



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

*(incorporated in Bermuda with limited liability)*

**Stock Code: 367**

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

## RESULTS

The Board of Directors of Chuang's Consortium International 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 13 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	388,783	233,268
Cost of sales		<u>(323,803)</u>	<u>(179,377)</u>
Gross profit		64,980	53,891
Other income		28,081	37,258
Distribution costs		(8,379)	(4,525)
Administrative expenses		(66,198)	(55,441)
Other operating expenses		(14,129)	(3,301)
Change in fair value of investment properties		<u>106,000</u>	<u>28,010</u>
Operating profit	6	110,355	55,892
Finance costs	7	(33,689)	(25,697)
Share of results of associated companies		<u>4,309</u>	<u>12,432</u>
Profit before taxation		80,975	42,627
Taxation	8	<u>(5,312)</u>	<u>(4,075)</u>
Profit for the period		<u>75,663</u>	<u>38,552</u>
Attributable to:			
Equity holders of the Company		83,739	36,514
Minority interests		<u>(8,076)</u>	<u>2,038</u>
		<u>75,663</u>	<u>38,552</u>
Dividends	9	<u>18,475</u>	<u>7,390</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	10	<u>5.67</u>	<u>2.47</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>11</i>	<b>85,448</b>	87,696
Investment properties		<b>2,982,275</b>	2,875,225
Leasehold land and land use rights		<b>912,114</b>	968,793
Properties for/under development	<i>11</i>	<b>37,918</b>	35,832
Associated companies		<b>209,102</b>	212,665
Available-for-sale financial assets		<b>29,325</b>	21,896
Loans and receivables		<b>31,473</b>	35,430
Deferred tax assets		<b>857</b>	6,164
		<b>4,288,512</b>	4,243,701
<b>Current assets</b>			
Properties for sale		<b>313,710</b>	280,233
Inventories		<b>18,815</b>	17,079
Debtors and prepayments	<i>12</i>	<b>116,260</b>	100,457
Tax recoverable		<b>255</b>	223
Other investments		<b>87,389</b>	63,663
Cash and bank balances		<b>850,527</b>	783,859
		<b>1,386,956</b>	1,245,514
<b>Current liabilities</b>			
Creditors and accruals	<i>13</i>	<b>183,550</b>	115,084
Current portion of long-term borrowings	<i>15</i>	<b>64,983</b>	62,244
Taxation		<b>25,928</b>	25,909
		<b>274,461</b>	203,237
<b>Net current assets</b>		<b>1,112,495</b>	1,042,277
<b>Total assets less current liabilities</b>		<b>5,401,007</b>	5,285,978
<b>Equity</b>			
Share capital	<i>14</i>	<b>369,502</b>	369,502
Reserves		<b>2,721,133</b>	2,637,780
Proposed dividend		<b>–</b>	14,780
Shareholders' funds		<b>3,090,635</b>	3,022,062
Minority interests		<b>640,565</b>	623,443
<b>Total equity</b>		<b>3,731,200</b>	3,645,505
<b>Non-current liabilities</b>			
Long-term borrowings	<i>15</i>	<b>1,200,941</b>	1,174,158
Other non-current liabilities		<b>468,866</b>	466,315
		<b>1,669,807</b>	1,640,473
		<b>5,401,007</b>	5,285,978

## Consolidated Cash Flow Statement (unaudited)

For the six months ended 30th September, 2006

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Net cash from/(used in) operating activities	9,512	(54,481)
Net cash (used in)/from investing activities	(29,758)	12,207
Net cash from financing activities	43,339	288,095
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Net increase in cash and cash equivalents	23,093	245,821
Cash and cash equivalents at the beginning of the period	765,494	396,439
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Cash and cash equivalents at the end of the period	788,587	642,260
	<hr/>	<hr/>
<b>Analysis of cash and cash equivalents</b>		
Cash and bank balances	850,527	667,741
Bank deposits maturing more than three months from date of placement	(6,311)	(25,481)
Restricted bank balances	(55,629)	–
	<hr/>	<hr/>
	788,587	642,260
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## Consolidated Statement of Changes in Equity (unaudited)

For the six months ended 30th September, 2006

	Share capital HK\$'000	Other reserves HK\$'000	Retained profit HK\$'000	Shareholders' funds HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 31st March, 2006	<u>369,502</u>	<u>967,044</u>	<u>1,685,516</u>	<u>3,022,062</u>	<u>623,443</u>	<u>3,645,505</u>
Changes in exchange rates	-	2,475	-	2,475	891	3,366
Change in fair value of available-for-sale financial assets	<u>-</u>	<u>4,529</u>	<u>-</u>	<u>4,529</u>	<u>2,900</u>	<u>7,429</u>
Net income recognised directly in equity	-	7,004	-	7,004	3,791	10,795
Profit for the period	<u>-</u>	<u>-</u>	<u>83,739</u>	<u>83,739</u>	<u>(8,076)</u>	<u>75,663</u>
Total recognised income/ (expense) for the period	<u>-</u>	<u>7,004</u>	<u>83,739</u>	<u>90,743</u>	<u>(4,285)</u>	<u>86,458</u>
Capital injected by minority interests	-	-	-	-	40,148	40,148
Purchase of additional interest of a subsidiary	-	-	-	-	(13,163)	(13,163)
Dividend paid to minority interests	-	-	-	-	(5,578)	(5,578)
2006 final dividend	-	-	(14,780)	(14,780)	-	(14,780)
2007 special interim dividend	<u>-</u>	<u>-</u>	<u>(7,390)</u>	<u>(7,390)</u>	<u>-</u>	<u>(7,390)</u>
At 30th September, 2006	<u><u>369,502</u></u>	<u><u>974,048</u></u>	<u><u>1,747,085</u></u>	<u><u>3,090,635</u></u>	<u><u>640,565</u></u>	<u><u>3,731,200</u></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>	Retained profit <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	<u>369,502</u>	<u>967,872</u>	<u>1,509,114</u>	<u>2,846,488</u>	<u>616,213</u>	<u>3,462,701</u>
Changes in exchange rates	-	207	-	207	1,095	1,302
Change in fair value of available-for-sale financial assets	<u>-</u>	<u>(5,170)</u>	<u>-</u>	<u>(5,170)</u>	<u>(3,432)</u>	<u>(8,602)</u>
Net expense recognised directly in equity	-	(4,963)	-	(4,963)	(2,337)	(7,300)
Profit for the period	<u>-</u>	<u>-</u>	<u>36,514</u>	<u>36,514</u>	<u>2,038</u>	<u>38,552</u>
Total recognised (expense)/ income for the period	<u>-</u>	<u>(4,963)</u>	<u>36,514</u>	<u>31,551</u>	<u>(299)</u>	<u>31,252</u>
Capital injected by minority interests	-	-	-	-	1,419	1,419
Dividend paid to minority interests	-	-	-	-	(4,087)	(4,087)
2005 final dividend	<u>-</u>	<u>-</u>	<u>(14,780)</u>	<u>(14,780)</u>	<u>-</u>	<u>(14,780)</u>
At 30th September, 2005	<u>369,502</u>	<u>962,909</u>	<u>1,530,848</u>	<u>2,863,259</u>	<u>613,246</u>	<u>3,476,505</u>

## **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 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.

The principal activities of the Group are property investment and development, manufacturing and sales of watch components, bonded polyester fabrics and home finishing products, 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, available-for-sale financial assets and other investments at fair values, and in accordance with Hong Kong Accounting Standard 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 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, amendments and interpretations 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 <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>
<b>2006</b>						
Turnover	96,949	50,239	241,643	48	(96)	388,783
Other income	<u>3,060</u>	<u>1,141</u>	<u>-</u>	<u>-</u>	<u>23,880</u>	<u>28,081</u>
Segment results	<u>115,655</u>	<u>681</u>	<u>10,953</u>	<u>(366)</u>	<u>(16,568)</u>	110,355
Finance costs						(33,689)
Share of results of associated companies	(25)	2,760	-	1,574	-	<u>4,309</u>
Profit before taxation						80,975
Taxation						<u>(5,312)</u>
Profit for the period						<u>75,663</u>
<b>As at 30th September, 2006</b>						
Segment assets	4,372,284	80,029	92,451	715	-	4,545,479
Associated companies	(738)	207,433	-	2,407	-	209,102
Unallocated assets						<u>920,887</u>
Total assets						<u>5,675,468</u>
Segment liabilities	1,481,320	11,154	18,547	544	-	1,511,565
Unallocated liabilities						<u>432,703</u>
Total liabilities						<u>1,944,268</u>
<b>2006</b>						
Capital expenditure	5,767	504	-	-	2,372	8,643
Depreciation	1,931	1,016	-	35	5,332	8,314
Amortisation of leasehold land and land use rights	8,472	140	-	-	-	8,612
Increase in fair value of investment properties	<u>106,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,000</u>



## 5. Turnover and segment information (Continued)

### (a) Business segments (Continued)

	Property investment and development HK\$'000	Sales of goods and services HK\$'000	Securities trading HK\$'000	Information technology HK\$'000	Corporate and elimination HK\$'000	Total HK\$'000
2005						
Turnover	109,674	41,338	82,213	137	(94)	233,268
Other income	<u>23,693</u>	<u>1,040</u>	<u>2,316</u>	<u>-</u>	<u>10,209</u>	<u>37,258</u>
Segment results	<u>73,868</u>	<u>138</u>	<u>6,212</u>	<u>(427)</u>	<u>(23,899)</u>	55,892
Finance costs						(25,697)
Share of results of associated companies	(16)	12,646	-	(198)	-	<u>12,432</u>
Profit before taxation						42,627
Taxation						<u>(4,075)</u>
Profit for the period						<u>38,552</u>
As at 31st March, 2006						
Segment assets	4,249,948	73,622	63,666	611	-	4,387,847
Associated companies	(713)	212,553	-	825	-	212,665
Unallocated assets						<u>888,703</u>
Total assets						<u>5,489,215</u>
Segment liabilities	1,403,918	8,399	5	515	-	1,412,837
Unallocated liabilities						<u>430,873</u>
Total liabilities						<u>1,843,710</u>
2005						
Capital expenditure	2,317	341	-	-	1,969	4,627
Depreciation	1,465	970	-	36	5,249	7,720
Amortisation of leasehold land and land use rights	8,860	-	-	-	-	8,860
Increase in fair value of investment properties	<u>28,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,010</u>

### (b) Geographical segments

	Turnover		Total assets		Capital expenditure	
	2006 HK\$'000	2005 HK\$'000	30th September, 2006 HK\$'000	31st March, 2006 HK\$'000	2006 HK\$'000	2005 HK\$'000
Hong Kong	<b>325,858</b>	204,061	<b>4,112,989</b>	3,916,286	<b>4,469</b>	2,852
The Mainland China	<b>28,785</b>	769	<b>1,233,258</b>	1,243,148	<b>2,791</b>	1,708
Other countries	<b>34,140</b>	28,438	<b>329,221</b>	329,781	<b>1,383</b>	67
	<u><b>388,783</b></u>	<u>233,268</u>	<u><b>5,675,468</b></u>	<u>5,489,215</u>	<u><b>8,643</b></u>	<u>4,627</u>

## 6. Operating profit

	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Operating profit is stated after crediting:		
Dividends from listed investments	<b>1,204</b>	600
Interest from loans and receivables	<b>853</b>	462
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> )	–	12,395
Gain on disposal of property, plant and equipment	<b>75</b>	262
Net realised and unrealised gains on other investments	<b>9,753</b>	5,615

and after charging:

Cost of properties and inventories sold	<b>83,745</b>	88,833
Amortisation of leasehold land and land use rights	<b>8,612</b>	8,860
Depreciation	<b>8,314</b>	7,720
Staff costs, including Directors' emoluments:		
Wages and salaries	<b>24,953</b>	23,566
Retirement benefit costs	<b>1,114</b>	1,018

*Note:* In December 2001, a subsidiary, Chuang's China Investments Limited ("Chuang's China"), disposed of certain properties to an associated company and accordingly, a portion of the profit from such disposal has been deferred. In addition, Chuang's China has 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 Chuang's China.

## 7. Finance costs

	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Interest expense		
Bank loans wholly repayable within five years	<b>23,920</b>	23,101
Bank loan not wholly repayable within five years	<b>10,178</b>	3,320
Finance lease obligations wholly payable within five years	–	3
	<b>34,098</b>	26,424
Amount capitalised into properties for/under development	<b>(240)</b>	(727)
Amount capitalised into properties for sale	<b>(169)</b>	–
	<b>33,689</b>	25,697

The capitalisation rates applied to funds borrowed generally and used for the development of properties range from 6.93% to 8.75% (2005: 5.76% to 8.50%) per annum.

## 8. Taxation

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Current (overseas)	<b>5</b>	(163)
Deferred	<b>5,307</b>	4,238
	<b>5,312</b>	4,075

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\$1,057,000 (2005: HK\$4,446,000) is included in the profit and loss account as share of results of associated companies.

## 9. Dividends

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Interim of 0.75 HK cent (2005: 0.5 HK cent) per share	<b>11,085</b>	7,390
Special interim of 0.5 HK cent (2005: Nil) per share	<b>7,390</b>	–
	<b>18,475</b>	7,390

The Board of Directors has declared an interim dividend in respect of 2006 of 0.75 HK cent (2005: 0.5 HK cent) per share amounting to HK\$11,085,000 (2005: HK\$7,390,000). This amount will be accounted for as an appropriation of reserves in the year ending 31st March, 2007. A special interim dividend in respect of 2006 of 0.5 HK cent (2005: Nil) per share has been declared and paid to shareholders on 9th October, 2006. Total interim dividends, therefore, amounted to 1.25 HK cents (2005: 0.5 HK cent) per share.

## 10. Earnings per share

The calculation of the earnings per share is based on the profit attributable to equity holders of the Company of HK\$83,739,000 (2005: HK\$36,514,000) and 1,478,006,155 (2005: 1,478,006,155) shares in issue during the period.

As there are no dilutive potential shares in issue, there are no diluted earnings per share for both periods.

## 11. Capital expenditure

For the six months ended 30th September, 2006, the Group has acquired property, plant and equipment amounting to HK\$5,549,000 (2005: HK\$3,799,000), incurred development costs of properties for/under development amounting to HK\$3,094,000 (2005: HK\$828,000), and has disposed of property, plant and equipment with a net book amount of HK\$136,000 (2005: HK\$988,000).

## 12. 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 the trade debtors of the Group is as follows:

	<b>30th September, 2006 HK\$'000</b>	31st March, 2006 HK\$'000
Below 30 days	<b>11,746</b>	8,054
31 to 60 days	<b>5,315</b>	4,167
61 to 90 days	<b>3,287</b>	3,339
Over 90 days	<b>6,325</b>	6,119
	<hr/> <b>26,673</b> <hr/>	<hr/> 21,679 <hr/>

## 13. 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	<b>3,998</b>	4,224
31 to 60 days	<b>3,202</b>	1,377
Over 60 days	<b>12,603</b>	11,495
	<hr/> <b>19,803</b> <hr/>	<hr/> 17,096 <hr/>

#### 14. Share capital

	<b>30th September, 2006 HK\$'000</b>	31st March, 2006 HK\$'000
<i>Authorised</i>		
2,500,000,000 shares of HK\$0.25 each	<b><u>625,000</u></b>	<u>625,000</u>
<i>Issued and fully paid</i>		
1,478,006,155 shares of HK\$0.25 each	<b><u>369,502</u></b>	<u>369,502</u>

#### 15. Long-term borrowings

	<b>30th September, 2006 HK\$'000</b>	31st March, 2006 HK\$'000
Secured bank loans		
Wholly repayable within five years	<b>883,829</b>	1,122,992
Not wholly repayable within five years	<b>382,095</b>	113,410
	<b><u>1,265,924</u></b>	<u>1,236,402</u>
Current portion included under current liabilities	<b><u>(64,983)</u></b>	<u>(62,244)</u>
	<b><u>1,200,941</u></b>	<u>1,174,158</u>

The bank loans and unutilised banking facilities are secured by certain investment properties, property, plant and equipment, leasehold land and land use rights, properties for/under development and properties for sale with an aggregate carrying amount of HK\$3,195,982,000 (31st March, 2006: HK\$3,074,938,000), shares of certain subsidiaries and guaranteed by the Company and Chuang's China, and the loans of HK\$1,180,878,000 (31st March, 2006: HK\$1,164,939,000) are also secured by the assignment of rental income. The bank loans are repayable in the following periods:

	<b>30th September, 2006 HK\$'000</b>	31st March, 2006 HK\$'000
Within one year	<b>64,983</b>	62,244
Second year	<b>112,998</b>	292,672
Third to fifth year	<b>809,300</b>	823,561
After the fifth year	<b>278,643</b>	57,925
	<b><u>1,265,924</u></b>	<u>1,236,402</u>

## **16. Contingent liabilities**

As at 30th September, 2006, the Company provided a guarantee of HK\$54.0 million (31st March, 2006: HK\$54.0 million) for a banking facility granted to an associated company, and 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.

As at 31st March, 2006, the Company provided a guarantee for the mortgage bank loan of the investment property of Chuang's China amounting to HK\$233,000,000. In return, Chuang's China had provided a counter-indemnity to the Company against all losses and liabilities which the Company may incur under the guarantee.

## **17. Capital commitments**

As at 30th September, 2006, the Group had capital expenditure commitments contracted but not provided for amounting to HK\$28,401,000 (31st March, 2006: HK\$28,079,000).

## **18. Pledge of assets**

In addition to the assets pledged as disclosed in note 15, as at 30th September, 2006, the Group has also pledged certain other investments and bank deposits amounting to HK\$60,645,000 (31st March, 2006: Nil) and HK\$55,629,000 (31st March, 2006: Nil) respectively for certain securities trading.

## **19. Subsequent event**

On 10th November, 2006, the Group disposed of an investment property to a third party at a consideration of HK\$282.0 million, the fair value of which amounted to HK\$250.0 million as at 30th September, 2006.

## **INTERIM DIVIDENDS**

The Directors have declared an interim dividend of 0.75 HK cent (2005: 0.5 HK cent) per share payable on or before 19th January, 2007 to shareholders whose names appear on the Company's register of members on 5th January, 2007. A special interim dividend of 0.5 HK cent (2005: Nil) per share has been paid to shareholders on 9th October, 2006. Total interim dividends, therefore, amounted to 1.25 HK cents (2005: 0.5 HK cent) per share.

## **MANAGEMENT DISCUSSION ON RESULTS**

For the six months ended 30th September, 2006, turnover of the Group amounted to HK\$388.8 million (2005: HK\$233.3 million), representing an increase of approximately 66.7% when compared with that of the last corresponding period. Turnover from property investment and development activities amounted to HK\$96.9 million (2005: HK\$109.7 million), representing a decrease of 11.7% from that of the last corresponding period. The decrease in turnover was mainly attributable to the decrease in sales of properties. Manufacturing and trading businesses recorded a turnover of HK\$50.2 million (2005: HK\$41.3 million), representing an increase of 21.5% when compared with that of the last corresponding period. Turnover from securities trading activities increased significantly to HK\$241.6 million (2005: HK\$82.2 million) as the Group has increased its securities investment activities amid the improved market sentiment during the period.

Gross profit increased by 20.6% to HK\$65.0 million (2005: HK\$53.9 million), which was principally attributable to the increase in profit from securities trading activities. Operating profit increased by 97.5% to HK\$110.4 million (2005: HK\$55.9 million) mainly as a result of the increase in gross profit and the increase in the fair value of investment properties. Due to the increased interest rates prevailing during the period, additional finance costs of HK\$8.0 million were recorded. Share of profits of associated companies decreased by 65.3% to HK\$4.3 million (2005: HK\$12.4 million). Taking into account the above, profit attributable to equity holders of the Company increased by 129.3% to HK\$83.7 million (2005: HK\$36.5 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. Rental and other income from investment properties of the Group during the first half of the financial year amounted to approximately HK\$50.2 million. The Group's major investment properties comprise Chuang's London Plaza in Tsim Sha Tsui, Chuang's Hung Hom Plaza in Hunghom, Chuang's City Tower in Wanchai, portion of Chuang's Enterprises Building in Wanchai, Park Villa in Deep Water Bay and Chuang's Tower in Central, Hong Kong and Central Plaza in Kuala Lumpur, Malaysia.

To take advantage of the favourable office and commercial property market, the Group has entered into an agreement to dispose of Chuang's City Tower, No. 39 Morrison Hill Road, Wanchai, Hong Kong for HK\$282.0 million, completion of which has taken place in November 2006. Profits derived therefrom will be accounted for in the current financial year. In addition, the Group has invited tenders for the sale of Chuang's Hung Hom Plaza.

Meanwhile, the Group has been actively studying and implementing plans so as to improve the value of its investment properties. Steps taken by the Group include the following:

- (i) The Group has engaged professional advisors to provide a comprehensive renovation proposal for Chuang's London Plaza. The objectives of the renovation proposal are to improve the image of the Plaza, create more retailing spaces and attract more customers to the Plaza, which would lead to an enhancement of rental yield.



- (ii) In order to take advantage of the strong demand in luxurious residential property market, the Group is redeveloping Park Villa, a residential property in Deep Water Bay, into 4 bungalows. Demolition works commenced in September 2006 and the project is expected to be completed by the end of 2008. Upon completion, the rental yield from the property will be significantly enhanced.

**(b) Properties for Development**

Proceeds from property sales of the Group during the period amounted to approximately HK\$46.7 million. Progress of the Group's development projects are as follows:

- (i) *15 Gough Hill Road, The Peak, Hong Kong (100% owned)*

To replenish its land bank, the Group entered into an agreement to acquire the property for HK\$166 million, completion of which will be in January 2007. The property has a site area of 18,469 sq. ft. and can be developed into bungalows of approximately 9,235 sq. ft.. The Group is studying plans with a view to redevelop the property.

- (ii) *1 Tai Yau Street, San Po Kong, Kowloon (30% owned)*

The property will be re-developed into a 22-storey high-class industrial/office building with a total area of approximately 190,000 sq. ft.. Foundation works have been completed and superstructure works are in progress up to the 6th level. It is expected that the project will be completed in late 2007.

- (iii) *Taman Sri Amber, Lot 2148 Pekan Setul, District of Seremban, Malaysia (100% owned)*

The project, with a site area of approximately 1.3 million sq. ft., is a low density mixed development comprising 244 single-storey and double-storey terrace houses, 406 apartments and various shopping units with a total gross floor area of approximately 690,000 sq. ft.. Phase I of the project, comprising 66 single-storey terrace houses and 45 apartments with a total gross floor area of 93,800 sq. ft., has been completed and sold. Phase II of the project is under planning stage.

## 2. CHUANG'S INDUSTRIAL (HOLDINGS) LIMITED

### **Sintex Nylon and Cotton Products (Pte) Limited (“Sintex”) (88.2% owned)**

Sintex is incorporated in Singapore and commenced business in mid-1970. It is a leading manufacturer and retailer of home finishing products under various brand names including “Sintex”, “Monzo”, “Shecando” and “Merican”. Apart from selling its products through major department stores, Sintex operates four specialty outlets, the “Homestyle”, in Singapore. With improved retail sales as a result of active marketing, Sintex recorded a 18.2% increase in turnover during the period when compared to the last corresponding period and its operating results have shown improvement.

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

Chuang's China, an approximately 61% owned subsidiary of the Group, is listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), and its subsidiaries (collectively 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.

### **(a) Property business**

The Chuang's China 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 Chuang's China Group's major property development projects in the PRC is summarised below:

#### *(i) Guangdong Province*

##### **(1) Chuang's New City, Dongguan (100% owned by Chuang's China)**

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, 211 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, 7 duplex apartments (with sizes ranging from 217 sq. m. to 320 sq. m.) are sold at an average price of approximately RMB5,000 per sq. m. during preliminary sales. Formal launch of the remaining 61 duplex apartments and the carparking spaces will be in coming months. Out of these sales of Gold Coast, it is expected that HK\$58 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.

- (2) Chuang's • Guangzhou Metropolis, Guangzhou (85% owned by Chuang's China)

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.

(3) Chuang's New Town, Huizhou (100% owned by Chuang's China)

During the period under review, the Chuang's China 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.

(ii) *Hunan Province*

(1) Beverly Hills, Changsha (54% owned by Chuang's China)

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.

- (2) Chuang's • Buckingham Palace, Changsha (100% owned by Chuang's China)

The Chuang's China 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 and it is expected that construction works in respect of the project will commence in mid-2007.

*(iii) Guangxi Province*

During the period under review, the Chuang's China 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) Manufacturing business**

- (i) Midas International Holdings Limited ("Midas") (44.7% owned by Chuang's China)*

Midas 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, 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.

- (ii) *Yuen Sang Hardware Company (1988) Limited (“Yuen Sang”) (100% owned by Chuang’s China)*

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% while its profit contribution remained steady when compared to last corresponding period. To further improve its operating performance, Yuen Sang continues to expand its sales team and develop new product mix and new market segments.

- (iii) *CNT Group Limited (“CNT”) (12.8% owned by Chuang’s China)*

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 amounted to HK\$3,090.6 million, equivalent to approximately HK\$2.09 per share.

## **FINANCING**

As at 30th September, 2006, the Group’s bank balances, cash and other investments amounted to HK\$937.9 million. Bank borrowings of the Group as at the same date amounted to HK\$1,265.9 million. The Group’s net debt to equity ratio, expressed as a percentage of bank borrowings net of bank balances, cash and other investments over total net assets attributable to equity holders of the Company, was approximately 10.6%.

Approximately 95.4% of the Group’s bank balances, cash and other investments were in Hong Kong dollar or United States dollar, with the balance 4.6% in Renminbi.

Approximately 90.2% of the Group's bank borrowings were denominated in Hong Kong dollar with the balance of 9.8% being denominated in Malaysian Ringgit and Renminbi. Approximately 5.1% of the Group's bank borrowings was repayable within one year, 9.0% repayable within 1 to 2 years, 63.9% repayable within 2 to 5 years and balance of 22.0% repayable over 5 years.

## **PROSPECTS**

Hong Kong's economy continued to grow on the back of growing economy in the PRC and stable global economic environment. Demand for quality private housing in Hong Kong should therefore remain strong in the long-term given steady interest rates, rising household income, declining unemployment rate and a return to mild inflation. The Group will continue to actively seek for opportunities to replenish its land bank. On the Group's property investment front, its rental portfolio should continue to perform well with higher rental rates for new leases and renewals. To enhance the yield, the Group will continue to upgrade its investment properties and will adopt proactive and effective leasing strategies to further improve their rental and occupancy rates.

In the PRC, 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 Hong Kong and the PRC maintain their economic growth, their markets are highly promising with tremendous business opportunities. To capitalise on the enormous potential in these markets, the Group will identify suitable investment opportunities in the property, manufacturing and investment sectors.

## STAFF

As at 30th September, 2006, the Group employed 1,203 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, 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 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 (the “Model Code”), to be notified to the Company and the Stock Exchange were as follows:

### (a) Interests in the Company

Name of Director	Number of shares	Capacity	Percentage of shareholding
Mr. Alan Chuang Shaw Swee (“Mr. Chuang”)	683,234,630	<i>Note 1</i>	46.227
Mrs. Alice Siu Chuang Siu Suen (“Mrs. Siu”)	236,040,538	<i>Note 2</i>	15.970
Mr. Lui Lop Kay (“Mr. Lui”)	116,000	Beneficial owner	0.008
Dr. Peter Po Fun Chan (“Dr. Chan”)	751,187	Beneficial owner	0.051



*Note 1:* Such interests comprised 515,202,006 shares in the Company owned by Evergain Holdings Limited and Chuang’s Cutlery Holdings Limited, companies beneficially owned by Mr. Chuang, and the remaining interests arose as a result of Mr. Chuang being a discretionary object of a discretionary trust, the trustee of which held 168,032,624 shares in the Company.

*Note 2:* Such interests comprised 68,007,914 shares in the Company owned by Hilltop Assets Limited, a company beneficially owned by Mrs. Siu, and the remaining interests arose as a result of Mrs. Siu being a discretionary object of a discretionary trust, the trustee of which held 168,032,624 shares in the Company.

**(b) Interests in Chuang’s China Investments Limited (“Chuang’s China”)**

<b>Name of Director</b>	<b>Number of shares</b>	<b>Capacity</b>	<b>Percentage of shareholding</b>
Mr. Chuang	789,216,556	<i>Notes 3 &amp; 6</i>	61.631
Mrs. Siu	2,000,000	Beneficial owner	0.156
Mr. Lui	12,500	Beneficial owner	0.001
Dr. Chan	4,120	Interest of controlled corporation	0.0003

**(c) Interests in Midas International Holdings Limited**

<b>Name of Director</b>	<b>Number of shares</b>	<b>Capacity</b>	<b>Percentage of shareholding</b>
Mr. Chuang	238,800,000	<i>Notes 4 &amp; 6</i>	44.695
Mr. Abraham Shek Lai Him	10,000	Beneficial owner	0.002

**(d) Interests in Treasure Auctioneer International Limited**

<b>Name of Director</b>	<b>Number of shares</b>	<b>Capacity</b>	<b>Percentage of shareholding</b>
Mr. Chuang	350,000	<i>Notes 5 &amp; 6</i>	35.0

*Note 3:* Such interests comprised 8,500,000 shares in Chuang's China beneficially owned by Mr. Chuang and 780,716,556 shares in Chuang's China owned by Profit Stability Investments Limited, a wholly owned subsidiary of the Company.

*Note 4:* Such interests arose through the interests in the relevant shares owned by Gold Throne Finance Limited, a wholly owned subsidiary of Chuang's China. Chuang's China is a subsidiary of the Company.

*Note 5:* Such interests comprised 100,000 shares owned by a corporation beneficially owned by Mr. Chuang and 250,000 shares beneficially owned by China Cyberworld Limited, a wholly owned subsidiary of Chuang's China. Chuang's China is a subsidiary of the Company.

*Note 6:* Mr. Chuang is entitled to exercise or control the exercise of one third or more of the voting power in general meetings of the Company.

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>
Evergain Holdings Limited	435,734,006	Beneficial owner, <i>Note 1</i>	29.481
Chuang’s Cutlery Holdings Limited	79,468,000	Beneficial owner, <i>Note 1</i>	5.377
Madam Chuang Shau Har (“Madam Chuang”)	168,755,848	<i>Note 2</i>	11.418
Mr. Lee Sai Wai (“Mr. Lee”)	168,755,848	<i>Note 3</i>	11.418
Mrs. Chong Ho Pik Yu	515,202,006	<i>Note 4</i>	34.858

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

*Note 2:* Interests in 168,032,624 shares arose as a result of Madam Chuang 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.

*Note 3:* Interests in 168,032,624 shares arose by attribution through his spouse, Madam Chuang, 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.

*Note 4:* Such interests arose by attribution through her spouse, Mr. Chuang, whose interests have been mentioned in Note 1 to the section headed “Directors’ Interests and Short Positions in Shares, Underlying Shares and Debentures”.

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 or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which was required, pursuant to Section 336 of Part XV of the SFO, to be entered in the register referred to therein.

## **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 listed shares during the period.

## **CLOSING OF REGISTER**

The register of members of the Company will be closed from Wednesday, 3rd January, 2007 to Friday, 5th January, 2007, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on Tuesday, 2nd January, 2007.

## **SHARE OPTION SCHEMES**

Pursuant to the ordinary resolutions passed in the annual general meeting of the Company held on 30th August, 2002, a share option scheme of the Company (the "Scheme") has been adopted and the share option scheme adopted by Chuang's China on 26th August, 2002 (the "Chuang's China Scheme") has been approved.

The purposes of the Scheme and the Chuang's China 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 Scheme and the Chuang's China Scheme since their adoption or approval.

## **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 Rules Governing the Listing of Securities on the Stock Exchange (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. Peter Po Fun Chan, Mr. Abraham Shek Lai Him and Mr. Chan Wai Dune, 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. Alan Chuang Shaw Swee, Mrs. Alice Siu Chuang Siu Suen, Mr. Ko Sheung Chi, Mr. Lui Lop Kay, Ms. So Kan Yiu and Ms. Cathy Chan Chung Shan are the Executive Directors, Dr. Peter Po Fun Chan, Mr. Abraham Shek Lai Him and Mr. Chan Wai Dune are the 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, 2006