



Chuang's China Investments Limited
(莊士中國投資有限公司)

(incorporated in Bermuda with limited liability)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED
30TH SEPTEMBER, 2003

RESULTS

The directors of Chuang's China Investments Limited ("Company" and together with its subsidiaries, the "Group"), announce that the unaudited consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the six months ended 30th September, 2003 together with their comparative figures for the corresponding period in the previous year and the unaudited consolidated balance sheet as at 30th September, 2003 together with the audited comparative figures as at 31st March, 2003 were as follows:

Condensed Consolidated Income Statement

For the six months ended 30th September, 2003

		(Unaudited)	
		Six months ended	
		30th September,	
	Note	2003	2002
		HK\$'000	HK\$'000
Turnover	3	28,295	37,176
Cost of sales		<u>(16,054)</u>	<u>(19,671)</u>
Gross profit		12,241	17,505
Other income		3,844	3,349
Distribution costs		(297)	(96)
Administrative expenses		(17,405)	(15,040)
Other operating expenses		<u>(1,121)</u>	<u>(10,580)</u>
Loss from operations		(2,738)	(4,862)
Finance costs		(3,454)	(4,351)
Share of results of associates		<u>13,182</u>	<u>2,446</u>
Profit (Loss) from ordinary activities			
before taxation	4	6,990	(6,767)
Taxation	5	<u>(1,902)</u>	<u>(165)</u>
Profit (Loss) after taxation		5,088	(6,932)
Minority interests		67	67
Profit (Loss) attributable to shareholders		<u>5,155</u>	<u>(6,865)</u>
Transfer to statutory reserve		<u>3</u>	<u>6</u>
Earnings (Loss) per share			
Basic	6	<u>HK 0.50 cents</u>	<u>HK (0.67) cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Condensed Consolidated Balance Sheet

As at 30th September, 2003

		(Unaudited) 30th September, 2003	(Audited) 31st March, 2003
	Note	HK\$'000	HK\$'000 (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		412,400	412,400
Property, plant and equipment	7	41,108	43,606
Properties held for/under development		1,175,384	1,175,063
Interests in associates		113,105	57,553
Interests in investment securities		153,215	201,527
		<u>1,895,212</u>	<u>1,890,149</u>
Current assets			
Other investments		10,773	3,747
Inventories		3,564	3,216
Properties held for sale		22,693	23,231
Trade and other receivables	8	27,995	23,811
Bank balances and cash		183,274	208,785
		<u>248,299</u>	<u>262,790</u>
Current liabilities			
Trade and other payables	9	27,898	27,001
Current portion of interest-bearing borrowings	10	6,077	5,132
Provision for taxation		15,630	15,613
Other provisions	11	5,923	6,038
		<u>55,528</u>	<u>53,784</u>
Net current assets		<u>192,771</u>	<u>209,006</u>
Total assets less current liabilities		<u>2,087,983</u>	<u>2,099,155</u>
Non-current liabilities			
Long-term interest-bearing borrowings	10	239,000	245,011
Provision for deferred taxation		235,366	235,366
Other provisions	11	30,994	30,994
		<u>505,360</u>	<u>511,371</u>
Minority interests		<u>85,232</u>	<u>85,299</u>
NET ASSETS		<u>1,497,391</u>	<u>1,502,485</u>
CAPITAL AND RESERVES			
Issued capital	12	51,222	51,222
Reserves		1,446,169	1,451,263
		<u>1,497,391</u>	<u>1,502,485</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30th September, 2003

	(Unaudited)	
	Six months ended	
	30th September,	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Net cash used in operating activities	(10,609)	(4,904)
Net cash generated from (used in) investing activities	3,960	(21,967)
Net cash used in financing activities	(18,769)	(19,737)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(25,418)	(46,608)
Cash and cash equivalents at 1st April	183,832	218,337
	<hr/>	<hr/>
Cash and cash equivalents at 30th September	158,414	171,729
	<hr/> <hr/>	<hr/> <hr/>
Analysis of cash and cash equivalents		
Bank balances and cash	183,274	196,869
Bank deposits maturing more than three months from date of placement	(24,860)	(25,140)
	<hr/>	<hr/>
	158,414	171,729
	<hr/> <hr/>	<hr/> <hr/>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2003

	(Unaudited)	
	Six months ended	
	30th September,	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
At 1st April		
– as previously reported	1,722,881	1,799,934
– prior year adjustment in respect of provision for deferred tax liability	<u>(220,396)</u>	<u>(220,396)</u>
– as restated	1,502,485	1,579,538
Exchange differences on translation of the financial statements of foreign subsidiaries	(5)	(5)
Profit (Loss) attributable to shareholders	5,155	(6,865)
Dividend	<u>(10,244)</u>	<u>(10,244)</u>
At 30th September	<u><u>1,497,391</u></u>	<u><u>1,562,424</u></u>

Notes:

1. Basis of Preparation

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and Appendix 16 of the Rules Governing the Listing of Securities (“Listing Rules”) of The Stock Exchange of Hong Kong Limited (“the Stock Exchange”).

2. Principal Accounting Policies

The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the preparation of the audited financial statements for the year ended 31st March, 2003 except for the adoption of SSAP 12 (Revised) “Income Taxes”.

SSAP 12 (Revised) principally prescribes the accounting treatment and disclosure for deferred tax. In prior years, deferred tax is provided using the income statement liability method on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognized until its realisation is assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

This change in accounting policy has resulted in an increase in the Group’s deferred tax liability as at 1st April, 2002 by HK\$235,366,000. The consolidated accumulated losses, capital reserve on consolidation and minority interests as at 1st April, 2002 has been increased by HK\$190,706,000, decreased by HK\$29,690,000 and HK\$14,970,000 respectively.

3. Turnover and Segment Information

The Group is principally engaged in property investment and development, manufacturing and sales of watch components, securities investments and trading, and the provision of information technology services.

Analysis of the Group's turnover and segment results in respect of each activity and their geographical analysis are as follows:

a. By business segments

	Six months ended 30th September, 2003						Consolidated Total HK\$'000
	Property HK\$'000	Manufacturing HK\$'000	Information technology HK\$'000	Securities trading HK\$'000	Inter-segment elimination HK\$'000	Unallocated HK\$'000	
External sales	7,147	17,220	222	-	-	3,706	28,295
Inter-segment sales	24	-	-	-	(24)	-	-
Total revenue	<u>7,171</u>	<u>17,220</u>	<u>222</u>	<u>-</u>	<u>(24)</u>	<u>3,706</u>	<u>28,295</u>
Segment results:							
Profit (Loss) from operations	1,980	1,166	(274)	2,849	-	(8,459)	(2,738)
Finance costs							(3,454)
Share of results of associates		13,248	(66)				<u>13,182</u>
Profit from ordinary activities before taxation							6,990
Taxation							<u>(1,902)</u>
Profit after taxation							5,088
Minority interests							<u>67</u>
Profit attributable to shareholders							<u><u>5,155</u></u>

Six months ended 30th September, 2002

	Property HK\$'000	Manufacturing HK\$'000	Information technology HK\$'000	Securities trading HK\$'000	Inter-segment elimination HK\$'000	Unallocated HK\$'000	Consolidated Total HK\$'000
External sales	8,907	22,679	351	-	-	5,239	37,176
Inter-segment sales	24	-	-	-	(24)	-	-
Total revenue	<u>8,931</u>	<u>22,679</u>	<u>351</u>	<u>-</u>	<u>(24)</u>	<u>5,239</u>	<u>37,176</u>
Segment results:							
(Loss) Profit from operations	(780)	3,418	106	(271)	-	(7,335)	(4,862)
Finance costs							(4,351)
Share of results of associates		2,570	(124)				<u>2,446</u>
Loss from ordinary activities before taxation							(6,767)
Taxation							<u>(165)</u>
Loss after taxation							(6,932)
Minority interests							<u>67</u>
Loss attributable to shareholders							<u>(6,865)</u>

b. *By geographical location of its customers*

	Turnover Six months ended 30th September,		Segment results Six months ended 30th September,	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	25,395	33,161	(1,817)	(5,624)
The People's Republic of China ("the PRC")	1,405	2,369	(1,185)	357
Others	1,495	1,646	264	405
	<u>28,295</u>	<u>37,176</u>	<u>(2,738)</u>	<u>(4,862)</u>

4. Profit (Loss) from ordinary activities before taxation

	Six months ended 30th September,	
	2003	2002
	HK\$'000	HK\$'000
This is stated after charging (crediting) the following:		
Included in other operating expenses:		
– Provision for rental guarantee	–	1,617
– Provision for construction costs undertaking	–	3,000
– Loss on written off of property, plant and equipment	–	1,665
Depreciation	4,632	1,515
Staff costs, including directors' emoluments:		
– Wages and salaries	7,093	8,088
– Contribution to retirement schemes	374	384
Amortisation of negative goodwill	(1,687)	(285)
Dividend income from unlisted preference shares	(2,106)	(3,035)
Net unrealised holding (gain) loss on other investments	(2,849)	271

5. Taxation

No provision for Hong Kong Profits Tax has been made in the interim financial statements as the Company and its subsidiaries either have no assessable profit for the period or have unutilized tax losses to set off against current period's assessable profits. Overseas taxation has been provided on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30th September,	
	2003	2002
	HK\$'000	HK\$'000
The charge comprises:		
The PRC income tax	17	–
Share of associates' taxation	1,885	165
	1,902	165

6. Earnings (Loss) per share

The calculation of the basic earnings (loss) per share was based on the consolidated profit attributable to shareholders of HK\$5,155,000 (2002: loss of HK\$6,865,000) and on the weighted average number of 1,024,439,690 (2002: 1,024,439,690) ordinary shares.

Diluted earnings (loss) per share for both periods have not been presented because there were no potential dilutive shares in issue at the balance sheet date.

7. Movements in property, plant and equipment

During the six months ended 30th September, 2003, the Group acquired property, plant and equipment amounting to approximately HK\$2,156,000 (30th September, 2002: HK\$14,026,000).

8. Trade and other receivables

The Group's credit terms on credit sales mainly ranging from 30 days to 90 days.

Included in trade and other receivables are trade debtors of HK\$19,444,000 (31st March, 2003: HK\$15,534,000) and its ageing analysis is as follows:

	30th September, 2003	31st March, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	3,909	3,580
31 – 60 days	2,403	1,175
61 – 90 days	2,651	1,375
Over 90 days	10,481	9,404
	<u>19,444</u>	<u>15,534</u>

9. Trade and other payables

Included in trade and other payables are trade payables of HK\$4,552,000 (31st March, 2003: HK\$2,422,000) and its ageing analysis is as follows:

	30th September, 2003	31st March, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	4,042	1,690
31 – 60 days	27	549
61 – 90 days	302	126
Over 90 days	181	57
	<u>4,552</u>	<u>2,422</u>

10. Interest-bearing borrowings

	30th September, 2003	31st March, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loan, secured	245,000	250,000
Obligation under finance lease	77	143
	<u>245,077</u>	<u>250,143</u>
Current portion	6,077	5,132
Non-current portion	239,000	245,011
	<u>245,077</u>	<u>250,143</u>

The maturity of the bank loan is as follows:

	30th September, 2003	31st March, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	6,000	5,000
After one year but within two years	6,000	6,000
After two years but within five years	233,000	239,000
After five years	–	–
	<u>245,000</u>	<u>250,000</u>

The obligation under finance lease is repayable as follows:

	Minimum lease payments		Present value of minimum lease payments	
	30th September, 2003	31st March, 2003	30th September, 2003	31st March, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	92	158	77	132
After one year but within two years	–	13	–	11
After two years but within five years	–	–	–	–
	<u>92</u>	<u>171</u>	<u>77</u>	<u>143</u>
Future finance charges	(15)	(28)	–	–
Present value of lease obligation	<u>77</u>	<u>143</u>	<u>77</u>	<u>143</u>

11. Other provisions

	30th September, 2003	31st March, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the period/year	37,032	54,244
Provided during the period/year	–	12,358
Reversal of overprovision	(115)	–
Amount utilized	–	(29,570)
	<u>–</u>	<u>–</u>
At the end of the period/year	<u>36,917</u>	<u>37,032</u>
Analysis of total provisions		
Non-current	30,994	30,994
Current	<u>5,923</u>	<u>6,038</u>
	<u>36,917</u>	<u>37,032</u>

The provisions represent the Group's undertakings in respect of rental guarantee, construction costs and PRC tax liability in relation to properties and property based investments sold in December 2001.

12. Issued capital

	Shares of HK\$0.05 each	
	No. of shares	<i>HK\$'000</i>
<i>Authorised</i>		
At 1st April, 2003 and at 30th September, 2003	<u>18,000,000,000</u>	<u>900,000</u>
<i>Issued and fully paid</i>		
At 1st April, 2003 and at 30th September, 2003	<u>1,024,439,690</u>	<u>51,222</u>

13. Contingent liabilities

At 30th September, 2003, guarantees amounting to HK\$2.7 million (31st March, 2003: HK\$3.1 million) were given by a subsidiary to a bank for mortgage loans made by the bank to the purchasers of properties sold by the subsidiary.

14. Commitments

(a) Capital expenditure commitments

At 30th September, 2003, the Group had capital expenditure commitments contracted but not provided for (net of deposits paid) amounting to HK\$2,630,000 (31st March, 2003: HK\$4,676,000).

(b) Commitments under operating leases

At 30th September, 2003, the Group had outstanding commitments in respect of land and building under non-cancellable operating leases, which are payable as follows:

	30th September, 2003	31st March, 2003
	HK\$'000	HK\$'000
Within one year	1,692	1,785
In the second to fifth years inclusive	1,318	2,168
	<u>3,010</u>	<u>3,953</u>

15. Pledge of assets

The Group has pledged the shares and assets of one of its subsidiaries, including an investment property, to secure general banking facilities granted to that subsidiary.

INTERIM DIVIDEND

The directors do not declare an interim dividend for the six months ended 30th September, 2003 (2002: HK\$Nil).

MANAGEMENT DISCUSSIONS ON RESULTS

For the six months ended 30th September, 2003, turnover decreased by 23.9% to HK\$28.3 million (2002: HK\$37.2 million) as a result of the decrease in turnover of the property division by 19.1% to HK\$7.2 million (2002: HK\$8.9 million) and of the manufacturing division by 24.2% to HK\$17.2 million (2002: HK\$22.7 million).

Gross profit for the six months decreased by 30.3% to HK\$12.2 million (2002: HK\$17.5 million) in view of the decrease in turnover. However, loss from operations narrowed to HK\$2.7 million (2002: HK\$4.9 million) as a result of reduction in other operating expenses substantially by HK\$9.5 million when compared with the last corresponding period. In view of the low interest rates prevailing during the period, savings in finance costs by 20.6% were recorded. Share of profits of associated companies also increased 4.5 times to HK\$13.2 million (2002: HK\$2.4 million). Taking into account these factors, the Group recorded a profit attributable to shareholders of HK\$5.2 million, which represented a turnaround of the loss of HK\$6.9 million recorded during the last corresponding period.

REVIEW OF OPERATIONS

1. Property Division

(a) The PRC

The Group's land bank is principally located in Guangzhou, Dongguan and Huizhou, the Guangdong Province.

Supported by the immense infrastructural and economic developments, the Group has implemented Phase II development of Chuang's New City in Dongguan. Upon completion, Phase II of the development, surrounded by sumptuous landscaped area, will comprise a complex of 374 residential units with an aggregate gross floor area of 610,000 sq.ft., 374 carparking spaces, and an amenity clubhouse with a gross floor area of 65,000 sq.ft. and a swimming pool. Under this Phase II, the Group will also construct a 4-storey complex building with a gross floor area of about 43,000 sq.ft., which will be the Group's headquarter in the Pearl River Delta and the marketing office for the property development project in Dongguan. During the period under review, site formation and foundation works for these development projects are progressing satisfactorily.

(b) *Hong Kong*

Chuang's Tower, located at the heart of Central, has a total area of 60,587 sq.ft. of commercial and office spaces. During the period, the property leasing market in Hong Kong remained soft. Rental income from Chuang's Tower during the period amounted to HK\$6.4 million, which represented a steady source of income to the Group.

2. Manufacturing Division

(a) *Midas International Holdings Limited ("Midas")*

In early 2000, the Group became the single largest shareholder of Midas after it acquired a 25.3% interest in Midas. On 4th July, 2003, the Group further increased its equity interests in Midas to 42.7%.

Midas is a company listed on the Stock Exchange, and its subsidiaries are engaged in book printing, paper products printing and property investment. For the six months ended 30th June, 2003, Midas recorded a turnover of HK\$274.6 million, representing an increase of 33.6% as compared with the last corresponding period. Profit attributable to shareholders increased to about HK\$20.3 million, representing an increase of 66.4% as compared with the last corresponding period.

(b) *Yuen Sang Hardware Company (1988) Limited ("Yuen Sang")*

During the period under review, the results of Yuen Sang were affected by the outbreak of SARS which further accelerated the severe pricing pressure in the industry. Its turnover fell by about 24.2% to HK\$17.2 million and its profit contribution decreased by 65.9% to HK\$1.2 million. Facing the ever-intense competition within industries, Yuen Sang will continue with its efforts to develop new product mix and new market segments to enhance competitiveness.

NET ASSET VALUE

As at 30th September, 2003, net assets of the Group amounted to HK\$1,497.4 million, equivalent to approximately HK\$1.46 per share.

FINANCING

As at 30th September, 2003, the Group's bank balances, cash and other investments amounted to HK\$194.0 million. Bank and other borrowings of the Group as at the same date amounted to HK\$245.1 million. The debt to equity ratio of the Group (expressed as a percentage of bank and other borrowings net of bank balances, cash and other investments over total net assets of the Group) as at 30th September, 2003 was approximately 3.4%. Furthermore, the Group holds nominal value of HK\$148.5 million preference shares of Midas that are redeemable by Midas in cash at any time up to 14th December, 2006. The preference shares carry an annual preferred dividend rate of 2.5% on a cumulative basis. The redemption of these preference shares will provide additional working capital to the Group.

About 85.6% of the Group's bank balances, cash and other investments were in Hong Kong dollar or United States dollar with the balance of 14.4% in Renminbi. Risk in exchange rate fluctuation would not be material.

All of the Group's bank and other borrowings were in Hong Kong dollar. About 2.5% of the Group's bank and other borrowings were repayable within one year, 2.4% repayable in the second year and the balance of 95.1% repayable in the third to fifth year.

PROSPECTS

Following PRC's entry to the WTO and the implementation of the Closer Economic Partnership Arrangement between Hong Kong and the PRC, the local operating environment would be enlightened and will give rise to more business opportunities. On top of this, the measures to reposition Hong Kong and Guangdong mark a new era of economic cooperation across the border. Such quickening pace of economic cooperation and integration with the Pearl River Delta should further boost Hong Kong's growth prospects. The Group is optimistic about the long term prosperity of Hong Kong and Pearl River Delta region.

The economy of the PRC continues to grow on the basis of strong domestic demand, higher exports and more foreign capital inflows. The robust economic boom further boosts the mass residential property market in the PRC and will underpin the demand for quality housing. With the portfolio of about 40 million sq.ft. of development area in various cities in the Pearl River Delta region at relatively low cost of about HK\$29 per sq.ft., the Group, which produces quality low-cost housing in the PRC, is well placed to benefit from the flourishing property market in the PRC in coming years.

The PRC has become the world's manufacturers' hub given its competitive advantages and abundant labour supply. In addition, the PRC's domestic consumption for manufactured goods represented a huge and prominent market that has yet to be widely developed. In addition to our existing manufacturing businesses, the Group is actively identifying and developing new investment projects in the manufacturing sectors with operation base in the PRC.

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

As at 30th September, 2003, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which had 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 Companies, to be notified to the Company and the Stock Exchange were as follows:–

Name of director	Interests in the Company		
	Number of shares	Capacity	Approximate % of shareholding
Dr. Hwang Jen	523,923	Beneficial owner	0.05
Mr. Chan Sheung Chiu	4,000,000	Beneficial owner	0.39
Mr. Lee Sai Wai	1,600,000	Beneficial owner	0.16
Mr. Sunny Pang Chun Kit	500,000	Beneficial owner	0.05

Name of director	Interests in Chuang’s Consortium International Limited (“CCIL”)		
	Number of shares	Capacity	Approximate % of shareholding
Mr. Chan Sheung Chiu	163,055,848	<i>Note 1</i>	12.28
Mr. Lee Sai Wai	163,055,848	<i>Note 2</i>	12.28

Note 1: Interests in 162,332,624 shares in CCIL arose by attribution through his spouse who is a discretionary object of a discretionary trust which owned such shares. The remaining interests in 723,224 shares in CCIL is beneficially owned by the director.

Note 2: Interests in 162,332,624 shares in CCIL arose by attribution through his spouse who is a discretionary object and the trustee of a discretionary trust which owned such shares. The remaining interests in 723,224 shares in CCIL is beneficially owned by the director.

During the period under review, none of the directors of the Company nor their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any securities of the Company or any of its associated corporations.

Other than as disclosed herein, as at 30th September, 2003, none of the directors and chief executive of the Company had any interests or short position 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 for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

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 30th September, 2003, 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	Approximate % of shareholding
CCIL	615,695,645	<i>Note</i>	60.10
Profit Stability Investments Limited	608,077,645	Beneficial owner	59.36

Note: Such interests arose through the ownership of 608,077,645 shares by Profit Stability Investments Limited, a wholly-owned subsidiary of CCIL, and 7,618,000 shares by an indirect wholly-owned subsidiary of CCIL.

Save as disclosed above, as at 30th September, 2003, there was no other person who was recorded in the register of the Company as having interests or 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.

SHARE OPTION SCHEME

On 26th August, 2002, a share option scheme (“Share Option Scheme”) was adopted by the Company. The purpose of the Share Option Scheme is to recognize the contribution of the eligible persons as defined in the scheme including, inter alia, any employees, directors of the Company and its subsidiaries (the “Eligible Persons”), to the growth of the Group and to further motivate the Eligible Persons to continue to contribute to the Group’s long term prosperity. No options have been granted under the Share Option Scheme since its adoption.

STAFF

As at 30th September, 2003, the Group employed 143 staff. In addition, the subcontracting factories of the Group have 961 workers. The Group provides its staff with other benefits including discretionary bonus, contributory provident fund, share options and medical insurance. Staff training is also provided as and when required.

DEALING IN THE COMPANY'S SECURITIES

During the period under review and up to the date of this report, the Company or any of its subsidiaries have not purchased, sold or redeemed any of the Company's securities.

CORPORATE GOVERNANCE

During the six months ended 30th September, 2003, none of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules on the Stock Exchange except that the non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Bye-laws of the Company.

An audit committee has been established by the Company to review and supervise the Company's financial reporting process and internal controls. The current members of the audit committee are the two independent non-executive directors, Dr. Hwang Jen and Mr. David Chu Yu Lin.

The Group's auditors have carried out a review on the unaudited interim financial statements for the six months ended 30th September, 2003 in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants.

By Order of the Board of
Chuang's China Investments Limited
Ann Li
Managing Director

Hong Kong, 3rd December, 2003