Chuang's China Investments Limited
(莊 士 中 國 投 資 有 限 公 司)

(incorporated in Bermuda with limited liability)

INTERIM REPORT
FOR THE SIX MONTHS ENDED
30TH SEPTEMBER, 2005

RESULTS

The Board of Directors of Chuang's China Investments Limited (the "Company") presents the interim report including the interim financial information of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th September, 2005. The consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity for the six months ended 30th September, 2005 and the consolidated balance sheet as at 30th September, 2005 along with the notes thereon, are set out on pages 1 to 16 of this report.

Consolidated Profit and Loss Account (unaudited)
For the six months ended 30th September, 2005

	Note	**2005** **HK$'000**	2004 HK$'000 (Restated)
Turnover	*3*	**31,558**	28,308
Cost of sales		**(17,871)**	(19,720)
Gross profit		**13,687**	8,588
Other revenues		**19,876**	965
Distribution costs		**(290)**	(264)
Administrative expenses		**(30,542)**	(26,053)
Other operating expenses		**(1,817)**	(488)
Operating profit/(loss)	*4*	**914**	(17,252)
Finance costs		**(5,466)**	(2,161)
Share of results of associates		**12,448**	16,761
Profit/(loss) before taxation		**7,896**	(2,652)
Taxation	*5*	**(6)**	(16)
Profit/(loss) for the period		**7,890**	(2,668)
Attributable to:			
Equity holders of the Company		**8,832**	(2,033)
Minority interests		**(942)**	(635)
		7,890	(2,668)
Interim dividend		**–**	–
		HK cents	*HK cents*
Earnings/(loss) per share	*6*	**0.86**	(0.20)

Consolidated Balance Sheet (unaudited)

As at 30th September, 2005

	Note	30th September, 2005 HK$'000	31st March, 2005 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	*7*	**38,596**	42,799
Investment properties		**452,400**	452,400
Leasehold land and land use rights		**953,708**	961,129
Properties held for/under development		**9,951**	9,697
Associates		**209,921**	150,582
Investment securities		**–**	70,315
Available-for-sale financial assets		**24,437**	–
Loans and receivables		**23,648**	–
		1,712,661	1,686,922
Current assets			
Properties held for sale		**173,884**	129,735
Inventories		**4,110**	4,108
Debtors and prepayments	*8*	**31,156**	25,601
Cash and bank balances		**135,543**	157,900
		344,693	317,344
Current liabilities			
Creditors and accruals	*9*	**43,340**	35,766
Current portion of long-term borrowings	*11*	**8,000**	6,000
Taxation		**15,664**	15,668
Provisions		**–**	2,420
		67,004	59,854
Net current assets		**277,689**	257,490
		1,990,350	1,944,412

	Note	**30th September, 2005** *HK$'000*	31st March, 2005 *HK$'000* (Restated)
Equity			
Share capital	*10*	**51,222**	51,222
Reserves		**1,329,864**	1,293,412
Proposed final dividend		**–**	10,244
Shareholders' funds		**1,381,086**	1,354,878
Minority interests		**73,623**	72,536
Total equity		**1,454,709**	1,427,414
Non-current liabilities			
Long-term borrowings	*11*	**262,917**	233,000
Other non-current liabilities	*12*	**272,724**	283,998
		535,641	516,998
		1,990,350	1,944,412

Consolidated Cash Flow Statement (unaudited)

For the six months ended 30th September, 2005

	2005	2004
	HK$'000	*HK$'000*
Net cash used in operating activities	**(18,981)**	(7,515)
Net cash (used in)/from investing activities	**(25,435)**	45,509
Net cash from/(used in) financing activities	**21,673**	(17,992)
Net (decrease)/increase in cash and cash equivalents	**(22,743)**	20,002
Cash and cash equivalents at the beginning of the period	**132,805**	159,361
Cash and cash equivalents at the end of the period	**110,062**	179,363
Analysis of cash and cash equivalents		
Cash and bank balances	**135,543**	204,457
Bank deposits maturing more than three months from date of placement	**(25,481)**	(25,094)
	110,062	179,363

Consolidated Statement of Changes in Equity (unaudited)

For the six months ended 30th September, 2005

	Share capital *HK$'000*	Other reserves *HK$'000*	Accumulated losses *HK$'000*	Shareholders' funds *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
At 31st March, 2005, as previously reported	51,222	1,661,305	(180,824)	1,531,703	80,682	1,612,385
Prior year adjustment						
Amortisation of leasehold land and land use rights (HKAS 17)	–	–	(176,825)	(176,825)	(8,146)	(184,971)
As restated, before opening adjustments	51,222	1,661,305	(357,649)	1,354,878	72,536	1,427,414
Opening adjustments						
Derecognition of negative goodwill (HKFRS 3)	–	–	48,022	48,022	–	48,022
Change in fair value of available-for-sale financial assets (HKAS 32)	–	(13,613)	–	(13,613)	–	(13,613)
At 1st April, 2005, as restated	51,222	1,647,692	(309,627)	1,389,287	72,536	1,461,823
Changes in exchange rates	–	1,813	–	1,813	610	2,423
Capital injection by minority shareholders	–	–	–	–	1,419	1,419
Change in fair value of available-for-sale financial assets	–	(8,602)	–	(8,602)	–	(8,602)
Profit for the period	–	–	8,832	8,832	(942)	7,890
2005 final dividend paid	–	–	(10,244)	(10,244)	–	(10,244)
At 30th September, 2005	51,222	1,640,903	(311,039)	1,381,086	73,623	1,454,709

	Share capital *HK$'000*	Other reserves *HK$'000*	Accumulated losses *HK$'000*	Shareholders' funds *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
At 31st March, 2004, as previously reported	51,222	1,659,296	(198,088)	1,512,430	79,110	1,591,540
Prior year adjustment						
Amortisation of leasehold land and land use rights (HKAS 17)	–	–	(160,462)	(160,462)	(7,132)	(167,594)
At 31st March, 2004, as restated	51,222	1,659,296	(358,550)	1,351,968	71,978	1,423,946
Changes in exchange rates	–	750	–	750	203	953
Acquisition of subsidiaries	–	–	–	–	1,143	1,143
Loss for the period	–	–	(2,033)	(2,033)	(635)	(2,668)
2004 final dividend paid	–	–	(10,244)	(10,244)	–	(10,244)
At 30th September, 2004	51,222	1,660,046	(370,827)	1,340,441	72,689	1,413,130

Notes to the interim financial information:

1. Basis of preparation

The interim financial information has been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets, and in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The interim financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting'' issued by the HKICPA.

The accounting policies used in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31st March, 2005 except that the Group has changed certain of its accounting policies following its adoption of the new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (the "new HKFRS") which are effective for accounting periods commencing on or after 1st January, 2005. The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 2 below.

Following the adoption of the new HKFRS, certain comparative figures in the interim financial information have been restated or reclassified to conform with the current period's presentation. Major changes in the presentation are set out as follows:

	Presentation in the 2005 annual financial statements	**New presentation**
(a)	Amounts receivable from associates included under associates	Classified under current assets according to their terms of repayment
(b)	Loans payable to minority shareholders included under minority interests	Classified under non-current liabilities according to their terms of repayment
(c)	Share of taxation of associates included under taxation	Share of profits less losses of associates presented net of share of taxation
(d)	Dividend income from unlisted preference shares	Interest income from loans and receivables

2. Changes in accounting policies

2.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries and associates at the effective date of acquisition, and, in respect of an increase in holding in a subsidiary, the excess of the cost of acquisition and the carrying amount of the proportion of the minority interests acquired. The cost of an acquisition is measured as 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.

2. Changes in accounting policies (Continued)

2.1 Goodwill (Continued)

If the cost of acquisition is less than the fair value of the net assets acquired or the carrying amount of the proportion of the minority interests acquired, the difference is recognised directly in the profit and loss account. Goodwill on acquisition of subsidiaries is included in intangible assets while goodwill on acquisition of associates is included in investments in associates. Goodwill is tested for impairment annually or when there is indication for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

In previous years, goodwill arising on acquisitions was included in the balance sheet as a separate asset and amortised using the straight-line method over its estimated useful life of not more than twenty years. The carrying amount of goodwill was reviewed annually and provision was made when, in the opinion of the Directors of the Company (the "Directors"), there was impairment in value other than temporary in nature. Where the fair values ascribed to the net assets exceeded the purchase consideration, such differences were recognised in the profit and loss account in the year of acquisition or over the weighted average useful life of those non-monetary assets acquired. This accounting policy has been changed to conform with HKFRS 3 "Business Combinations". As a result of this change, the Group has adopted the transitional provision to derecognise the negative goodwill of HK$48,022,000 against the opening accumulated losses as at 1st April, 2005 whereas the comparative amounts as at 31st March, 2005 have not been restated.

2.2 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property 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. After initial recognition, investment property is carried at fair value and valuations are reviewed annually by external valuers. Changes in fair values are recognised in the profit and loss account.

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

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16 "Property, plant and equipment". However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the profit and loss account.

2. Changes in accounting policies (Continued)

2.2 Investment properties (Continued)

Property that is being constructed or developed for future use as investment property is classified as properties under development and carried at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

In previous years, a deficit in valuation was charged to the profit and loss account; an increase in valuation was first credited to the profit and loss account to the extent of valuation deficit previously charged and thereafter was credited to the investment properties revaluation reserve. Upon disposal of an investment property, any relevant revaluation surplus realised was transferred to the profit and loss account.

This accounting policy has been changed to conform with HKAS 40 "Investment property''. As at 31st March, 2005, the valuation of investment properties was less than their original costs and the revaluation deficits had already been charged to the profit and loss account in previous years and there was no investment properties revaluation reserve. Consequently, there is no prior period adjustment on the accumulated losses and investment properties revaluation reserve.

2.3 Leases

The Group reclassifies prepayments of lease premiums from property, plant and equipment and properties held for/under development to leasehold land and land use rights following the adoption of HKAS 17 "Leases''. The up-front prepayments made for leasehold land and land use rights are amortised on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the profit and loss account. The amortisation of the leasehold land and land use rights is capitalised under the relevant assets when the properties on the land are under construction.

In previous years, leasehold land and land use rights were classified under property, plant and equipment and properties held for/under development according to the intention of the underlying properties. For those classified as leasehold land and buildings under property, plant and equipment, they were stated at cost less accumulated depreciation and provision for impairment in value other than temporary in nature, whereas properties held for/under development were stated at cost, including land cost, development and construction expenditure incurred and any interest and other direct costs attributable to the development, less provision.

As a result of the above changes in accounting policy, the net book amounts of leasehold land and land use rights have been increased by HK$961,129,000, property, plant and equipment have been decreased by HK$1,785,000, properties held for/under development have been decreased by HK$1,139,546,000, properties held for sale have been decreased by HK$4,769,000, accumulated losses have been increased by HK$176,825,000 and minority interests have been decreased by HK$8,146,000 as at 31st March, 2005.

2. Changes in accounting policies (Continued)

2.4 Property, plant and equipment

The residual values of the assets and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date in order to conform with HKAS 16 "Property, plant and equipment" and this change in accounting policy does not have any material impact to the Group.

2.5 Investments

The Group has reclassified its investments in the balance sheet following the adoption of HKAS 32 "Financial instruments: Disclosure and presentation" and HKAS 39 "Financial instruments: Recognition and measurement". Loans and receivables are carried at amortised cost using the effective interest method. Loans and receivables are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are then classified as non-current assets. Available-for-sale financial assets are non-derivatives that are not held for trading or expected to be realised within twelve months of the balance sheet date. Available-for-sale financial assets are carried at fair value and included in non-current assets unless the management intends to dispose of the investment within twelve months of the balance sheet date. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account.

In previous years, the Group's investments intended to be held for indefinite long-term purpose or strategic reason were included in the balance sheet under non-current assets as investment securities, and were carried at cost less any provision. The carrying amounts of individual investments were reviewed at each balance sheet date to assess whether the fair values had declined below the carrying amounts. When a decline other than temporary had occurred, the carrying amount of such investment would be reduced to its fair value. The impairment loss was recognised as an expense in the profit and loss account and was written back to the profit and loss account when the circumstances and events that led to the write down ceased to exist and there was persuasive evidence that the new circumstances and events would persist for the foreseeable future.

HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Statement of Standard Accounting Practice 24 "Accounting for investments in securities" to investments in securities. As a result of the above changes in accounting policy, classification of investments has been redesignated as at 1st April, 2005 and opening other reserves of the Group has been reduced by HK$13,613,000. The comparative amounts as at 31st March, 2005 have not been restated.

2. Changes in accounting policies (Continued)

The aggregate effect of the above changes in accounting policies on the reserves as at 1st April, 2005, the profit/(loss) and earnings/(loss) per share for the six months ended 30th September, 2004 and 2005 are summarised below:

	Reserves at 1st April, 2005		Profit/(loss) for the six months ended 30th September,		Earnings/(loss) per share for the six months ended 30th September,	
	Opening adjustments	**Prior year adjustment**	**2005**	2004	**2005**	2004
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	***HK cents***	*HK cents*
Goodwill	**48,022**	**–**	**249**	–	**0.02**	–
Investments	**(13,613)**	**–**	**–**	–	**–**	–
Leases	**–**	**(176,825)**	**(8,220)**	(8,207)	**(0.80)**	(0.80)
	34,409	**(176,825)**	**(7,971)**	(8,207)	**(0.78)**	(0.80)

3. Turnover and segment information

The Group is principally engaged in property investment and development, manufacturing and sale of watch components, securities investments and trading, and the provision of information technology services. Analysis of the turnover and operating profit/(loss) by business segments and geographical segments is as follows:

(a) Business segments

	Property investment and development	**Sale of goods and services**	**Information technology**	**Corporate and elimination**	**Group**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
2005					
Turnover	**9,889**	**19,441**	**137**	**2,091**	**31,558**
Other revenues	**18,643**	**980**	**–**	**253**	**19,876**
Segment results	**12,307**	**1,864**	**(411)**	**(12,846)**	**914**
Finance costs					**(5,466)**
Share of results of associates	**–**	**12,646**	**(198)**	**–**	**12,448**
Profit before taxation					**7,896**
Taxation					**(6)**
Profit for the period					**7,890**

3. Turnover and segment information (Continued)

(a) Business segments (Continued)

	Property investment and development *HK$'000*	Sale of goods and services *HK$'000*	Information technology *HK$'000*	Corporate and elimination *HK$'000*	Group *HK$'000*
2004 (Restated)					
Turnover	6,166	19,953	62	2,127	28,308
Other revenues	285	662	–	18	965
Segment results	(7,797)	(387)	(364)	(8,704)	(17,252)
Finance costs					(2,161)
Share of results of associates	–	16,972	(211)	–	16,761
Loss before taxation					(2,652)
Taxation					(16)
Loss for the period					(2,668)

(b) Geographical segments

	Turnover		**Operating profit/(loss)**	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)
Hong Kong	**27,022**	26,750	**10,765**	(7,012)
The Mainland	**3,602**	538	**(10,000)**	(10,317)
Other countries	**934**	1,020	**149**	77
	31,558	28,308	**914**	(17,252)

4. Operating profit/(loss)

	2005 *HK$'000*	2004 *HK$'000* (Restated)
Operating profit/(loss) is arrived after crediting:		
Realisation of deferred profit on disposal of properties *(note)*	**6,025**	–
Write back of provisions for construction costs and tax liabilities undertakings *(note 13)*	**12,395**	–
Interest income from loans and receivables	**295**	1,228
and after charging:		
Cost of properties and inventories sold	**16,500**	18,699
Amortisation of leasehold land and land use rights	**8,728**	8,715
Depreciation	**5,277**	5,110
Staff costs, including Directors' emoluments:		
Wages and salaries	**10,333**	7,789
Retirement benefit costs	**331**	399

Note: In December 2001, the Group disposed of certain properties to an associate and accordingly, a portion of the profit from such disposal has been deferred. In addition, the Group has provided undertakings to the associate for the construction costs and tax liabilities in relation to these properties. During the period, part of these properties were disposed of by the associate to third parties and therefore the related deferred profit has been recognised and the related provisions for the undertakings have been written back by the Group.

5. Taxation

	2005 *HK$'000*	2004 *HK$'000* (Restated)
Company and subsidiaries		
Current (overseas)	**6**	16

No provision for Hong Kong profits tax has been made as the Group does not have any estimated assessable profits for the period (2004: HK$Nil). Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

Share of taxation of associates for the six months ended 30th September, 2005 amounting to HK$4,440,000 (2004: HK$1,811,000) is included in the profit and loss account as share of results of associates.

6. Earnings/(loss) per share

The calculation of the earnings/(loss) per share is based on the profit attributable to equity holders of the Company of HK$8,832,000 (2004: loss of HK$2,033,000, as restated) and 1,024,439,690 shares in issue during the period.

As there are no dilutive potential shares in issue, there is no dilution on the earnings/(loss) per share.

7. Property, plant and equipment

For the six months ended 30th September, 2005, the Group has acquired property, plant and equipment amounting to HK$2,024,000 (2004: HK$299,000) and has disposed of property, plant and equipment with a net book amount of HK$953,000 (2004: HK$40,000).

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, 2005 *HK$'000*	31st March, 2005 *HK$'000*
Below 30 days	**4,394**	2,974
31 to 60 days	**2,712**	1,431
61 to 90 days	**3,112**	1,992
Over 90 days	**5,683**	8,715
	15,901	15,112

9. Creditors and accruals

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

	30th September, 2005 *HK$'000*	31st March, 2005 *HK$'000*
Below 30 days	**2,211**	1,999
31 to 60 days	**1,497**	837
61 to 90 days	**1,026**	907
Over 90 days	**678**	1,056
	5,412	4,799

10. Share capital

	30th September, 2005 *HK$'000*	31st March, 2005 *HK$'000*
Authorised		
18,000,000,000 shares of HK$0.05 each	**900,000**	900,000
Issued and fully paid		
1,024,439,690 shares of HK$0.05 each	**51,222**	51,222

11. Long-term borrowings

	30th September, 2005 *HK$'000*	31st March, 2005 *HK$'000*
Secured bank loans wholly repayable within five years	**270,917**	239,000
Current portion included under current liabilities	**(8,000)**	(6,000)
	262,917	233,000

The secured bank loans are repayable in the following periods:

	30th September, 2005 *HK$'000*	31st March, 2005 *HK$'000*
Within one year	**8,000**	6,000
Second year	**225,000**	8,000
Third to fifth year	**37,917**	225,000
	270,917	239,000

12. Other non-current liabilities

	30th September, 2005 *HK$'000*	31st March, 2005 *HK$'000*
Provisions *(note 13)*	**21,019**	30,994
Deferred taxation	**235,366**	235,366
Loans payable to minority interests	**16,339**	17,638
	272,724	283,998

13. Provisions

	Six months ended 30th September, 2005 *HK$'000*	Year ended 31st March, 2005 *HK$'000*
At the beginning of the period/year	**33,414**	33,414
Write back *(note 4)*	**(12,395)**	–
At the end of the period/year	**21,019**	33,414
Current portion included under current liabilities	**–**	(2,420)
	21,019	30,994

The provisions represent the Group's undertakings in respect of construction costs and tax liabilities in relation to those properties sold to an associate in December 2001.

14. Contingent liabilities

As at 30th September, 2005, guarantees amounting to HK$4.0 million (31st March, 2005: HK$3.1 million) were given by a subsidiary to bank for mortgage loans made by the bank to the purchasers of properties sold by the subsidiary.

15. Capital commitments

As at 30th September, 2005, the Group had capital expenditure commitments contracted but not provided for amounting to HK$42,527,000 (31st March, 2005: HK$44,193,000).

16. Pledge of assets

As at 30th September, 2005, the Group had pledged the shares and assets of its subsidiaries, including investment properties, leasehold land and land use rights and properties held for/under development, with an aggregate net book value of HK$588,255,000 (31st March, 2005, as restated: HK$589,438,000), to secure banking facilities granted to the subsidiaries.

17. Subsequent event

On 2nd November, 2005, the Group formed a joint venture for engaging in property development in Chengdu, the Mainland China, in which the Group's share of total investment amounted to approximately HK$38.5 million, including registered capital of approximately HK$3.8 million.

INTERIM DIVIDEND

The Directors do not declare an interim dividend for the six months ended 30th September, 2005 (2004: HK$Nil).

MANAGEMENT DISCUSSION ON RESULTS

For the six months ended 30th September, 2005, the Group reported a turnover of HK$31.6 million (2004: HK$28.3 million), representing an increase of about 11.7% over the last corresponding period. It mainly comprised sale of properties in the People's Republic of China (the "PRC"), rental income from investment properties in Hong Kong, income from manufacturing business as well as dividend income and interest income.

Gross profit for the six months increased by 59.3% to HK$13.7 million (2004: HK$8.6 million) in view of the improved results of the property division and the manufacturing division. During the period, other revenues increased to HK$19.9 million principally as a result of the realisation of deferred profit and the write back of provisions for construction costs and tax liabilities undertakings relating to properties sold by the Group in 2001. However, the Group's administrative expenses increased by 17.2% to HK$30.5 million whereas the Group's other operating expenses increased to HK$1.8 million. Taking all these into account, the Group recorded an operating profit of HK$0.9 million during the period under review compared to an operating loss of HK$17.3 million in the last corresponding period. As a result of the higher interest rates, finance costs increased to HK$5.5 million. Furthermore, share of results of associates reduced by 25.7% to HK$12.4 million. Overall, the Group recorded a profit attributable to equity holders of the Company of HK$8.8 million, when compared with a loss of HK$2.0 million in the last corresponding period.

REVIEW OF OPERATIONS

1. Property Division

(a) Property interests in the PRC

The Group holds property interests in the PRC and its land bank is located in Guangzhou, Dongguan and Huizhou of Guangdong Province, Changsha of Hunan Province as well as Chengdu of Sichuan Province. A brief update of the progress of the Group's property development projects in the PRC is summarised below:

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

Chuang's New City is a comprehensive new township development for logistics, residential, commercial, office, hotel and other ancillary usage. Progress on development of the project is as follows:

(1) Chuang's New City, Gold Coast

During the period, the Group is making satisfactory progress with Gold Coast, which comprises 11 blocks of residential buildings with 374 residential units having an aggregate gross floor area of 610,000 sq. ft. and 370 carparking spaces. Its amenity clubhouse, having a gross floor area of 62,000 sq. ft., is facilitated with one indoor and one outdoor swimming pools. Superstructure works have been completed and it is expected that occupation permit of Gold Coast will be issued around January 2006. Marketing of the Gold Coast has commenced.

(2) Further phases

The Group has commissioned Palmer & Turner Architects and Engineers Limited as consultant to review the master layout plan of the further phases of the development of Chuang's New City in Dongguan. Once this review is finalised, the Group will immediately commence the Phase III development of this project.

(ii) Chuang's Metropolis, Guangzhou, Guangdong (85% owned)

Chuang's Metropolis is a comprehensive new township development for residential, commercial, office, hotel and other ancillary usage. The site is located nearby the metro railway route number 4, currently under construction and is expected to be in operation before the end of 2006, which would greatly enhance the accessibility of the site to the city centre of Guangzhou.

Terry Farrell & Partners has completed the master layout planning of this project. The Group has further commissioned it to conduct the detailed design of the first phase development of this project comprising 10 blocks of residential buildings with an estimated total gross floor area of about 713,000 sq. ft.. Construction works will commence once the design has been finalised and approvals from relevant authorities have been obtained.

(iii) Beverly Hill, Changsha, Hunan (54% owned)

The Group owns the development rights of a site in Changsha, having an area of about 10.8 million sq. ft.. Development of the entire site will be carried out in stages.

The first phase of Beverly Hill, with a site area of about 1 million sq. ft., comprises a low density landscaped development with about 190 bungalows, semi-detached houses and link houses, 5 blocks of low-rise apartments, together with retail facilities, occupying an aggregate gross floor area of about 693,000 sq. ft.. Beverly Hill will also comprise an amenity and recreational clubhouse with a gross floor area of about 18,000 sq. ft. and a swimming pool. General building plans for the development have been approved by the relevant authorities. Site formation works are in progress and superstructure works are under tender. Marketing of Beverly Hill is expected to be launched in the first quarter of 2006.

(iv) Chengdu, Sichuan (50% owned)

The Group formed a joint venture in November 2005 for the purpose of carrying out the development of a site with an area of about 71,800 sq. ft., which is located in the city centre of Chengdu, at the junction of Jiusan Road, Guojiaqiao North Road and Guojiaqiao South Road, nearby Sichuan University and on the west bank of Fuhe River overlooking River-viewing Park. It is intended that the site will be developed into high-class commercial/residential buildings comprising a gross floor area of about 323,000 sq. ft.. The Group will embark on the master layout planning of this development soon.

(b) Property interests in Hong Kong

The Group owns the entire interests in Chuang's Tower which is located at the heart of Central, having a total area of 60,587 sq. ft. of commercial and office spaces. During the period, the property leasing market in Hong Kong has improved. Occupancy rate is 98% and rental income from Chuang's Tower during the period amounted to HK$6.5 million, which represented a steady source of income to the Group.

2. Manufacturing Division

(a) Midas International Holdings Limited ("Midas") (44.7% owned)

Midas is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and its subsidiaries are engaged in books printing, paper products printing and property investment. For the six months ended 30th June, 2005, Midas recorded a turnover of HK$351.9 million, representing an increase of 14% as compared with the last corresponding period. Profit attributable to ordinary shareholders decreased by 10% to about HK$18.7 million.

(b) Yuen Sang Hardware Company (1988) Limited ("Yuen Sang") (100% owned)

Yuen Sang is principally engaged in the manufacture and sale of watch cases, bracelets and buckles, mainly for exports to Europe and the United States. During the period under review, the turnover of Yuen Sang has dropped by 2.6% to HK$19.4 million. However, in light of its strategy to expand its product range to higher margin products, Yuen Sang recorded a profit contribution of HK$1.9 million compared to a slight loss in the last corresponding period. To further improve its operating performance, Yuen Sang continues to develop new product mix and new market segments.

(c) CNT Group Limited ("CNT") (12.8% owned)

The Group continues to hold 12.8% interests in CNT as long-term strategic investment. CNT is a company listed on the Stock Exchange and its subsidiaries are principally engaged in property investment and development and the manufacture and sale of paint products under its own brand names "Flowers", "Giraffe", "Toy Brand" and "Denis" etc, focusing on the Hong Kong and PRC market.

NET ASSET VALUE

As at 30th September, 2005, net assets attributable to equity holders of the Company amounted to HK$1,381.1 million, equivalent to approximately HK$1.35 per share.

FINANCING

As at 30th September, 2005, the Group's cash and bank balances amounted to HK$135.5 million. Bank borrowings of the Group as at the same date amounted to HK$270.9 million. The debt to equity ratio of the Group (expressed as a percentage of bank borrowings net of cash and bank balances over total net assets attributable to equity holders of the Company) as at 30th September, 2005 was approximately 9.8%. Furthermore, the Group holds nominal value of HK$23.5 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 70.3% of the Group's cash and bank balances were in Hong Kong dollar or United States dollar with the balance of 29.7% in Renminbi. Risk in exchange rate fluctuation would not be material.

About 86% of the Group's bank borrowings were in Hong Kong dollar with the balance of 14% in Renminbi. About 3% of the Group's bank borrowings were repayable within one year, 83% repayable in the second year and the balance of 14% repayable in the third to fifth year.

PROSPECTS

In the PRC, the property market will continue to benefit from the sustainable economic growth, and the improvement in per capita income of domestic household. The fundamental needs of an improved living condition in the PRC remain strong and generate substantial demand for housing. The Group will focus on developing quality housing in the PRC and with its sizable land bank in the PRC, the Group is optimistic about its further growth and prospects.

As for the manufacturing investments, the role of the PRC as the world manufacturing hub is increasingly prominent. The Group will continue to seek expansion on its existing investments as well as to identify new investments with focus in the PRC market.

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

As at 30th September, 2005, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors and chief executive of the Company would be taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

	Interests in the Company		
Name of Director	**Number of shares**	**Capacity**	**Percentage of shareholding**
Dr. Hwang Jen	523,923	Beneficial owner	0.05
Mr. Lee Sai Wai	1,600,000	Beneficial owner	0.16
Mr. Sunny Pang Chun Kit	500,000	Beneficial owner	0.05

	Interests in Chuang's Consortium International Limited ("CCIL")		
Name of Director	**Number of shares**	**Capacity**	**Percentage of shareholding**
Mr. Lee Sai Wai	163,055,848	*Note*	11.03
Dr. Peter Po Fun Chan	751,187	Beneficial owner	0.05

Note: 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 and chief executive of the Company nor their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any securities of the Company or any of its associated corporations.

Other than as disclosed herein, as at 30th September, 2005, 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.

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, 2005, 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")	615,695,645	Beneficial owner	60.10
CCIL	615,695,645	Interest of controlled corporation	60.10
Mr. Alan Chuang Shaw Swee ("Mr. Chuang")	622,495,645	*Note 1*	60.76
Mrs. Chong Ho Pik Yu	622,495,645	*Note 2*	60.76

Note 1: Interests in 615,695,645 shares of the Company arose through the interests in the relevant shares owned by PSI, a wholly owned subsidiary of CCIL. Mr. Chuang is entitled to exercise or control the exercise of one third or more of the voting power in general meetings of CCIL. The remaining 6,800,000 shares of the Company are beneficially owned by him.

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

Save as disclosed above, as at 30th September, 2005, 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.

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 recognise 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, 2005, the Group employed 157 staff. In addition, the subcontracting factories of the Group have about 830 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

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 listed shares during the period.

CORPORATE GOVERNANCE

In order to ensure compliance with the code provisions A4.1 and A4.2 set out in Appendix 14 – Code on Corporate Governance Practices (the "CG Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") which came into effect on 1st January, 2005, the Directors had in March 2005 approved that the term of office for each of the Independent Non-Executive Directors shall be 3 years commencing from 1st April, 2005 subject to retirement by rotation at least once every three years. In the Annual General Meeting of the Company held in August 2005, the Company had also approved certain amendments to its Bye-laws so as to bring them in line with the code provisions A4.1 and A4.2 of the CG Code. Save as aforesaid, the Company has complied throughout the six months ended 30th September, 2005 with the code provisions of the CG Code.

An audit committee has been established by the Company to review and supervise the Company's financial reporting process and internal controls. The audit committee has held meetings in accordance with the relevant requirements and reviewed the interim report for the six months ended 30th September, 2005. The current members of the audit committee are Dr. Hwang Jen, Mr. David Chu Yu Lin and Dr. Peter Po Fun Chan, the Independent Non-Executive Directors of the Company.

The Company has also adopted 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.

GENERAL

As at the date hereof, Mr. Lee Sai Wai, Miss Ann Li Mee Sum, Mr. Tang Wing Lun and Mr. Sunny Pang Chun Kit are the Executive Directors, Dr. Hwang Jen, Mr. David Chu Yu Lin, Dr. Peter Po Fun Chan and Mr. Chan Wai Dune are the Independent Non-Executive Directors of the Company.

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

Hong Kong, 1st December, 2005