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 RESULTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2007

RESULTS

The Board of Directors (the "Board") of Chuang's China Investments Limited (the "Company") is pleased to announce the interim financial information of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th September, 2007 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)
For the six months ended 30th September, 2007

	Note	**2007** *HK$'000*	2006 *HK$'000*
Revenue	2	**75,520**	64,312
Cost of sales		**(49,895)**	(47,086)
Gross profit		**25,625**	17,226
Other income		**46,144**	1,759
Distribution costs		**(5,784)**	(3,335)
Administrative expenses		**(42,924)**	(35,218)
Other operating expenses		**(1,207)**	(9,631)
Change in fair value of investment properties		**50,000**	20,000
Operating profit/(loss)	3	**71,854**	(9,199)
Finance costs		**(8,073)**	(7,781)
Share of results of associated companies		**(176)**	4,334
Profit/(loss) before taxation		**63,605**	(12,646)
Taxation	4	**(4,263)**	(5)
Profit/(loss) for the period		**59,342**	(12,651)
Attributable to:			
Equity holders		**61,227**	(7,714)
Minority interests		**(1,885)**	(4,937)
		59,342	(12,651)
Interim dividend		**7,503**	–
		HK cents	*HK cents*
Earnings/(loss) per share	5	**4.54**	(0.61)

\# *For identification purpose only*

CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30th September, 2007

	Note	30th September, 2007 HK$'000	31st March, 2007 HK$'000
Non-current assets			
Property, plant and equipment		**26,511**	28,636
Investment properties		**618,628**	567,800
Land use rights		**1,029,600**	882,319
Properties for/under development		**50,403**	23,284
Associated companies		**2,494**	2,651
Available-for-sale financial assets		**58,845**	46,920
		1,786,481	1,551,610
Current assets			
Properties for sale		**176,445**	176,858
Inventories		**8,311**	7,902
Debtors and prepayments	6	**88,540**	156,615
Cash and bank balances		**559,813**	354,161
		833,109	695,536
Current liabilities			
Creditors and accruals	7	**196,319**	110,920
Current portion of long-term borrowings		**27,950**	2,000
Taxation		**38,554**	35,010
		262,823	147,930
Net current assets		**570,286**	547,606
Total assets less current liabilities		**2,356,767**	2,099,216
Equity			
Share capital		**75,027**	64,027
Reserves		**1,773,576**	1,392,166
Proposed final dividend		**–**	12,805
Shareholders' funds		**1,848,603**	1,468,998
Minority interests		**5,820**	65,495
Total equity		**1,854,423**	1,534,493
Non-current liabilities			
Long-term borrowings		**300,250**	335,508
Deferred taxation liabilities		**191,989**	191,503
Other non-current liabilities		**10,105**	37,712
		502,344	564,723
		2,356,767	2,099,216

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 at fair values, and in accordance with Hong Kong Accounting Standards ("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, 2007.

In 2007, the Group adopted the following new standards, amendments and interpretations that are effective for the accounting periods beginning on 1st January, 2007 and relevant to the operation of the Group:

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of above standards, amendments and interpretations does not have any significant effect on the accounting policies of the Group.

The following standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1st January, 2008 or later periods but which the Group has not early adopted:

HKFRS 8	Operating Segments
HKAS 23 (Revised)	Borrowing Costs
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group is assessing the impact of these standards, amendments and interpretations but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

2. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in property investment and development, sale of goods and services, and others (representing information technology services and securities investment and trading). In accordance with the internal financial reporting and the operating activities of the Group, the primary segment reporting is business segments and the secondary segment reporting is geographical segments. Analysis of the revenue and operating profit/(loss) by business and geographical segments is as follows:

Business segments

	Property investment and development *HK$'000*	**Sale of goods and services** *HK$'000*	**Others and corporate** *HK$'000*	**Group** *HK$'000*
2007				
Revenue	**50,709**	**17,075**	**7,736**	**75,520**
Other income	**42,709**	**1,302**	**2,133**	**46,144**
Segment results	**83,126**	**(406)**	**(10,866)**	**71,854**
Finance costs				**(8,073)**
Share of results of associated companies	**–**	**–**	**(176)**	**(176)**
Profit before taxation				**63,605**
Taxation				**(4,263)**
Profit for the period				**59,342**
As at 30th September, 2007				
Segment assets	**1,968,768**	**17,102**	**31**	**1,985,901**
Associated companies	**–**	**–**	**2,494**	**2,494**
Unallocated assets				**631,195**
Total assets				**2,619,590**
Segment liabilities	**526,125**	**6,250**	**706**	**533,081**
Unallocated liabilities				**232,086**
Total liabilities				**765,167**
Capital expenditure	**180,454**	**12**	**2,901**	**183,367**
Depreciation	**1,143**	**350**	**4,253**	**5,746**
Amortisation of land use rights	**8,359**	**–**	**–**	**8,359**

	Property investment and development *HK$'000*	Sale of goods and services *HK$'000*	Others and corporate *HK$'000*	Group *HK$'000*
2006				
Revenue	35,882	23,631	4,799	64,312
Other income	468	1,140	151	1,759
Segment results	1,674	1,580	(12,453)	(9,199)
Finance costs				(7,781)
Share of results of associated companies	–	2,760	1,574	4,334
Loss before taxation				(12,646)
Taxation				(5)
Loss for the period				(12,651)
As at 31st March, 2007				
Segment assets	1,816,432	13,089	850	1,830,371
Associated companies	–	–	2,651	2,651
Unallocated assets				414,124
Total assets				2,247,146
Segment liabilities	478,705	4,199	605	483,509
Unallocated liabilities				229,144
Total liabilities				712,653
Capital expenditure	1,991	410	2,360	4,761
Depreciation	865	369	4,265	5,499
Amortisation of land use rights	8,405	–	–	8,405

Geographical segments

	Revenue		Total assets		Capital expenditure	
			30th September,	31st March,		
	2007	2006	**2007**	2007	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**32,604**	34,077	**1,123,340**	885,355	**3,375**	1,970
Mainland China	**41,859**	29,031	**1,495,919**	1,361,462	**179,992**	2,791
Other countries	**1,057**	1,204	**331**	329	**–**	–
	75,520	64,312	**2,619,590**	2,247,146	**183,367**	4,761

3. OPERATING PROFIT/(LOSS)

	2007	2006
	HK$'000	*HK$'000*
Operating profit/(loss) is stated after crediting:		
Excess of fair value of net assets acquired over cost of acquisition of minority interests in a subsidiary	**21,329**	–
Write back of provisions for tax liabilities undertakings *(note)*	**21,019**	–
and after charging:		
Amortisation of land use rights	**8,359**	8,405
Cost of properties and inventories sold	**48,084**	45,818
Depreciation	**5,746**	5,499
Staff costs, including Directors' emoluments:		
Wages and salaries	**13,144**	11,063
Retirement benefit costs	**464**	424

Note: In December 2001, the Group disposed of certain properties and provided undertakings to the purchaser, Midas International Holdings Limited, formerly an associated company, for the tax liabilities in relation to these properties. In 2007, these properties were disposed of by the purchaser to third parties and therefore related provisions for the undertakings had been written back by the Group.

4. TAXATION

	2007	2006
	HK$'000	*HK$'000*
Current (overseas)	**3,777**	5
Deferred	**486**	–
	4,263	5

No provision for Hong Kong profits tax has been made as the Group does not have any estimated assessable profits for the period (2006: 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, 2007 amounting to HK$117,000 (2006: HK$1,052,000) is included in the profit and loss account as share of results of associated companies.

5. 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$61,227,000 (2006: loss of HK$7,714,000) and the weighted average number of 1,347,872,017 (2006: 1,267,221,820) shares in issue during the period.

The dilutive earnings/(loss) per share equal to the basic earnings/(loss) per share since there are no diluted potential shares in issue during the period.

6. 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:

	30th September, 2007 *HK$'000*	31st March, 2007 *HK$'000*
Below 30 days	**3,833**	2,946
31 to 60 days	**1,448**	759
61 to 90 days	**1,720**	486
Over 90 days	**1,441**	1,010
	8,442	5,201

7. CREDITORS AND ACCRUALS

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

	30th September, 2007 *HK$'000*	31st March, 2007 *HK$'000*
Below 30 days	**1,959**	1,874
31 to 60 days	**1,476**	331
61 to 90 days	**1,249**	518
Over 90 days	**342**	–
	5,026	2,723

8. **FINANCIAL GUARANTEES**

As at 30th September, 2007, two subsidiaries had provided guarantees amounting to HK$100.6 million (31st March, 2007: HK$69.4 million) to banks for mortgage loans made by the banks to the purchasers of properties sold by the subsidiaries.

9. **CAPITAL COMMITMENTS**

As at 30th September, 2007, the Group had capital expenditure commitments contracted but not provided for amounting to HK$301,277,000 (31st March, 2007: HK$34,640,000).

10. **PLEDGE OF ASSETS**

As at 30th September, 2007, the Group had pledged the shares and assets of certain subsidiaries, including bank deposits, investment properties, land use rights, properties for/under development and properties for sale, with an aggregate carrying amount of HK$817,190,000 (31st March, 2007: HK$751,646,000), to secure general banking and financial guarantee facilities granted to those subsidiaries.

FINANCIAL REVIEW

The Group's revenue for the six months ended 30th September, 2007 was HK$75.5 million (2006: HK$64.3 million), representing a 17.4% increase over that of last year. The increase was directly related to sale of properties in the People's Republic of China (the "PRC"), which amounted to HK$41.1 million and representing over 54% of the Group's total revenue.

As a result of the increase in revenue, gross profit for the six months increased by 48.8% to HK$25.6 million (2006: HK$17.2 million), representing a gross profit margin of about 34%. Other income increased to HK$46.1 million during the period. To cope with the Group's expansion of its property development business in the PRC, distribution costs and administrative expenses have increased. The revaluation of the Group's investment properties has led to a gain in fair value of HK$50 million. Thus the Group reported an operating profit of HK$71.9 million for the six months ended 30th September, 2007 (2006: loss of HK$9.2 million) and profit attributable to equity holders of the Company was HK$61.2 million (2006: loss of HK$7.7 million).

INTERIM DIVIDEND

The Board declares an interim dividend of 0.5 HK cent per share (2006: Nil) payable on or before 14th January, 2008 to shareholders whose names appear on the Company's register of members on 4th January, 2008.

BUSINESS REVIEW

Land acquisitions and land bank

2007 is a busy year for the Group. In September 2007, the Group completed the acquisition of the 15% minority interests in the subsidiary which owns Chuang's Le Papillon in Guangzhou, and is now wholly owned by the Group. Furthermore, the Group has also in September 2007 committed two new acquisitions at an aggregate consideration of over RMB200 million, one in Chengdu and the other in Xiamen, for the development of an aggregate gross floor area ("GFA") of about 146,500 sq. m..

With the above additions, the Group's development projects increased to an aggregate GFA of about 3,426,500 sq. m. and will be sufficient to sustain our continuous development for the next three to five years. Details of the Group's projects are as follows:

	Total developable GFA (sq. m.)
Chuang's Le Papillon, Guangzhou	450,000
Imperial Garden, Chuang's New City, Dongguan	530,000
Chuang's New Town, Huizhou	200,000
Beverly Hills, Changsha	1,600,000*
Chuang's Palazzo Caesar, Changsha	500,000
Chuang's Le Printemps, Chengdu	130,000
Xiamen Mingjia Binhai, Xiamen	16,500
Total	3,426,500

* GFA to be developed includes 1.53 million sq. m. pending procedures for obtaining the land use rights

Development progress

The Group's property projects are developed by stages. Currently, about 830,000 sq. m. of GFA in Guangzhou, Dongguan, Changsha, Chengdu and Xiamen are under development. The following is a summary of the progress.

Chuang's Le Papillon, Guangzhou, Guangdong (100% interests)

The first phase comprising 70,000 sq. m. GFA is under development. It will provide 11 residential blocks of over 400 apartments with typical flats ranging from 90 sq. m. to 185 sq. m. and executive duplex units of 343 sq. m. as well as commercial and club house facilities. This phase is expected to be completed in the financial year ending 2009. The second phase development providing another 200,000 sq. m. GFA will commence shortly. On the basis of current market condition, it is expected that the average selling price will be around RMB8,500 to RMB10,000 per sq. m., which will be a remarkable revenue and profit generator to the Group.

Imperial Garden, Chuang's New City, Dongguan, Guangdong (100% interests)

Construction of 8 residential blocks with aggregate GFA of about 86,000 sq. m. is in progress. There will be over 600 apartments with typical flats ranging from 80 sq. m. to 160 sq. m., executive duplex units of about 280 sq. m. and unique simplex units of 445 sq. m.. Piling works have been completed. Sub-structure works and super-structure works will follow immediately. Construction works for these initial 8 blocks are expected to be completed in the next financial year. Furthermore, construction of an additional 176,000 sq. m. GFA has commenced with foundation works taken-off.

Beverly Hills, Changsha, Hunan (54% interests)

At Beverly Hills of Changsha, construction works of phase I for about 77,000 sq. m. GFA are progressing satisfactorily, with at least 55,000 sq. m. to be completed for handover within the financial year ending 2008. This relates to the low density development comprising 171 bungalows, link houses and semi-detached houses and 54 units of high-rise apartments. The remaining 22,000 sq. m. under development comprises one supreme bungalow of over 1,000 sq. m. with a private swimming pool, 90 units of high-rise apartments as well as 106 units of service apartments and will be ready for handover in the next financial year. The phase II development of 480 mu is under planning stage.

Chuang's Palazzo Caesar, Changsha, Hunan (100% interests)

The site will be delivered to the Group by the local government in December 2007 and master planning work has been completed. Site formation work will commence soon on phase I of Chuang's Palazzo Caesar. In this phase, it will comprise over 300 bungalows, link houses and semi-detached houses with GFA of 77,000 sq. m. and the construction works are expected to be completed in the next financial year. The average selling price is expected to be in the region of RMB5,000 to RMB6,000 per sq. m..

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

With the growing demand for properties buyers in Huizhou both locally and from Shenzhen, the Group has recently revised the development plan for this project, with a 30% increase in GFA to about 200,000 sq. m.. Once the master planning is finalised, the Group will review its strategy for this development project.

Chuang's Le Printemps, Chengdu, Sichuan (51% interests)

The site, having an area of about 30,000 sq. m., is situated in the prime area within the second ring road, in the region of 武侯區 (Wu Hou Qu). The development will comprise residential and commercial GFA of about 130,000 sq. m.. The Group's land cost per sq. m. of developable area is about RMB1,700 and the expected average selling prices for residential and commercial properties are around RMB9,000 and RMB15,000 per sq. m. respectively. Master planning will be completed very soon and construction will commence in early 2008.

Xiamen Mingjia Binhai, Xiamen (51% interests)

The site, having an area of about 27,574 sq. m., is located in 思明區 (Siming Qu) of Xiamen. It will be developed into high-end villas and resort with GFA of about 16,545 sq. m. providing full hotel services and facilities surrounded by tropical landscaping and glamorous water features. Total land cost and development cost for this project are estimated to be RMB12,000 per sq. m., which has significant room for upside appreciation when compared with current selling prices of villas in the area of over RMB40,000 per sq. m.. The Group will commence on master planning work shortly.

Property Sales

For the six months ended 30th September, 2007, property sales of the Group was HK$41.1 million, and mainly related to completed properties at Gold Coast in Dongguan, representing a 45% increase when compared to that of the last corresponding period.

Apart from the above, contracted sales of HK$262 million mainly related to Gold Coast and Beverly Hills have not yet been recognised as revenue. With the handover of these properties to purchasers within this financial year, we expect that these contracted sales will be booked as revenue in the second half of this financial year, resulting in a significant increase in the Group's revenue.

Furthermore, the Group has properties available for sale comprising 2,403 sq. m. GFA and 334 carparking spaces at Gold Coast and 46,700 sq. m. at Beverly Hills. On the basis of the above, the Group targets to achieve sales of HK$500 million for the 2008 financial year.

Other Investments

During the period, the Group's rental property in Hong Kong, Chuang's Tower in Central, maintained full occupancy rate. Rental and other income during the period was HK$9.2 million, representing an increase of 30% as compared to the last corresponding period.

The Group's other assets include Yuen Sang Hardware Company (1988) Limited which engaged in the manufacture and sale of metalware for exports, and approximately 12% interests in a quoted investment in CNT Group Limited.

The aggregate book values of these other investments amounted to over HK$665 million as at 30th September, 2007. The Group will assess the disposal of these investments when suitable opportunities arise.

FINANCIAL POSITION

In August this year, the Group raised net proceeds of approximately HK$310 million by placing 220 million new shares to independent investors at HK$1.45 per share. The share placement further solidified the Group's financial strength for its property development business.

As at 30th September, 2007, the Group's cash and bank balances amounted to HK$559.8 million (31st March, 2007: HK$354.2 million). Bank borrowings of the Group as at the same date amounted to HK$328.2 million (31st March, 2007: HK$337.5 million).

The net debt to equity ratio was zero because the Group had surplus cash of about HK$231.6 million over bank borrowings (31st March, 2007: HK$16.7 million).

Approximately 85.2% of the Group's cash and bank balances were in Hong Kong dollar, United States dollar with the remaining 14.8% in Renminbi. Risk in exchange rate fluctuation would not be material.

About 82.6% of the Group's bank borrowings were in Hong Kong dollar and 17.4% in Renminbi. Approximately 8.5% of the Group's bank borrowings were repayable within one year, 12.6% repayable within 1 to 2 years, 14.6% repayable within 2 to 5 years and 64.3% repayable after 5 years.

As at 30th September, 2007, the net assets value attributable to equity holders of the Company was HK$1,848.6 million. Net asset value per share amounted to HK$1.23, which is calculated based on the historical cost of the Group's land bank, before taking into account the appreciated value.

PROSPECTS

The property market in the PRC will remain healthy and demand for housing will be strong under the continuous economic growth in the country. The Group will aggressively push for the development and sales of the existing projects for delivery in the coming few years and will move firmly ahead with its strategy of achieving sustainable development.

Looking ahead, the Group is optimistic about the prospects of the projects in the cities where we are located and will continue developing high-end residential projects with an affordable average selling price. With the relatively low land cost of these projects, there is ample room for remarkable growth in turnover and profits for the Group.

STAFF

As at 30th September, 2007, the Group employed 225 staff. In addition, the subcontracting factories of the Group have 600 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.

CLOSING OF REGISTER

The register of members of the Company will be closed from Wednesday, 2nd January, 2008 to Friday, 4th January, 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrars in Hong Kong, Tricor Progressive Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on Monday, 31st December, 2007.

CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 30th September, 2007 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 of Hong Kong Limited (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, 2007. 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 for Securities Transactions by Directors of Listed Issuers (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.

PUBLICATION OF RESULT ON THE STOCK EXCHANGE'S WEBSITE

The interim report of the Company for the six months ended 30th September, 2007 containing all applicable information required by Paragraph 46 of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

GENERAL

As at the date of this announcement, Mr. Ko Sheung Chi, Mr. Lee Sai Wai, Miss Ann Li Mee Sum, Mr. Sunny Pang Chun Kit and Miss Candy Chuang Ka Wai are Executive Directors, Dr. Hwang Jen, Mr. David Chu Yu Lin, Dr. Peter Po Fun Chan and Mr. Chan Wai Dune are Independent Non-Executive Directors of the Company.

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

Hong Kong, 10th December, 2007