hong Kong | 2 shares of HK\$1 each | 100% | 100% | Investment holding |
| Chuang's Development (Sichuan) Limited | Hong Kong | 2 shares of HK\$1 each | 100% | 100% | Investment holding |
| Chuang's Information Technology Limited | Hong Kong | 100 shares of HK\$1 each | 100% | 100% | Investment holding |
| Distinguished Properties Limited | British Virgin Islands/ Hong Kong | 1 share of US\$1 | 100% | 100% | Investment holding |
| # Dongguan Chuang's Real Estate Development Company Limited | PRC | RMB135,420,000 | 100% | 100% | Property development and investment |
| Double Wealthy Company Limited | Hong Kong | 160 shares of HK\$1 each | 100% | 100% | Investment holding |
| Dragon Rich Investments Limited | Hong Kong | 100 shares of HK\$1 each | 85% | 85% | Investment holding |
| Gold Capital Profits Limited | British Virgin Islands/ Hong Kong | 100 shares of US\$1 each | 75% | 75% | Investment holding |

42 Principal subsidiaries (Continued)

| | Name | Place of incorporation/ operation | Registered capital/ issued capital | Effective interest held by Group | | Principal activities |
|---|--|--------------------------------------|---------------------------------------|----------------------------------|-------|---|
| | | | | 2013 | 2012 | |
| # | Guangzhou Chuang's Investment Services Limited | PRC | RMB22,500,000 | 100% | – | Property investment |
| # | Guangzhou Panyu Chuang's Real Estate Development Company Limited | PRC | RMB60,000,000 | 100% | 100% | Property development and investment |
| # | Hui Zhou Yuen Sang Hardware Company Limited | PRC | HK\$10,000,000 | 100% | 100% | Manufacture and sale of watch components |
| # | Hunan Chuang's Italia Plaza Development Company Limited | PRC | RMB10,000,000 | 100% | 100% | Property development and investment |
| # | Hunan Han Ye Real Estate Development Company Limited | PRC | RMB25,000,000 | 54% | 54% | Property development and investment |
| | 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 |
| | Sino Success Limited | Hong Kong | 1 share of HK\$1 | 100% | – | Investment holding |
| # | Xiamen Mingjia Binhai Resort Company Limited | PRC | RMB75,000,000 | 59.5% | 59.5% | Property and hotel development and investment |
| | Yuen Sang Watch Industries Limited (formerly known as Yuen Sang Hardware Company (1988) Limited) | Hong Kong | 1,000,000 shares of HK\$1 each | 100% | 100% | Manufacture and sale of watch components |

@ Directly held by the Company

Not audited by PricewaterhouseCoopers

PARTICULARS OF PRINCIPAL PROPERTIES

The following list contains only properties held by the Group as at 31st March, 2013 which are material to the Group as the Directors are of the opinion that a complete list will be of excessive length.

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

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

2. Property projects in the PRC

| Location | Stage of completion | Expected completion date | Usage | Site area (sq. m.) | Gross floor area | Group's interest |
|---|--|--------------------------|--------------------------------|--------------------|--|------------------|
| Chuang's Le Papillon, Guangzhou, Guangdong | | | | | | |
| - Phase I: Block A, B, C, D, E | Completed | Completed | Residential | 53,519 | 26,116 (and 221 carparking spaces) | 100% |
| - Phase II: Block F, G, H | Completed | Completed | Residential | 15,995 | 9,465 | 100% |
| Block I, J, K, L, M, N, P | Under construction | 2013-2014 | Residential | 53,516 | 113,543 (and 1,242 carparking spaces) | 100% |
| - Phase III: Block Q, R, S, T, U, V, X | Master planning completed and foundation works commenced | Beyond 2014 | Comprehensive development area | 91,987 | 163,051 | 100% |

2. Property projects in the PRC (Continued)

| Location | Stage of completion | Expected completion date | Usage | Site area (sq. m.) | Gross floor area | Group's interest |
|---|-----------------------------------|--------------------------|-----------------------------------|--------------------|---|------------------|
| Imperial Garden, Chuang's New City, Dongguan, Guangdong | | | | | | |
| – Phase I: Block 1 to 8 | Completed | Completed | Residential | 23,775 | 15,039 (and 162 carparking spaces) | 100% |
| – Phase II: Block 9 to 14 | Under construction | 2013-2014 | Residential | 9,500 | 61,272 | 100% |
| – Phase III: Block 15 to 55 | Planning stage | N/A | Comprehensive development area | 158,576 | 355,842 | 100% |
| sáv Resort & Spa, Xiamen, Fujian | Superstructure works completed | 2013-2014 | Resort and villa | 27,574 | 18,000 | 59.5% |
| Chuang's Mid-town, Anshan, Liaoning | Foundation works in progress | 2015-2016 | Comprehensive development area | 11,000 | 100,000 | 100% |
| Chuang's Plaza, Anshan, Liaoning | Master planning in progress | N/A | Comprehensive development area | 39,500 | 390,000 | 100% |
| Phase I, Beverly Hills, Changsha, Hunan | Completed | Completed | Residential | 95,948 | 19,779 | 54% |
| | Completed | Completed | Residential/ commercial | | 10,200 | 54% |

SUMMARY OF FINANCIAL INFORMATION

Results

| | 2009 HK\$'000 (Restated) | 2010 HK\$'000 (Restated) | 2011 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 |
|--|--------------------------------|--------------------------------|------------------|------------------|------------------|
| Revenues | 107,592 | 381,951 | 198,024 | 1,487,102 | 509,502 |
| (Loss)/profit attributable to equity holders | (127,883) | 70,642 | 31,909 | 448,755 | 40,390 |
| (Loss)/earnings per share (HK cents) | (8.47) | 4.64 | 2.09 | 29.46 | 2.62 |

Assets and Liabilities

| | 2009 HK\$'000 (Restated) | 2010 HK\$'000 (Restated) | 2011 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 |
|---------------------------|--------------------------------|--------------------------------|------------------|------------------|--------------------|
| Non-current assets | 767,247 | 900,451 | 297,017 | 538,069 | 667,140 |
| Current assets | 2,180,676 | 2,228,381 | 3,445,898 | 2,716,228 | 3,088,051 |
| Total assets | 2,947,923 | 3,128,832 | 3,742,915 | 3,254,297 | 3,755,191 |
| Total liabilities | (1,149,232) | (1,188,501) | (1,667,065) | (729,719) | (1,219,722) |
| Non-controlling interests | (11,507) | (18,869) | (78,177) | (65,632) | (62,363) |
| Shareholders' funds | 1,787,184 | 1,921,462 | 1,997,673 | 2,458,946 | 2,473,106 |

Net Debt to Equity Ratio

| | 2009 HK\$'M (Restated) | 2010 HK\$'M (Restated) | 2011 HK\$'M | 2012 HK\$'M | 2013 HK\$'M |
|------------------------------|------------------------------|------------------------------|--------------------|----------------|----------------------------|
| Cash and bank balances | 446.1 | 293.9 | 351.7 [@] | 836.8 | 1,011.5[^] |
| Bank borrowings | 757.2 | 711.8 | 154.4 [#] | 41.9 | 317.8 |
| Net debt to equity ratio (%) | 17.41 | 21.75 | N/A | N/A | N/A |

[@] Included restricted bank balance which was released as bank balances of the Group in April 2011

[#] Excluded bank borrowings related to investment property held for sale

[^] Included pledged bank balances

Note: The accounting policies were changed in 2011 due to the adoption of HKAS 12 (Amendment) and the prior years' figures have been restated to reflect these changes.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Chuang's China Investments Limited (the "Company") will be held at Chater Room, 2nd Floor, Mandarin Oriental, 5 Connaught Road, Central, Hong Kong on Thursday, 19th September, 2013 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the Directors and the auditor for the year ended 31st March, 2013.
2. To declare a final dividend.
3.
 - (a) To re-elect Mr. Wong Chung Wai as an executive Director.
 - (b) To re-elect Mr. Chong Ka Fung as an executive Director.
 - (c) To re-elect Mr. David Chu Yu Lin as an independent non-executive Director.
 - (d) To re-elect Mr. Andrew Fan Chun Wah as an independent non-executive Director.
 - (e) To authorise the board of Directors to fix the remuneration of the Directors.
4. To re-appoint PricewaterhouseCoopers as the auditor and to authorise the board of Directors to fix its remuneration.
5. To consider and, if thought fit, pass with or without amendments the following resolutions as ordinary resolutions:

Ordinary Resolutions

(A) **"THAT:**

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

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

- (c) for the purpose of this Resolution, “**Relevant Period**” means the period from the date of the passing of this Resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiry of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or the Companies Act 1981 of Bermuda or any other applicable law of Bermuda to be held; or
 - (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking, varying or renewing the authority given to the Directors of the Company by this Resolution.”

- (B) “**THAT:**
 - (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with unissued Shares in the capital of the Company and to make or grant offers, agreements, options and other rights, or issue warrants and other securities, which might require the exercise of such powers be and is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements, options and other rights, and issue warrants and other securities, which might require the exercise of such powers after the end of the Relevant Period;
 - (c) the aggregate nominal amount of share capital allotted or to be allotted or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to or in consequence of:
 - (i) a Rights Issue (as defined below); or
 - (ii) the exercise of any option under any option scheme of the Company; or
 - (iii) an issue of Shares upon exercise of the subscription or conversion rights attaching to or under the terms of any warrants of the Company; or
 - (iv) any scrip dividend or similar arrangement in accordance with the Bye-laws of the Company; or
 - (v) a specific authority granted by the shareholders of the Company in general meeting,shall not in aggregate exceed 20 per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of the passing of this Resolution, and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution:

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

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

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

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

6. To transact any other business.

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

Hong Kong, 24th July, 2013

Notes:

1. Any member entitled to attend and vote at the annual general meeting (“AGM”) is entitled to appoint one or more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a proxy form, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be deposited at the Company's principal office in Hong Kong at 25th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong, not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

3. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 16th September, 2013 to Thursday, 19th September, 2013, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Progressive Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 13th September, 2013.
4. The board of Directors has recommended a final scrip dividend (with a cash option) of 2.0 HK cents per share.
5. The proposed final dividend is subject to the approval of the shareholders at the AGM. The record date for entitlement to the proposed final dividend is Thursday, 3rd October, 2013. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 26th September, 2013 to Thursday, 3rd October, 2013, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Progressive Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 25th September, 2013.
6. Concerning Resolutions numbered 3 and 5 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 2013 Annual Report.

CHUANG'S CHINA
INVESTMENTS LIMITED

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

www.chuang-s-china.com