



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

*(incorporated in Bermuda with limited liability)*

**Stock Code: 298**

**INTERIM REPORT**  
**FOR THE SIX MONTHS ENDED**  
**30TH SEPTEMBER, 2006**

## 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, 2006. The consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity for the six months ended 30th September, 2006 and the consolidated balance sheet as at 30th September, 2006 along with the notes thereon, are set out on pages 1 to 14 of this report.

### Consolidated Profit and Loss Account (unaudited)

For the six months ended 30th September, 2006

	Note	2006 HK\$'000	2005 HK\$'000
Turnover	5	64,312	31,558
Cost of sales		<u>(47,086)</u>	<u>(17,871)</u>
Gross profit		17,226	13,687
Other income		1,759	19,876
Distribution costs		(3,335)	(290)
Administrative expenses		(35,218)	(30,542)
Other operating expenses		(9,631)	(1,817)
Change in fair value of investment properties		<u>20,000</u>	<u>–</u>
Operating (loss)/profit	6	(9,199)	914
Finance costs	7	(7,781)	(5,466)
Share of results of associated companies		<u>4,334</u>	<u>12,448</u>
(Loss)/profit before taxation		(12,646)	7,896
Taxation	8	<u>(5)</u>	<u>(6)</u>
(Loss)/profit for the period		<u><u>(12,651)</u></u>	<u><u>7,890</u></u>
Attributable to:			
Equity holders of the Company		(7,714)	8,832
Minority interests		<u>(4,937)</u>	<u>(942)</u>
		<u><u>(12,651)</u></u>	<u><u>7,890</u></u>
Interim dividend		<u><u>–</u></u>	<u><u>–</u></u>
		<i>HK cents</i>	Restated <i>HK cents</i>
(Loss)/earnings per share	9	<u><u>(0.61)</u></u>	<u><u>0.82</u></u>

**Consolidated Balance Sheet (unaudited)***As at 30th September, 2006*

		<b>30th September, 2006</b>	31st March, 2006
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	<b>32,107</b>	34,785
Investment properties		<b>522,400</b>	502,400
Land use rights		<b>890,715</b>	947,377
Properties for/under development		<b>22,175</b>	20,365
Associated companies		<b>209,840</b>	213,378
Available-for-sale financial assets		<b>29,325</b>	21,896
		<u><b>1,706,562</b></u>	<u>1,740,201</u>
<b>Current assets</b>			
Properties for sale		<b>235,258</b>	190,102
Inventories		<b>5,191</b>	5,736
Debtors and prepayments	<i>11</i>	<b>48,017</b>	31,558
Cash and bank balances		<b>281,991</b>	147,692
		<u><b>570,457</b></u>	<u>375,088</u>
<b>Current liabilities</b>			
Creditors and accruals	<i>12</i>	<b>78,862</b>	59,133
Current portion of long-term borrowings	<i>14</i>	<b>2,000</b>	8,000
Taxation		<b>15,678</b>	15,674
		<u><b>96,540</b></u>	<u>82,807</u>
<b>Net current assets</b>		<u><b>473,917</b></u>	<u>292,281</u>
<b>Total assets less current liabilities</b>		<u><b>2,180,479</b></u>	<u>2,032,482</u>

		<b>30th September, 2006</b>	31st March, 2006
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Equity</b>			
Share capital	<i>13</i>	<b>64,027</b>	51,222
Reserves		<b>1,438,505</b>	1,350,109
Proposed dividend		–	12,805
		<hr/>	<hr/>
Shareholders' funds		<b>1,502,532</b>	1,414,136
Minority interests		<b>68,139</b>	72,693
		<hr/>	<hr/>
<b>Total equity</b>		<b>1,570,671</b>	1,486,829
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<b>Non-current liabilities</b>			
Long-term borrowings	<i>14</i>	<b>334,819</b>	273,345
Other non-current liabilities	<i>15</i>	<b>274,989</b>	272,308
		<hr/>	<hr/>
		<b>609,808</b>	545,653
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
		<b>2,180,479</b>	2,032,482
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**Consolidated Cash Flow Statement (unaudited)***For the six months ended 30th September, 2006*

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Net cash from/(used in) operating activities	<b>1,677</b>	(18,981)
Net cash from/(used in) investing activities	<b>352</b>	(25,435)
Net cash from financing activities	<b>144,324</b>	21,673
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	<b>146,353</b>	(22,743)
Cash and cash equivalents at the beginning of the period	<b>129,327</b>	132,805
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	<b>275,680</b>	110,062
	<hr/> <hr/>	<hr/> <hr/>
Analysis of cash and cash equivalents		
Cash and bank balances	<b>281,991</b>	135,543
Bank deposits maturing more than three months from date of placement	<b>(6,311)</b>	(25,481)
	<hr/>	<hr/>
	<b>275,680</b>	110,062
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## Consolidated Statement of Changes in Equity (unaudited)

For the six months ended 30th September, 2006

	Share capital <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Shareholders' funds <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31st March, 2006	51,222	1,638,358	(275,444)	1,414,136	72,693	1,486,829
Changes in exchange rates	-	862	-	862	383	1,245
Change in fair value of available-for-sale financial assets	-	7,429	-	7,429	-	7,429
Net income recognised directly in equity	-	8,291	-	8,291	383	8,674
Loss for the period	-	-	(7,714)	(7,714)	(4,937)	(12,651)
Total recognised income/ (expense) for the period	-	8,291	(7,714)	577	(4,554)	(3,977)
Proceeds on rights issue	12,805	89,638	-	102,443	-	102,443
Rights issue expenses	-	(1,819)	-	(1,819)	-	(1,819)
2006 final dividend	-	-	(12,805)	(12,805)	-	(12,805)
At 30th September, 2006	<u>64,027</u>	<u>1,734,468</u>	<u>(295,963)</u>	<u>1,502,532</u>	<u>68,139</u>	<u>1,570,671</u>

## Consolidated Statement of Changes in Equity (unaudited)

For the six months ended 30th September, 2006

	Share capital <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Shareholders' funds <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2005	51,222	1,647,692	(301,223)	1,397,691	72,536	1,470,227
Changes in exchange rates	-	1,813	-	1,813	610	2,423
Change in fair value of available-for-sale financial assets	-	(8,602)	-	(8,602)	-	(8,602)
Net (expenses)/income recognised directly in equity	-	(6,789)	-	(6,789)	610	(6,179)
Profit for the period	-	-	8,832	8,832	(942)	7,890
Total recognised (expense)/ income for the period	-	(6,789)	8,832	2,043	(332)	1,711
Capital injected by minority shareholders	-	-	-	-	1,419	1,419
2005 final dividend	-	-	(10,244)	(10,244)	-	(10,244)
At 30th September, 2005	51,222	1,640,903	(302,635)	1,389,490	73,623	1,463,113

## **Notes to the interim financial information:**

### **1. General information**

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

As at 30th September, 2006, the Company was a 60.97% owned subsidiary of Profit Stability Investments Limited, incorporated in the British Virgin Islands, which is a wholly owned subsidiary of Chuang’s Consortium International Limited, incorporated in Bermuda and listed on the Main Board of the Stock Exchange. The Directors regard Chuang’s Consortium International Limited as being the ultimate holding company.

The principal activities of the Group are property investment and development, manufacturing and sale of watch components, securities investments and trading, and the provision of information technology services.

### **2. 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 at fair values, and in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The accounting policies and methods of computation 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, 2006.

For the six months ended 30th September, 2006, the Group has also applied the new standards, amendments and interpretations issued by the HKICPA that are effective for the accounting periods beginning on or after 1st January, 2006. However, the adoption of these new standards does not have any significant effect on the accounting policies or results and financial position of the Group.

### **3. Financial risk management**

All aspects of the financial risk management objectives and policies of the Group are consistent with those disclosed in the annual financial statements for the year ended 31st March, 2006.

### **4. Critical accounting estimates and judgements**

Estimates and judgements used are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions applied in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31st March, 2006.



## 5. Turnover and segment information

### (a) Business segments

	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
<b>2006</b>					
Turnover	35,882	23,631	52	4,747	64,312
Other income	<u>468</u>	<u>1,140</u>	<u>-</u>	<u>151</u>	<u>1,759</u>
Segment results	<u>1,674</u>	<u>1,580</u>	<u>(345)</u>	<u>(12,108)</u>	(9,199)
Finance costs					(7,781)
Share of results of associated companies	-	2,760	1,574	-	<u>4,334</u>
Loss before taxation					(12,646)
Taxation					<u>(5)</u>
Loss for the period					<u>(12,651)</u>
<b>As at 30th September, 2006</b>					
Segment assets	1,718,208	20,994	715	-	1,739,917
Associated companies	-	207,433	2,407	-	209,840
Unallocated assets					<u>327,262</u>
Total assets					<u>2,277,019</u>
Segment liabilities	444,509	8,112	544	-	453,165
Unallocated liabilities					<u>253,183</u>
Total liabilities					<u>706,348</u>
Capital expenditure	1,991	410	-	2,360	4,761
Depreciation	865	369	35	4,230	5,499
Amortisation of land use rights	8,405	-	-	-	8,405
Increase in fair value of investment properties	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>

## 5. Turnover and segment information (Continued)

### (a) Business segments (Continued)

	Property investment and development <i>HK\$'000</i>	Sale of goods and services <i>HK\$'000</i>	Information technology <i>HK\$'000</i>	Corporate and elimination <i>HK\$'000</i>	Group <i>HK\$'000</i>
2005					
Turnover	9,889	19,441	137	2,091	31,558
Other income	<u>18,643</u>	<u>980</u>	<u>–</u>	<u>253</u>	<u>19,876</u>
Segment results	<u>12,307</u>	<u>1,864</u>	<u>(411)</u>	<u>(12,846)</u>	914
Finance costs					(5,466)
Share of results of associated companies	–	12,646	(198)	–	<u>12,448</u>
Profit before taxation					7,896
Taxation					<u>(6)</u>
Profit for the period					<u>7,890</u>
As at 31st March, 2006					
Segment assets	1,697,167	17,137	611	–	1,714,915
Associated companies	–	212,553	825	–	213,378
Unallocated assets					<u>186,996</u>
Total assets					<u>2,115,289</u>
Segment liabilities	368,231	6,156	515	–	374,902
Unallocated liabilities					<u>253,558</u>
Total liabilities					<u>628,460</u>
Capital expenditure	1,168	273	–	836	2,277
Depreciation	761	334	36	4,146	5,277
Amortisation of land use rights	<u>8,728</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>8,728</u>

## 5. Turnover and segment information (Continued)

### (b) Geographical segments

	Turnover		Total assets		Capital expenditure	
	2006	2005	30th September, 2006	31st March, 2006	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	34,077	27,022	1,043,562	871,787	1,970	569
The Mainland China	29,031	3,602	1,233,258	1,243,148	2,791	1,708
Other countries	1,204	934	199	354	-	-
	<u>64,312</u>	<u>31,558</u>	<u>2,277,019</u>	<u>2,115,289</u>	<u>4,761</u>	<u>2,277</u>

## 6. Operating (loss)/profit

	2006 HK\$'000	2005 HK\$'000
Operating (loss)/profit is stated after crediting:		
Deferred profit realised on disposal of properties ( <i>note</i> )	-	6,025
Write back of provisions for construction costs and tax liabilities undertakings ( <i>note</i> )	<u>-</u>	<u>12,395</u>
and after charging:		
Cost of properties and inventories sold	45,818	16,500
Amortisation of land use rights	8,405	8,728
Depreciation	5,499	5,277
Staff costs, including Directors' emoluments:		
- Wages and salaries	11,063	10,333
- Retirement benefit costs	<u>424</u>	<u>331</u>

*Note:* In December 2001, the Group disposed of certain properties to an associated company and accordingly, a portion of the profit from such disposal has been deferred. In addition, the Group had provided undertakings to the associated company for the construction costs and tax liabilities in relation to these properties. In 2005, certain of these properties were disposed of by the associated company to third parties and therefore the related deferred profit had been recognised and the related provisions for the undertakings had been written back by the Group.

## 7. Finance costs

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interest expense		
Bank loans wholly repayable within five years	<b>1,522</b>	5,952
Bank loan not wholly repayable within five years	<b>6,428</b>	–
	<b>7,950</b>	5,952
Amount capitalised into properties under development	–	(486)
Amount capitalised into properties under development for sale	<b>(169)</b>	–
	<b>7,781</b>	5,466

The capitalisation rate applied to funds borrowed generally and used for the development of properties is ranging from 6.93% to 7.56% (2005: 5.76%) per annum.

## 8. Taxation

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Current (overseas)	<b>5</b>	<b>6</b>

No provision for Hong Kong profits tax has been made as the Group does not have any estimated assessable profits for the period (2005: 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 associated companies for the six months ended 30th September, 2006 amounting to HK\$1,052,000 (2005: HK\$4,440,000) is included in the profit and loss account as share of results of associated companies.

## 9. (Loss)/earnings per share

The calculation of the (loss)/earnings per share is based on the loss attributable to equity holders of the Company of HK\$7,714,000 (2005: profit of HK\$8,832,000) and the weighted average number of 1,267,221,820 (2005: 1,077,300,778, as restated) shares in issue during the period. The comparative figure for earnings per share has been adjusted to reflect the effect of rights issue completed in April 2006.

As there are no dilutive potential shares in issue, there is no diluted (loss)/earnings per share for both periods.

## 10. Property, plant and equipment

For the six months ended 30th September, 2006, the Group has acquired property, plant and equipment amounting to HK\$2,951,000 (2005: HK\$2,024,000) and has disposed of property, plant and equipment with a net book amount of HK\$134,000 (2005: HK\$953,000).

## 11. Debtors and prepayments

Rental and management fee are receivable in advance. Credit terms of sales of goods mainly ranged from 30 days to 90 days. The aging analysis of trade debtors of the Group is as follows:

	<b>30th September, 2006 HK\$'000</b>	31st March, 2006 HK\$'000
Below 30 days	4,350	3,254
31 to 60 days	3,933	1,542
61 to 90 days	2,660	1,607
Over 90 days	4,326	4,637
	<u>15,269</u>	<u>11,040</u>

## 12. Creditors and accruals

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

	<b>30th September, 2006 HK\$'000</b>	31st March, 2006 HK\$'000
Below 30 days	1,378	2,612
31 to 60 days	1,918	849
61 to 90 days	1,696	698
Over 90 days	825	77
	<u>5,817</u>	<u>4,236</u>

### 13. Share capital

	<b>30th September, 2006</b>	31st March, 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Authorised</i>		
18,000,000,000 shares of HK\$0.05 each	<u><b>900,000</b></u>	<u>900,000</u>
<i>Issued and fully paid</i>		
1,280,549,612 (31st March, 2006: 1,024,439,690) shares of HK\$0.05 each	<u><b>64,027</b></u>	<u>51,222</u>

### 14. Long-term borrowings

	<b>30th September, 2006</b>	31st March, 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured bank loans		
Wholly repayable within five years	<b>109,819</b>	281,345
Not wholly repayable within five years	<u><b>227,000</b></u>	<u>–</u>
	<b>336,819</b>	281,345
Current portion included under current liabilities	<u><b>(2,000)</b></u>	<u>(8,000)</u>
	<u><b>334,819</b></u>	<u>273,345</u>

The secured bank loans are repayable in the following periods:

	<b>30th September, 2006</b>	31st March, 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	<b>2,000</b>	8,000
Second year	<b>46,402</b>	225,000
Third to fifth year	<b>61,417</b>	48,345
After fifth year	<u><b>227,000</b></u>	<u>–</u>
	<u><b>336,819</b></u>	<u>281,345</u>

## 15. Other non-current liabilities

	<b>30th September, 2006</b>	31st March, 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provisions ( <i>note 16</i> )	<b>21,019</b>	21,019
Deferred taxation	<b>235,366</b>	235,366
Loans payable to minority interests	<b>18,604</b>	15,923
	<u><b>274,989</b></u>	<u>272,308</u>

## 16. Provisions

	<b>Six months ended 30th September, 2006</b>	Year ended 31st March, 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the period/year	<b>21,019</b>	33,414
Write back ( <i>note 6</i> )	<u>–</u>	<u>(12,395)</u>
At the end of the period/year	<u><b>21,019</b></u>	<u>21,019</u>

The provisions represent the construction costs and tax liabilities undertakings of the Group in relation to those properties sold to an associated company in December 2001.

## 17. Contingent liabilities

As at 30th September, 2006, guarantees amounting to HK\$26.1 million (31st March, 2006: HK\$12.6 million) were given by a subsidiary to banks for mortgage loans made by the banks to the purchasers of properties sold by the subsidiary.

## 18. Capital commitments

As at 30th September, 2006, the Group had capital expenditure commitments contracted but not provided for amounting to HK\$22,694,000 (31st March, 2006: HK\$25,087,000).

## 19. Pledge of assets

As at 30th September, 2006, the Group has pledged the shares and assets of certain subsidiaries, including investment properties, land use rights, properties for/under development and properties for sale, with an aggregate net book value of HK\$714,391,000 (31st March, 2006: HK\$681,667,000), to secure general banking facilities granted to those subsidiaries.

## **INTERIM DIVIDEND**

The Directors do not declare an interim dividend for the six months ended 30th September, 2006 (2005: Nil).

## **MANAGEMENT DISCUSSION ON RESULTS**

For the six months ended 30th September, 2006, the Group reported a turnover of HK\$64.3 million (2005: HK\$31.6 million), representing an increase of about 103.5% over the last corresponding period. The growth was mainly attributable to an increase in the sales of properties in the People's Republic of China (the "PRC"). Gross profit for the six months increased by 25.5% to HK\$17.2 million (2005: HK\$13.7 million) principally as a result of increased turnover from property business.

During the period, the Group's operating results were affected by two one-off factors, including the drop of other income by HK\$18.1 million and the increase in other operating expenses by HK\$7.8 million. The drop in other income was due to the absence of one-off income that was accounted for by the Group in the last corresponding period relating to the disposal of Chengdu Chuang's Centre and the increase in other operating expenses was due to one-off provisions relating to properties sold by the Group in previous years. On the operating costs, the Group's administrative expenses increased by 15.3% to HK\$35.2 million to cope with the Group's expansion of its PRC property business, whereas finance costs increased by HK\$2.3 million as a result of the higher interest rates. Share of results of associated companies reduced by HK\$8.1 million due to the drop in profits of the Group's associated company, Midas International Holdings Limited ("Midas"). Reflecting the improvement in office properties in Hong Kong, the Group recorded an upward revaluation of HK\$20 million during the period. Taking all these into account, the Group recorded a loss attributable to equity holders of the Company of HK\$7.7 million.



## REVIEW OF OPERATIONS

### 1. Property business

#### *(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. Progress of the Group's major property development projects in the PRC is summarised below:

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

Chuang's New City, with a plot ratio of 2.2, has a total gross floor area of over 600,000 sq. m. for future development.

Gold Coast of Chuang's New City is the phase II development of this project which comprises 374 residential units with saleable gross floor area of 57,056 sq. m., and 370 carparking spaces with gross floor area of 19,433 sq. m.. It is facilitated with a clubhouse having gross floor area of 5,770 sq. m. providing indoor and outdoor swimming pools, landscaped gardening, water fountains and spacious promenade along the river coast. Occupation permit of Gold Coast has been obtained. Sales of properties at Gold Coast are progressing satisfactorily. Up to date, 208 of the 284 typical apartments (with sizes ranging from 96 sq. m. to 145 sq. m.) and 16 of the 22 apartments with garden are sold. In addition, 4 duplex apartments (with sizes ranging from 217 sq. m. to 320 sq. m.) are sold during preliminary sales. Formal launch of the remaining 64 duplex apartments and the carparking spaces will be in coming months. Out of these sales of Gold Coast, it is expected that HK\$53 million will be recognised as turnover upon completion in the second half of the financial year.

Planning of Imperial Garden, the phase III development of this project, has been finalised. It will be developed in stages and initially comprises 10 blocks of residential towers with total gross floor area of 122,000 sq. m. providing over 1,280 apartments, ranging from 60 sq. m. to 130 sq. m. and spacious landscape gardening. Site investigation is in progress and site formation works will commence before the end of the year.

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

The Group has the development rights of a site with plot ratio of 1.8 and developable gross floor area of 1,700,000 sq. m. which is located nearby the city centre of Changsha.

The first phase of Beverly Hills is a low density community having a total gross floor area of about 66,800 sq. m. with 315 residential units comprising 171 bungalows, semi-detached houses and link houses and 144 apartments. Within the development, there will be amenities and recreational clubhouse, swimming pool and retail facilities. Site formation works and superstructure works are in progress. It is expected that the first phase will be completed in the third quarter of 2007. During the period under review, marketing of Beverly Hills commenced and received favourable responses. Full scale marketing campaign and pre-sale of the houses will be launched in December 2006.

The second phase of this project with a developable gross floor area of about 380,000 sq. m. is under planning stage.

(iii) Chuang's • Buckingham Palace, Changsha, Hunan (100% owned)

The Group recently acquired a site with an area of 420 mu located nearby the city centre of Changsha, with plot ratio of 1.8 and developable gross floor area of over 500,000 sq. m.. Master planning to develop this project into low density residential community will commence as soon as practicable.

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

Chuang's • Guangzhou Metropolis, with a plot ratio of 2.2, comprises a total gross floor area of over 470,000 sq. m. for future development. It is located next to the 2010 Asian Games Complex. With spacious landscape gardening, quality design and a pleasant and green open environment, the Group aims to create this project as one of the best township in Guangzhou. The first phase of this project has a total gross floor area of about 60,000 sq. m. comprising 11 blocks of residential towers with about 550 units ranging from 1-bedroom apartments of 57 sq. m. to duplex apartments of about 280 sq. m.. In addition, it will have clubhouse of about 1,000 sq. m., outdoor swimming pool, as well as commercial gross floor area of about 6,300 sq. m.. Site investigation works have been completed and construction works will commence soon.

(v) Chuang's New Town, Huizhou, Guangdong (100% owned)

During the period under review, the Group has entered into agreement to dispose of a portion of the properties to an independent third party at about RMB86 million, which will result in an estimated gain before taxation of approximately HK\$36 million over its book cost as at 30th September, 2006. Completion of the disposal is expected to be in the second half of the financial year. Following the disposal, this project, with a plot ratio of 2.2, has total gross floor area of about 130,000 sq. m. for future development. As Huizhou is located close to Shenzhen, its economic development will be benefited from the continuous growth in Shenzhen. In addition, one of the stations of the proposed railway from Shenzhen to Xiamen is nearby our site, the Group will revise the master planning of this project to create an integrated residential and commercial community.

(vi) Nanning, Guangxi

During the period under review, the Group entered into a letter of intent in relation to a redevelopment project in the city centre of Nanning, with a site area of about 60,000 sq. m.. Discussions and negotiations for this development is progressing.

(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. Demand for office and commercial leasing in Hong Kong continued to increase and rental and other income from Chuang's Tower amounted to HK\$7.1 million during the period, which represented a steady source of income to the Group.

## 2. Manufacturing business

(a) *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, 2006, Midas recorded a turnover of HK\$299 million, representing a decrease of 15% as compared with the last corresponding period. Profit attributable to shareholders decreased by 67% to about HK\$6 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 increased by 21.6% to HK\$23.6 million while its profit contribution amounted to HK\$1.6 million. To further improve its operating performance, Yuen Sang continues to expand its sales team and develop new product mix and new market segments.

(c) *CNT Group Limited (“CNT”) (12.8% owned)*

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. Recently, CNT continued to dispose of non-core assets which enable it to concentrate on its main core paint business. For the six months ended 30th June, 2006, CNT’s core paint operation continued to have improvement both in terms of revenue and operating profit. The Group intends to hold its interests in CNT as a long-term strategic investment.

## **NET ASSET VALUE**

As at 30th September, 2006, net assets attributable to equity holders of the Company was HK\$1,502.5 million. Net asset value per share amounted to HK\$1.17 per share.

## **FINANCING**

In April 2006, the Company successfully completed a one for four rights issue, raising net proceeds of HK\$100 million in cash, of which HK\$80 million is to finance property development and the balance of HK\$20 million for general working capital purpose. As at 30th September, 2006, cash and bank balances of the Group amounted to HK\$282.0 million (31st March, 2006: HK\$147.7 million). Bank borrowings of the Group as at the same date amounted to HK\$336.8 million (31st March, 2006: HK\$281.3 million). The net debt to equity ratio of the Group (expressed as a percentage of bank borrowings net of cash and bank balances over net assets attributable to the equity holders of the Company) was 3.6% (31st March, 2006: 9.5%).

Approximately 84.8% of cash and bank balances of the Group were in Hong Kong dollar and United States dollar with the remaining 15.2% in Renminbi. About 81.1% of bank borrowings of the Group were in Hong Kong dollar and 18.9% in Renminbi. Risk in exchange rate fluctuation would not be material.

Approximately 0.6% of bank borrowings of the Group were repayable within one year, 13.8% repayable within 1 to 2 years, 18.2% repayable within 2 to 5 years and 67.4% repayable after 5 years.

## **PROSPECTS**

Steady growth of the PRC economy and the improving living standard will continue to boost the development of the PRC property market. The Group will continue to focus on the mass residential market in line with domestic market needs which is less speculative with fundamental demand from end-users. With total developable gross floor area of over 3,400,000 sq. m. in the PRC at relatively low land cost of about HK\$400 per sq. m., the Group is well positioned to benefit from the continuous growth of the property market in the PRC.

For the financial year ending 31st March, 2007, the Group will actively launch the sales of its property projects with total gross floor area of over 100,000 sq. m. in Gold Coast and Beverly Hills. Meanwhile, the Group will commence construction works on Imperial Garden and Chuang's • Guangzhou Metropolis with a total gross floor area of approximately 200,000 sq. m. with a view that marketing of these projects will be launched in the next financial year. In addition, the Group will actively replenish its land bank in the PRC and will grasp every opportunity in the property market and bring satisfactory returns to shareholders.

As the PRC maintains its rapid economic growth, its robust domestic market is highly promising with tremendous business opportunities. To capitalise on the enormous potential in the PRC market, the Group will identify 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, 2006, 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:

<b>Name of Director</b>	<b>Interests in the Company</b>		
	<b>Number of shares</b>	<b>Capacity</b>	<b>Percentage of shareholding</b>
Dr. Hwang Jen	1,137,139	Beneficial owner	0.09
Mr. Lee Sai Wai	2,008,000	Beneficial owner	0.16
Mr. Sunny Pang Chun Kit	620,000	Beneficial owner	0.05
Dr. Peter Po Fun Chan	4,120	Interest of controlled corporation	0.0003

<b>Name of Director</b>	<b>Interests in Chuang's Consortium International Limited (“CCIL”)</b>		
	<b>Number of shares</b>	<b>Capacity</b>	<b>Percentage of shareholding</b>
Mr. Lee Sai Wai	168,755,848	<i>Note</i>	11.42
Dr. Peter Po Fun Chan	751,187	Beneficial owner	0.05

*Note: Interests in 168,032,624 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, 2006, 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, 2006, 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:

<b>Name of Shareholder</b>	<b>Number of shares of the Company</b>	<b>Capacity</b>	<b>Percentage of shareholding</b>
Profit Stability Investments Limited (“PSI”)	780,716,556	Beneficial owner	60.97
CCIL	780,716,556	Interest of controlled corporation	60.97
Mr. Alan Chuang Shaw Swee (“Mr. Chuang”)	789,216,556	<i>Note 1</i>	61.63
Mrs. Chong Ho Pik Yu	789,216,556	<i>Note 2</i>	61.63

*Note 1: Interests in 780,716,556 shares of the Company arose through the interests in the relevant shares owned by PSI, a wholly owned subsidiary of CCIL. Mr. Chuang is entitled to exercise or control the exercise of one third or more of the voting power in general meetings of CCIL. The remaining 8,500,000 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, 2006, 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, 2006, the Group employed 227 staff. In addition, the subcontracting factories of the Group have about 774 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.

## **DISCLOSURE PURSUANT TO RULE 13.21 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (THE “LISTING RULES”)**

The Group has entered into a loan agreement with a bank which required CCIL to beneficially own 45% or more of the issued share capital of the Company at all times during the subsistence of the loan facility. As at 30th September, 2006, the loan outstanding was HK\$273 million and the last installment of the loan is repayable on 29th September, 2013. The loan agreement still subsists as at the date of the report.



## **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**

The Company has complied throughout the six months ended 30th September, 2006 with the code provisions set out in the Appendix 14 – Code on Corporate Governance Practices of the Listing Rules.

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, 2006. 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, Mr. Sunny Pang Chun Kit and Ms. So Kan Yiu 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, 5th December, 2006