



Chuang's Consortium International Limited
(莊士機構國際有限公司)

(incorporated in Bermuda with limited liability)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED
30TH SEPTEMBER, 2004

RESULTS

The Board of Directors of Chuang's Consortium International Limited (the "Company") presents the interim report including the accounts of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2004. The consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity for the six months ended 30th September, 2004 and the consolidated balance sheet as at 30th September, 2004 along with the notes thereon, are set out on pages 1 to 12 of this report.

Consolidated Profit and Loss Account

For the six months ended 30th September, 2004

	Note	Unaudited	
		2004 HK\$'000	2003 HK\$'000
Turnover	2	179,360	155,308
Cost of sales		(124,123)	(106,904)
Gross profit		55,237	48,404
Other revenues		15,601	14,576
Distribution expenses		(3,532)	(3,612)
Administrative expenses		(41,467)	(40,103)
Other operating expenses		(917)	(3,669)
Write back of provision for properties held for sale		10,000	–
Operating profit	3	34,922	15,596
Finance costs		(10,702)	(16,110)
Share of results of associated companies	4	18,555	13,163
Profit before taxation		42,775	12,649
Taxation	5	(1,592)	(2,738)
Profit after taxation		41,183	9,911
Minority interests		(2,265)	(2,117)
Profit attributable to shareholders		38,918	7,794
Transfer to statutory reserve		–	(2)
Interim dividend		7,390	–
		HK cents	HK cent
Earnings per share	6	2.63	0.59

Consolidated Balance Sheet

As at 30th September, 2004

		Unaudited 30th September, 2004	Audited 31st March, 2004
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Fixed assets	7	2,571,966	2,579,253
Properties held for/under development		1,199,136	1,185,213
Associated companies		164,240	154,584
Investment securities		100,996	151,849
Loans receivable		9,888	12,494
		<u>4,046,226</u>	<u>4,083,393</u>
Current assets			
Properties held for sale		252,137	252,890
Inventories		24,878	22,257
Debtors and prepayments	8	76,374	54,601
Tax recoverable		890	886
Other investments		53,390	50,265
Cash and bank balances		509,345	525,606
		<u>917,014</u>	<u>906,505</u>
Current liabilities			
Creditors and accruals	9	91,522	95,867
Current portion of long-term borrowings	10	202,304	80,293
Taxation		15,957	16,642
		<u>309,783</u>	<u>192,802</u>
Net current assets		<u>607,231</u>	<u>713,703</u>
		<u>4,653,457</u>	<u>4,797,096</u>

Consolidated Balance Sheet (Continued)*As at 30th September, 2004*

		Unaudited	Audited
		30th September,	31st March,
		2004	2004
	<i>Note</i>	HK\$'000	HK\$'000
Capital employed			
Share capital	<i>11</i>	369,502	369,502
Reserves		2,412,317	2,395,772
Proposed interim dividend		7,390	–
Shareholders' funds		2,789,209	2,765,274
Minority interests		711,730	700,666
Long-term borrowings	<i>10</i>	873,068	1,051,126
Other non-current liabilities		279,450	280,030
		4,653,457	4,797,096

Consolidated Cash Flow Statement

For the six months ended 30th September, 2004

	Unaudited	
	2004	2003
	HK\$'000	HK\$'000
Net cash from/(used in)		
operating activities	9,865	(15,091)
Net cash from investing activities	48,830	8,407
Net cash used in financing activities	(75,190)	(45,459)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(16,495)	(52,143)
Cash and cash equivalents at the beginning of the period	500,746	530,275
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	484,251	478,132
	<hr/>	<hr/>
Analysis of cash and cash equivalents		
Cash and bank balances	509,345	502,992
Bank deposits maturing more than three months from date of placement	(25,094)	(24,860)
	<hr/>	<hr/>
	484,251	478,132
	<hr/>	<hr/>

Consolidated Statement of Changes in Equity

For the six months ended 30th September, 2004

	Unaudited	
	2004	2003
	HK\$'000	HK\$'000
Equity at the beginning of the period	2,765,274	2,594,406
Net (loss)/gain not recognised in profit and loss account		
– Changes in exchange rates	(203)	690
Profit attributable to shareholders	38,918	7,794
Dividend	(14,780)	–
Equity at the end of the period	<u>2,789,209</u>	<u>2,602,890</u>

Notes:

1. Principal accounting policies

The accounts have been prepared under the historical cost convention, as modified by the revaluation of investment properties and certain investments, and in conformity with Hong Kong Financial Reporting Standards. The accounting policies adopted for the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31st March, 2004.

2. Turnover and segment information

The Group is principally engaged in property investment and development, manufacture and sale of watch components, bonded polyester fabrics and home finishing products, securities investments and trading and the provision of information technology services.

Analysis of the turnover and the profit before taxation by business segments and geographical segments is as follows:

(a) Business segments

	Property investment and development <i>HK\$'000</i>	Sales of goods and services <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Information technology <i>HK\$'000</i>	Corporate and elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30th September, 2004						
Turnover	82,839	42,168	54,390	63	(100)	179,360
Other revenues	<u>2,516</u>	<u>706</u>	<u>3,164</u>	<u>-</u>	<u>9,215</u>	<u>15,601</u>
Segment results	<u>49,648</u>	<u>(1,131)</u>	<u>6,068</u>	<u>(381)</u>	<u>(19,282)</u>	34,922
Finance costs						(10,702)
Share of results of associated companies	(17)	18,783	-	(211)	-	<u>18,555</u>
Profit before taxation						<u>42,775</u>

	Property investment and development <i>HK\$'000</i>	Sales of goods and services <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Information technology <i>HK\$'000</i>	Corporate and elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30th September, 2003						
Turnover	97,790	42,181	15,207	222	(92)	155,308
Other revenues	<u>2,138</u>	<u>577</u>	<u>6,420</u>	<u>-</u>	<u>5,441</u>	<u>14,576</u>
Segment results	<u>32,268</u>	<u>1,873</u>	<u>7,948</u>	<u>(282)</u>	<u>(26,211)</u>	15,596
Finance costs						(16,110)
Share of results of associated companies	(18)	13,247	-	(66)	-	<u>13,163</u>
Profit before taxation						<u>12,649</u>

(b) *Geographical segments*

	Turnover <i>HK\$'000</i>	Operating profit/(loss) <i>HK\$'000</i>
Six months ended 30th September, 2004		
Hong Kong	150,579	35,396
Mainland	326	(1,577)
Other countries	28,455	1,103
	<u>179,360</u>	<u>34,922</u>
Six months ended 30th September, 2003		
Hong Kong	122,448	14,538
Mainland	808	(1,185)
Other countries	<u>32,052</u>	<u>2,243</u>
	<u>155,308</u>	<u>15,596</u>

3. Operating profit

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit is stated after crediting and charging the following:		
Crediting		
Dividend income		
– Listed investments	1,165	313
– Unlisted investments	1,228	2,106
Net realised and unrealised gain on other investments	4,984	7,760
	<hr/>	<hr/>
Charging		
Loss on disposal of fixed assets	69	6
Cost of properties and inventories sold	61,054	81,083
Depreciation	7,700	6,757
	<hr/>	<hr/>

4. Share of results of associated companies

The Group's share of results of associated companies for the six months ended 30th September, 2004 includes the amortisation of negative goodwill in respect of an associated company amounting to HK\$2,863,000 (2003: HK\$1,687,000).

5. Taxation

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Company and subsidiaries		
Current (overseas)	11	849
Deferred	(236)	–
Associated companies		
Current (Hong Kong)	1,817	1,889
	<hr/>	<hr/>
	1,592	2,738
	<hr/>	<hr/>

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the companies operate.

6. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$38,918,000 (2003: HK\$7,794,000) and 1,478,006,155 (2003: 1,328,006,155) shares in issue during the period.

7. Fixed assets

During the six months ended 30th September, 2004, the Group acquired fixed assets of approximately HK\$888,000.

8. Debtors and prepayments

Rental and management fee are receivable in advance. Credit terms of the Group's sales of goods mainly ranged from 30 days to 90 days.

The aging analysis of the Group's trade debtors is as follows:

	30th September, 2004	31st March, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Below 30 days	9,676	8,313
31 to 60 days	4,458	6,541
61 to 90 days	1,918	3,103
Over 90 days	10,339	13,719
	<hr/> 26,391 <hr/>	<hr/> 31,676 <hr/>

9. Creditors and accruals

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

	30th September, 2004	31st March, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Below 30 days	3,695	15,761
31 to 60 days	2,121	1,521
Over 60 days	19,057	9,390
	<hr/> 24,873 <hr/>	<hr/> 26,672 <hr/>

10. Long-term borrowings

	30th September, 2004 HK\$'000	31st March, 2004 HK\$'000
Secured bank loans		
Wholly repayable within five years	924,009	975,911
Not wholly repayable within five years	142,551	146,617
	1,066,560	1,122,528
Other secured loan wholly repayable within five years	8,597	8,597
Obligations under finance lease wholly payable within five years	215	294
	1,075,372	1,131,419
Current portion included in current liabilities	(202,304)	(80,293)
	873,068	1,051,126

The loans are secured by certain investment properties, land and buildings and properties held for sale, of which HK\$935,856,000 (31st March, 2004: HK\$971,557,000) are also secured by the assignment of rental income. The other loan is also secured by a guarantee from the minority shareholder of a subsidiary amounting to HK\$2,579,000 (31st March, 2004: HK\$2,579,000). The bank and other loans are repayable in the following periods:

	Bank loans		Other loan	
	30th September, 2004 HK\$'000	31st March, 2004 HK\$'000	30th September, 2004 HK\$'000	31st March, 2004 HK\$'000
Within one year	193,537	71,534	8,597	8,597
Second year	463,663	206,477	-	-
Third to fifth year	324,873	752,360	-	-
After the fifth year	84,487	92,157	-	-
	1,066,560	1,122,528	8,597	8,597

The Group's finance lease obligations are payable in the following periods:

	Minimum payments		Present value	
	30th September, 2004 HK\$'000	31st March, 2004 HK\$'000	30th September, 2004 HK\$'000	31st March, 2004 HK\$'000
Within one year	181	181	170	162
Second year	45	136	45	132
	<u>226</u>	317	<u>215</u>	294
Future finance charges	(11)	(23)	-	-
	<u>215</u>	<u>294</u>	<u>215</u>	<u>294</u>

11. Share capital

	30th September, 2004 HK\$'000	31st March, 2004 HK\$'000
<i>Authorised</i>		
2,500,000,000 shares of HK\$0.25 each	<u>625,000</u>	<u>625,000</u>
<i>Issued and fully paid</i>		
1,478,006,155 shares of HK\$0.25 each	<u>369,502</u>	<u>369,502</u>

12. Contingent liabilities

	30th September, 2004 HK\$'000	31st March, 2004 HK\$'000
Guarantees for mortgage bank loans to purchasers of properties of the Group	<u>3,943</u>	<u>2,396</u>

In May 1999, a wholly owned subsidiary disposed of an investment property to a subsidiary, Chuang's China Investments Limited ("Chuang's China"). The Company continues to provide a guarantee for the mortgage bank loan of the investment property amounting to HK\$239,000,000 (31st March, 2004: HK\$245,000,000) after the disposal. In return, Chuang's China has provided a counter-indemnity to the Company against all losses and liabilities which the Company may incur under the guarantee.

13. Capital commitments

	30th September, 2004 HK\$'000	31st March, 2004 HK\$'000
Contracted but not provided for		
Property development expenditure	43,247	4,133
Authorised but not contracted for	<u>—</u>	<u>—</u>
	<u>43,247</u>	<u>4,133</u>

14. Operating lease rental payable

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

	30th September, 2004 HK\$'000	31st March, 2004 HK\$'000
Within one year	4,482	5,541
Two to five years	10,132	11,891
	<u>14,614</u>	<u>17,432</u>

INTERIM DIVIDEND

The Directors have declared an interim dividend of 0.5 HK cent (2003: Nil) per share payable on or before 17th January, 2005 to shareholders whose names appear on the Company's register of members on 5th January, 2005.

MANAGEMENT DISCUSSIONS ON RESULTS

For the six months ended 30th September, 2004, turnover of the Group amounted to HK\$179.4 million (2003: HK\$155.3 million), representing an increase of 15.5% when compared with that of last corresponding period. Turnover from property investment and development activities amounted to HK\$82.8 million (2003: HK\$97.8 million), representing a decrease of 15.3% from that of last corresponding period. The decrease in turnover was mainly attributable to a decrease in sales of properties by about HK\$14.4 million during the period. Manufacturing and trading businesses recorded a turnover of about HK\$42.2 million (2003: HK\$42.2 million). Turnover from securities trading activities increased significantly to HK\$54.4 million (2003: HK\$15.2 million) as the Group has increased its securities investment activities due to improved market sentiment during the period.

Gross profit increased by 14.0% to HK\$55.2 million (2003: HK\$48.4 million), which was principally attributable to an increase in profit from sales of properties. Operating profit increased by 1.2 times to HK\$34.9 million (2003: HK\$15.6 million) as a result of the increase in gross profit, a reduction in other operating expenses and the write back of provision for properties held for sale of HK\$10.0 million. Due to the low interest rates prevailing during the period and a decrease in borrowings, savings of HK\$5.4 million in finance costs were recorded. Share of profits of associated companies also increased by 41.0% to HK\$18.6 million (2003: HK\$13.2 million). As a result, profit attributable to shareholders increased by 4.0 times to HK\$38.9 million (2003: HK\$7.8 million).

REVIEW OF OPERATIONS

1. CHUANG'S PROPERTIES LIMITED

(a) *Investment Properties*

The Group owns a high-quality portfolio of commercial, office and residential investment properties, which generate strong recurrent income streams to the Group. The Group's major investment properties comprise the followings:

- (i) Chuang's London Plaza, Tsim Sha Tsui – total area of 113,233 sq.ft. of shopping and entertainment complex;
- (ii) Chuang's Hung Hom Plaza, Hunghom – total area of 173,092 sq.ft. of commercial, office and car parking spaces;
- (iii) Chuang's City Tower, Wanchai – total area of 56,000 sq.ft. of commercial and office spaces;
- (iv) Chuang's Enterprises Building, Wanchai – total area of 27,000 sq.ft. of office space;
- (v) Park Villa, Deep Water Bay – total area of 17,300 sq.ft. of residential space;
- (vi) Chuang's Tower, Central – total area of 60,587 sq.ft. of commercial and office spaces (owned by Chuang's China Investments Limited); and
- (vii) Central Plaza, Kuala Lumpur, Malaysia – total area of 380,000 sq.ft. of commercial, office and car parking spaces.

Rental and other income from investment properties of the Group during the period amounted to approximately HK\$48.7 million.

In October 2004, the Group entered into an agreement to dispose of a residential unit together with car parking spaces at Manhattan Towers, No. 63 Repulse Bay Road for a consideration of HK\$33.0 million, the completion of which is expected to take place in January 2005. Profit derived therefrom will be recorded in the second half of this financial year.

(b) Properties Held for Development/for Sale

On the property development front, the development projects have been proceeding as scheduled and the Group has successfully taken steps to replenish its land bank. Proceeds from property sales during the period amounted to HK\$34.1 million.

(i) Reading Place, No. 5 St. Stephen's Lane, Mid-level, Hong Kong

The property has been developed into a 28-storey residential building with a total area of approximately 57,300 sq.ft. (comprising 73 residential units with club-house facilities). The occupation permit was issued on 27th November, 2003. Marketing of the project has commenced during the period.

(ii) Nos. 6D & 6E Babington Path, Mid-level, Hong Kong

Subsequent to 30th September, 2004, the Group has entered into an agreement to acquire the property, completion of which will take place at the end of December 2004. It is currently intended that the property will be redeveloped into a high-class residential building with a total area of approximately 52,000 sq.ft.

(iii) No. 1 Tai Yau Street, San Po Kong, Kowloon

Piling works for the project, with a site area of 15,400 sq.ft., have been completed. The development potential of the project is currently being reviewed. The Group holds a 30% interest in the project. Henderson Land Development Company Limited, which owns the remaining 70% interest in the project, acts as the project manager of the development.

2. CHUANG'S INDUSTRIAL (HOLDINGS) LIMITED

Sintex Nylon and Cotton Products (Pte) Limited (“Sintex”)

Sintex, a 88% owned subsidiary of the Group, is a leading manufacturer of home finishing products in Singapore. Its performance during the period continued to be affected by the weak consumer spending in Singapore resulting in turnover being reduced by 13.9% when compared to last corresponding period and Sintex incurring a slight loss for the first half of the financial year. In order to improve sales and further strengthen its retail operations, Sintex plans to open more retail shops under its brand name “Homestyle”.

3. CHUANG'S CHINA INVESTMENTS LIMITED (“Chuang's China”)

Chuang's China, a 60% owned subsidiary of the Group, is listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), and its subsidiaries (together the “Chuang's China Group”) are principally engaged in property development and investment in the People's Republic of China (the “PRC”) and manufacturing business. Profit attributable to shareholders for the six months ended 30th September, 2004 amounted to HK\$6.2 million.

(a) Property Division

(i) Changsha, Hunan

During the period under review, the Chuang's China Group acquired an effective 54% interests in a company which owns the development rights of a site with an area of about 10.8 million sq. ft. located in Changsha, the Hunan Province.

Changsha is the capital city of the Hunan Province, and has a population of about 6 million. Changsha accounted for about 20% of the GDP of the Hunan Province, and plays a significant role in driving the economic growth of the Hunan Province.

The site is located in Changsha County and is about 4 kilometres from the new offices of the provincial government of the Hunan Province. Development of the entire site will be carried out in stages. Initially, land cost for a site area of about 1 million sq. ft. has been paid, and the relevant land use right has been obtained. The Chuang's China Group is commencing on the master planning of the scope of development.

(ii) Chuang's New City, Shatian, Dongguan, Guangdong

(1) Chuang's Administration Office

The Chuang's China Group is constructing a 4-storey complex building in Dongguan, having a gross floor area of about 46,000 sq. ft., which will be the Chuang's China Group's headquarter in the Pearl River Delta and the marketing office for the property development in Dongguan. Interior finishing works for the complex building are in progress and are expected to complete in around early 2005.

(2) Gold Coast

During the period, the Chuang's China Group is making satisfactory progress with Gold Coast, the Phase II development of Chuang's New City in Dongguan, which will comprise a complex of 374 residential units with an aggregate gross floor area of 610,000 sq. ft., and 374 car parking spaces, with amenity club-house with a gross floor area of 65,000 sq. ft. and a swimming pool. Superstructure works of Gold Coast are progressing satisfactorily. Marketing of Gold Coast is expected to commence in the first quarter of 2005.

(3) Phase III

Phase III of the development of Chuang's New City in Dongguan is in the planning stage.

(b) *Manufacturing Division*

(i) Midas International Holdings Limited (“Midas”)

Midas, which is owned as to 44.3% by the Chuang’s China Group, is listed on the Stock Exchange, and its subsidiaries are engaged in books printing, paper products printing and property investment. For the six months ended 30th June, 2004, Midas recorded a turnover of HK\$307.7 million, representing an increase of 12.1% as compared with the last corresponding period. Profit attributable to shareholders increased to about HK\$22.2 million, representing an increase of 9.5% as compared with the last corresponding period.

On 28th October, 2004, a wholly owned subsidiary of Midas entered into a conditional agreement with its joint venture partner in the PRC in relation to the disposal of its 51% interests in Chengdu Chuang’s Centre Development Company Limited which holds the 7-storey commercial podium and basements of Chengdu Chuang’s Centre. Pursuant to the disposal, Midas will receive RMB100 million in cash and will hold the entire 6th floor of Chengdu Chuang’s Centre for investment purpose. The disposal by Midas will give rise to an estimated gain of approximately HK\$8.2 million. The disposal was approved by the shareholders of Midas at an extraordinary general meeting held on 9th December, 2004.

(ii) Yuen Sang Hardware Company (1988) Limited (“Yuen Sang”)

During the period under review, the turnover of Yuen Sang increased by about 15.9%. In view of the soar in commodity prices during the period under review, the margin of Yuen Sang was severely affected and resulted in a slight loss for the first half of the financial year. In light of this unstable operating environment, Yuen Sang continues to lower its operating expenses, and develop new product mix and new market segments.

(iii) CNT Group Limited (“CNT”)

CNT, which is owned as to 12.8% by the Chuang’s China Group, is listed on the Stock Exchange, and its subsidiaries are principally engaged in the manufacture and sale of paint products under its own brand names “Flower”, “Giraffe”, “Toy Brand” and “Denis” etc., focusing on the Hong Kong and PRC market. The Group considers that the petrochemical business has tremendous long-term prospects, in particular, the potential of the PRC market. The Chuang’s China Group intends to hold its interests in CNT as a long-term strategic investment.

NET ASSET VALUE

As at 30th September, 2004, net assets of the Group amounted to HK\$2,789.2 million, equivalent to approximately HK\$1.89 per share.

FINANCING

As at 30th September, 2004, the Group’s bank balances, cash and other investments amounted to HK\$562.7 million. Bank and other borrowings of the Group as at the same date amounted to HK\$1,075.4 million. The Group’s net debt to equity ratio, expressed as a percentage of bank and other borrowings net of bank balances, cash and other investments over total net assets of the Group, was approximately 18.4%.

Approximately 95.3% of the Group’s bank balances, cash and other investments were in Hong Kong dollar or United States dollar, with the balance of about 4.7% in Renminbi.

Approximately 94.6% of the Group’s bank and other borrowings were denominated in Hong Kong dollar with the balance of about 5.4% denominated in Malaysian Ringgit. Approximately 18.8% of the Group’s bank and other borrowings was repayable within one year, 43.1% repayable within 1 to 2 years, 30.2% repayable within 2 to 5 years and the balance of 7.9% repayable over 5 years.

PROSPECTS

Hong Kong's overall economy has been recovering gradually since the middle of last year, driven by the implementation of the Closer Economic Partnership Arrangement ("CEPA") between the PRC and Hong Kong and Pan-PRD Regional Cooperation Framework Agreement as well as the Mainland Individual Visit Scheme. Gradual economic recovery has boosted home buyers' confidence in the residential property market as evidenced by the recent increase in both price and sales activities. Given a return to mild inflation, a low interest rate environment and a lower unemployment rate, demand for private residential flats should continue to remain firm. The Group has commenced the marketing of Reading Place. Proceeds from the sale will further strengthen the Group's financial position. The Group will continue to actively seek for opportunities to replenish its land bank.

On the Group's property investment front, rental rates are expected to trend upwards given a better economic environment. The retail rental market has been benefited from revival of tourism and local consumer spending. Demand for office space has also seen an increase on improving economic activities. To enhance the yield, the Group has been upgrading its investment properties and adopting proactive and effective leasing strategies to further improve their occupancy rates.

As to the PRC property market, the Directors believe that the introduction of CEPA and Pan-PRD Regional Cooperation Framework Agreement will speed up the integrated development among the Pearl River Delta, Guangzhou and Hong Kong. Such improving business environment will boost the economy and the property demand in the Pan-PRD region. The recent rise in interest rates in the PRC may have short-term effect on the property market, but the fundamental needs of an improved living condition in the PRC remain strong and generate substantial genuine demand for housing. In view of the sustained economic growth, the Group will focus on developing quality low cost housing in the PRC. With our quality land bank of about 40 million sq. ft. of the development area in Dongguan, Guangzhou and Huizhou and the newly acquired land reserve in Changsha, the Group is optimistic about its future growth and prospects.

On the manufacturing investments, the Group believes that the PRC's role as the world's manufacturing hub and its accession to the WTO will further fuel the continuous growth of the manufacturing sectors. The Group will identify suitable opportunities to expand our manufacturing businesses in the PRC.

STAFF

As at 30th September, 2004, the Group employed 1,372 staff (of which the Chuang's China Group and its subcontracting factories employed 1,173 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.

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

As at 30th September, 2004, 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 Issuers, to be notified to the Company and the Stock Exchange were as follows:–

Name of Director	Interests in the Company		Percentage of shareholding
	Number of shares	Capacity	
Mr. Alan Chuang Shaw Swee ("Mr. Chuang")	642,534,630	<i>Note 1</i>	43.473
Mrs. Alice Siu Chuang Siu Suen ("Mrs. Siu")	309,808,538	<i>Note 2</i>	20.961
Mr. Andrew Lui Lop Kay	116,000	Beneficial owner	0.008
Dr. Peter Po Fun Chan	751,187	Beneficial owner	0.051

Note 1: Such interests comprise 400,734,006 shares in the Company owned by Evergain Holdings Limited, a company beneficially owned by Mr. Chuang, 79,468,000 shares in the Company owned by Chuang's Cutlery Holdings Limited, a company in which Mr. Chuang is entitled to exercise or control the exercise of one third or more of the voting power in general meetings of this corporation, and the remaining interests arose as a result of Mr. Chuang being a discretionary object of a discretionary trust, the trustee of which held 162,332,624 shares in the Company.

Note 2: Such interests comprise 68,007,914 shares in the Company owned by Hilltop Assets Limited, a company beneficially owned by Mrs. Siu, 79,468,000 shares in the Company owned by Chuang's Cutlery Holdings Limited, a company in which Mrs. Siu is entitled to exercise or control the exercise of one third or more of the voting power in general meetings of this corporation, and the remaining interests arose as a result of Mrs. Siu being a discretionary object of a discretionary trust, the trustee of which held 162,332,624 shares in the Company.

Interests in Chuang's China Investments Limited

Name of Director	Number of shares	Capacity	Percentage of shareholding
Mr. Chuang	6,800,000	Beneficial owner	0.664
Mrs. Siu	1,600,000	Beneficial owner	0.156
Mr. Andrew Lui Lop Kay	10,000	Beneficial owner	0.001

Interests in Midas International Holdings Limited

Name of Director	Number of shares	Capacity	Percentage of shareholding
Mr. Abraham Shek Lai Him	10,000	Beneficial owner	0.002

Interests in Treasure Auctioneer International Limited

Name of Director	Number of shares	Capacity	Percentage of shareholding
Mr. Chuang	100,000	<i>Note 3</i>	10.000
Mrs. Siu	100,000	<i>Note 3</i>	10.000

Note 3: Such interests arose through the ownership of the shares by corporations that the relevant Director is entitled to exercise or control the exercise of one third or more of the voting power in general meetings of these corporations. The corporate interests of the relevant Directors relate to the same corporations.

Other than as disclosed herein, as at 30th September, 2004, 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 Issuers, 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, 2004, 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
Evergain Holdings Limited	400,734,006	Beneficial owner, <i>Note 1</i>	27.113
Chuang’s Cutlery Holdings Limited	79,468,000	Beneficial owner, <i>Note 1</i>	5.377
Madam Chuang Shau Har	163,055,848	<i>Note 2</i>	11.032
Mr. Lee Sai Wai	163,055,848	<i>Note 3</i>	11.032
Mrs. Chong Ho Pik Yu	480,202,006	<i>Note 4</i>	32.490
Mr. Siu Hok Chung	147,475,914	<i>Note 4</i>	9.978

Note 1: Such interests have been mentioned in Notes 1 and 2 to the section headed “Directors’ Interests and Short Positions in Shares, Underlying Shares and Debentures”.

Note 2: Interests in 162,332,624 shares arose as a result of Madam Chuang Shau Har being the trustee and a discretionary object of a discretionary trust which owned such shares in the Company. The remaining interests in 723,224 shares in the Company arose by attribution through her spouse, Mr. Lee Sai Wai.

Note 3: Interests in 162,332,624 shares arose by attribution through his spouse, Madam Chuang Shau Har, whose interests have been mentioned in Note 2 above. The remaining interests in 723,224 shares in the Company is beneficially owned by Mr. Lee Sai Wai.

Note 4: Such interests arose by attribution through their respective spouses, Mr. Chuang and Mrs. Siu, whose interests have been mentioned in Notes 1 and 2 respectively to the section headed “Directors’ Interests and Short Positions in Shares, Underlying Shares and Debentures”.

Save as disclosed above, as at 30th September, 2004, 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.

DEALINGS IN THE COMPANY’S SECURITIES

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

CLOSING OF REGISTER

The register of members of the Company will be closed from Monday, 3rd January, 2005 to Wednesday, 5th January, 2005, both days inclusive, during which period no transfer of shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company’s share registrars in Hong Kong, Standard Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, by no later than 4:00 p.m. on Friday, 31st December, 2004.

SHARE OPTION SCHEMES

Pursuant to the ordinary resolutions passed on 30th August, 2002, a share option scheme of the Company (“2002 Scheme”) has been adopted and the share option scheme adopted by Chuang’s China on 26th August, 2002 (“Chuang’s China 2002 Scheme”) has been approved.

The purposes of the 2002 Scheme and Chuang's China 2002 Scheme are to recognise the contribution of the eligible persons as defined in the respective schemes including, inter alia, any employees, Directors of the Company and Chuang's China and their respective subsidiaries to the growth of the Group and the Chuang's China Group and to further motivate the eligible persons to continue to contribute to the Group's and the Chuang's China Group's long-term prosperity. No options have been granted under the 2002 Scheme and Chuang's China 2002 Scheme since their adoption or approval.

CORPORATE GOVERNANCE

During the six months ended 30th September, 2004, 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") 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.

The Board wishes to take this opportunity to welcome Mr. Abraham Shek Lai Him to join as an independent non-executive Director 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 three independent non-executive Directors, Dr. Peter Po Fun Chan, Mr. David Chris Lee Tsung Hei and Mr. Abraham Shek Lai Him. The interim report has been reviewed by the audit committee of the Company.

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules.

DISCLOSURE PURSUANT TO RULES 13.20, 13.21 AND 13.22 OF THE LISTING RULES

1. The Group has entered into a loan agreement with a bank which required Mr. Chuang, Mrs. Siu and members of their family and family trust and/or companies beneficially owned by any of them to hold an aggregate shareholding of not less than 35% of the issued share capital of the Company throughout the tenure of the loan agreement. As at 30th September, 2004, the loan outstanding was HK\$239,000,000 and the last instalment of the loan is repayable on 30th September, 2007. The loan agreement still subsists as at the date of this report.
2. As at 30th September, 2004, the Group has granted loans to Dragon Pacific Development Limited ("Dragon Pacific") amounting to approximately

HK\$103,252,000. Dragon Pacific is an affiliated company of the Group in which the Group holds 30% of its issued share capital. The loans are for the purpose of financing the development of a property project in Hong Kong and were made in proportion to the Group's shareholding in Dragon Pacific. The loans are unsecured, interest free and have no fixed terms of repayment.

3. As at 30th September, 2004, the Group has granted loans to certain affiliated companies (including Dragon Pacific mentioned above) amounting to HK\$105,626,000 in aggregate. The proforma combined balance sheet of and the Group's attributable interest in these affiliated companies as at 30th September, 2004 are as follows:

	Combined <i>HK\$'000</i>	The Group's attributable interest <i>HK\$'000</i>
Non-current assets	323,904	97,677
Current assets	15,770	5,995
Current liabilities	9,223	3,281
Net current assets	6,547	2,714
Total assets less current liabilities	330,451	100,391
Non-current liabilities	352,270	105,291
Net liabilities	(21,819)	(4,900)

GENERAL

As at the date hereof, Mr. Alan Chuang Shaw Swee, Mrs. Alice Siu Chuang Siu Suen, Mr. Bernard Ko Sheung Chi, Mr. Andrew Lui Lop Kay, Ms. So Kan Yiu and Ms. Cathy Chan Chung Shan are executive Directors, Dr. Peter Po Fun Chan, Mr. David Chris Lee Tsung Hei and Mr. Abraham Shek Lai Him are independent non-executive Directors of the Company.

By Order of the Board of
Chuang's Consortium International Limited
Alan Chuang Shaw Swee
Chairman

Hong Kong, 13th December, 2004