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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, 2008

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, 2008 as follows:

CONSOLIDATED INCOME STATEMENT (UNAUDITED)
For the six months ended 30th September, 2008

	Note	**2008** *HK$'000*	2007 *HK$'000*
Revenues	*2*	**62,449**	75,520
Cost of sales		**(35,004)**	(49,895)
Gross profit		**27,445**	25,625
Other income		**1,167**	46,144
Selling and marketing expenses		**(6,541)**	(5,784)
Administrative expenses		**(37,232)**	(42,924)
Other operating expenses		**(6,517)**	(1,207)
Change in fair value of investment properties		**50,000**	50,000
Operating profit	*3*	**28,322**	71,854
Finance costs		**(11,356)**	(8,073)
Share of results of associated companies		**227**	(176)
Profit before taxation		**17,193**	63,605
Taxation	*4*	**(10,419)**	(4,263)
Profit for the period		**6,774**	59,342
Attributable to:			
Equity holders		**6,099**	61,227
Minority interests		**675**	(1,885)
		6,774	59,342
Interim dividend		**–**	7,503
		HK cents	*HK cents*
Earnings per share (basic and diluted)	*5*	**0.41**	4.54

\# *For identification purpose only*

CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 30th September, 2008

	Note	30th September, 2008 HK$'000	31st March, 2008 HK$'000
Non-current assets			
Property, plant and equipment		**40,449**	41,480
Investment properties		**750,581**	699,488
Land use rights		**1,755**	1,771
Associated companies		**3,165**	2,938
Available-for-sale financial assets		**23,538**	43,153
Loans and receivables		**22,739**	21,793
		842,227	810,623
Current assets			
Properties for sale		**1,535,560**	1,348,333
Inventories		**6,214**	7,260
Debtors and prepayments	*6*	**134,488**	123,751
Cash and bank balances		**348,659**	453,930
		2,024,921	1,933,274
Current liabilities			
Creditors and accruals	*7*	**134,987**	131,503
Short-term borrowings		**158,094**	144,638
Current portion of long-term borrowings		**49,807**	6,000
Dividend payable		**15,005**	–
Taxation payable		**57,197**	56,663
		415,090	338,804
Net current assets		**1,609,831**	1,594,470
Total assets less current liabilities		**2,452,058**	2,405,093
Equity			
Share capital		**75,027**	75,027
Reserves		**1,805,668**	1,799,748
Proposed final dividend		**–**	15,005
Shareholders' funds		**1,880,695**	1,889,780
Minority interests		**7,798**	6,502
Total equity		**1,888,493**	1,896,282
Non-current liabilities			
Long-term borrowings		**353,000**	305,304
Deferred taxation liabilities		**200,429**	193,387
Other non-current liabilities		**10,136**	10,120
		563,565	508,811
		2,452,058	2,405,093

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 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, 2008.

The following standards, amendment and interpretation have been published and are mandatory for the Group's accounting periods beginning on or after 1st April, 2009, but have not yet been adopted by the Group:

HKAS 1 (Revised)	Presentation of Financial Statements (effective from 1st January, 2009)
HKAS 23 (Revised)	Borrowing Costs (effective from 1st January, 2009)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements (effective from 1st July, 2009)
HKFRS 2 (Amendment)	Share-based Payment: Vesting Conditions and Cancellations (effective from 1st January, 2009)
HKFRS 3 (Revised)	Business Combinations (effective from 1st July, 2009)
HKFRS 8	Operating Segments (effective from 1st January, 2009)
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate (effective from 1st January, 2009)

The Group has not yet adopted any of the above standards, amendment and interpretation. Management is in the process of making an assessment of the impact of the above standards, amendment and interpretation. They are not expected to have a significant impact on the Group's results of operations and financial position.

2. REVENUES 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 security 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 revenues (representing turnover), operating profit, assets, capital expenditure, depreciation and amortisation by business and geographical segments is as follows:

(a) Business segments

	Property investment and development *HK$'000*	Sale of goods and services *HK$'000*	Others and corporate *HK$'000*	Total *HK$'000*
2008				
Revenues	**39,801**	**19,010**	**3,638**	**62,449**
Other income	**256**	**894**	**17**	**1,167**
Segment results	**45,844**	**1,151**	**(18,673)**	**28,322**
Finance costs				**(11,356)**
Share of results of associated companies	**–**	**–**	**227**	**227**
Profit before taxation				**17,193**
Taxation				**(10,419)**
Profit for the period				**6,774**
As at 30th September, 2008				
Segment assets	**2,449,894**	**14,688**	**31**	**2,464,613**
Associated companies	**–**	**–**	**3,165**	**3,165**
Unallocated assets				**399,370**
Total assets				**2,867,148**
Segment liabilities	**135,277**	**6,393**	**967**	**142,637**
Unallocated liabilities				**836,018**
Total liabilities				**978,655**
2008				
Other segment items are as follows:				
Capital expenditure	**184,204**	**204**	**233**	**184,641**
Depreciation	**1,643**	**256**	**1,178**	**3,077**
Amortisation of land use rights				
– charged to income statement	**395**	**–**	**–**	**395**
– capitalised into properties under development for sale	**8,413**	**–**	**–**	**8,413**

	Property investment and development *HK$'000*	Sale of goods and services *HK$'000*	Others and corporate *HK$'000*	Total *HK$'000*
2007				
Revenues	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 31st March, 2008				
Segment assets	2,201,714	13,039	969	2,215,722
Associated companies	–	–	2,938	2,938
Unallocated assets				525,237
Total assets				2,743,897
Segment liabilities	132,253	6,182	849	139,284
Unallocated liabilities				708,331
Total liabilities				847,615
2007				
Other segment items are as follows:				
Capital expenditure	180,454	12	2,901	183,367
Depreciation	1,143	350	4,253	5,746
Amortisation of land use rights – charged to income statement	8,359	–	–	8,359

(b) **Geographical segments**

	Revenues		Total assets		Capital expenditure	
			30th September,	31st March,		
	2008	2007	**2008**	2008	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**29,956**	32,604	**945,015**	1,002,888	**550**	3,375
Mainland China	**31,508**	41,859	**1,916,626**	1,739,856	**184,091**	179,992
Other countries	**985**	1,057	**5,507**	1,153	**–**	–
	62,449	75,520	**2,867,148**	2,743,897	**184,641**	183,367

3. OPERATING PROFIT

	2008	2007
	HK$'000	*HK$'000*
Operating profit 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	**395**	8,359
Cost of properties and inventories sold	**32,820**	48,084
Depreciation	**3,077**	5,746
Net exchange loss	**3,456**	–
Staff costs, including Directors' emoluments		
Wages and salaries	**16,504**	13,144
Retirement benefit costs	**537**	464

* *included in other income*

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

	2008	2007
	HK$'000	*HK$'000*
Current		
Mainland China corporate income tax	**2,103**	27
Mainland China land appreciation tax	**1,299**	3,750
Deferred	**7,017**	486
	10,419	4,263

No provision for Hong Kong profits tax has been made as the Group does not have any estimated assessable profits for the period (2007: 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, 2008 amounting to HK$57,000 (2007: HK$117,000) is included in the income statement as share of results of associated companies.

5. EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit attributable to equity holders of HK$6,099,000 (2007: HK$61,227,000) and the weighted average number of 1,500,549,612 (2007: 1,347,872,017) shares in issue during the period.

The dilutive earnings per share are equal to the basic earnings 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, 2008 *HK$'000*	31st March, 2008 *HK$'000*
Below 30 days	**2,695**	3,151
31 to 60 days	**3,181**	849
61 to 90 days	**2,027**	990
Over 90 days	**1,368**	1,813
	9,271	6,803

7. CREDITORS AND ACCRUALS

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

	30th September, 2008 *HK$'000*	31st March, 2008 *HK$'000*
Below 30 days	**446**	1,691
31 to 60 days	**1,269**	736
61 to 90 days	**1,307**	1,098
Over 90 days	**1,510**	414
	4,532	3,939

8. FINANCIAL GUARANTEES

As at 30th September, 2008, subsidiaries have provided guarantees amounting to HK$65.1 million (31st March, 2008: HK$69.1 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, 2008, the Group has capital expenditure commitments contracted but not provided for amounting to HK$383,214,000 (31st March, 2008: HK$492,573,000).

10. PLEDGE OF ASSETS

As at 30th September, 2008, the Group has pledged the shares and assets of certain subsidiaries, including bank deposits, investment properties and properties for sale, with an aggregate net book value of HK$876,236,000 (31st March, 2008: HK$809,816,000), to secure general banking and financial guarantee facilities granted to those subsidiaries.

FINANCIAL REVIEW

The Group's revenues for the six months ended 30th September, 2008 was HK$62.4 million (2007: HK$75.5 million), representing a 17.4% decrease over that of last year. During the period, transaction volumes and prices of properties in the People's Republic of China (the "PRC") have continued to decrease. Market sentiment was weak and thus, the Group's sale of properties in the PRC has slowed down.

During the six months under review, gross profit increased to HK$27.4 million (2007: HK$25.6 million). Other income decreased to HK$1.2 million due to absence of non-recurring accounting profits recorded in the last corresponding period. Reflecting the improvement in the office prices in Hong Kong during the period, the Group recorded an upward revaluation surplus of HK$50 million (2007: HK$50 million). On the costs side, selling and marketing expenses increased to HK$6.5 million (2007: HK$5.8 million) to cope with the Group's property development business in the PRC. Administrative expenses decreased to HK$37.2 million (2007: HK$42.9 million), and other operating expenses increased to HK$6.5 million (2007: HK$1.2 million). Taking these factors into account, the Group reported an operating profit of HK$28.3 million for the six months ended 30th September, 2008 (2007: HK$71.9 million).

Finance costs increased to HK$11.4 million as a result of increased bank borrowings to finance the Group's development projects. For the six months ended 30th September, 2008, profit attributable to equity holders of the Company was HK$6.1 million (2007: HK$61.2 million). Earnings per share were 0.41 HK cent (2007: 4.54 HK cents).

INTERIM DIVIDEND

The Directors do not declare an interim dividend for the six months ended 30th September, 2008 (2007: 0.5 HK cent per share).

BUSINESS REVIEW

Property Development

During the financial year 2008 when the property market in the PRC was booming, the Group had planned for the full scale development of all our projects in Guangzhou, Dongguan, Changsha, Chengdu and Xiamen. However, with the implementation of a series of macro economic control policies during the period under review and the continuing correction of the property market in the PRC, the Group has cautiously reviewed and slowed down the development schedule of our projects with a view to preserve the Group's cashflow. A brief summary of the major projects is as follows:

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

The development has a total gross floor area ("GFA") of 450,000 sq. m. and the average land cost is about RMB820 per sq. m.. The first phase of the project comprising a GFA of 60,000 sq. m. residential and 10,000 sq. m. commercial and clubhouse facilities is under development. It will provide a total of 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.. Foundation works for the first phase have been completed. Superstructures of the initial 3 residential blocks have topped-off in December 2008. In view of the high price of steel and other construction materials committed by the Group during the year, construction costs of the initial 3 blocks were around RMB3,100 per sq. m.. As the current prices of steel and other construction materials are lower, the Group is actively taking steps to reduce the construction costs for the remaining 8 blocks to around RMB2,800 per sq. m.. Marketing of the initial 3 blocks will commence in early 2009.

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

Chuang's New City has a total GFA of 530,000 sq. m. and the average land cost is about RMB650 per sq. m.. Construction of 8 residential blocks of Imperial Garden with aggregate GFA of about 89,000 sq. m. is in progress. It provides 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.. Superstructures of these 8 blocks have topped-off in August 2008. External finishing works are now in progress. It is expected that construction works will be completed during 2009. The construction costs for these 8 blocks of about RMB3,500 per sq. m. are high because the prices of steel and construction materials were at a high level in the first half of 2008. Pre-sales of Imperial Garden have commenced in October 2008 but the progress is slow under the current market sentiment.

Beverly Hills, Changsha, Hunan (54% owned)

Construction works of phase I of the project for about 70,000 sq. m. GFA are in progress. Land cost is about RMB200 per sq. m. and construction costs are about RMB2,000 per sq. m.. Phase I of the project is a low density development comprising 172 bungalows, link houses and semi-detached houses and 144 units of high-rise apartments. Development of link houses and semi-detached houses have been completed in the last financial year and it is expected that handover of high-rise apartments will commence by the end of December 2008. Up to the date of this report, about 54% of the development has been sold. The Group is planning for the phase II of the project and is negotiating with the local government for a favourable land cost under the current market condition.

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

The Group acquired the site with a total developable GFA of 640,000 sq. m. in December 2006 at the average land cost of RMB230 per sq. m.. According to the terms of the land auction, the Group had fully paid the land cost in early 2007. However, delivery of the site to the Group by the local government was delayed by one year until April 2008. As a result of such delay, the Group had missed the opportunity of launching the project during the booming property market in 2007. At present, the master layout plan of the development has been approved. The development will comprise low density link houses, semi-detached houses and bungalows with about 166,000 sq. m. GFA as well as apartments with 464,000 sq. m. GFA and commercial facilities of 10,000 sq. m. GFA. Site formation works have commenced on phase I of the project comprising 55,000 sq. m. GFA.

Xiamen Mingjia Binhai, Xiamen (51% owned)

The site, having an area of about 27,574 sq. m., is located in 思明區 (Siming Qu) of Xiamen. Land cost of this project is about RMB5,200 per sq. m.. It will be developed into high-end villas and resort with GFA of about 16,500 sq. m., providing 40 villas and a boutique hotel with about 100 keys. The development will be surrounded by tropical landscaping and glamorous water features. Master planning work for the villas and resort is progressing.

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

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). Land cost of this project is about RMB1,800 per sq. m.. The development will comprise residential and commercial GFA of about 120,000 sq. m. and carparking spaces of about 30,000 sq. m.. Land conversion fee has recently been determined at about RMB20 million, of which RMB10 million has been paid. Master planning is in progress. The project will be developed by stages, with the first phase of about 72,000 sq. m. providing residential, commercial GFA as well as carparking spaces.

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

In January 2008, the Group entered into an agreement with 大亞灣經濟技術開發集團公司 (Daya Bay Economic & Technological Development Group), a state-owned enterprise, to dispose of the Group's interest in a site of 55,355 sq. m. at Huizhou for about RMB195 million with original completion date before the end of April 2008. Deposit of about RMB14 million has been received. As affected by the macro economic measures in the PRC, 大亞灣經濟技術開發區國有資產管理中心 (Daya Bay State-owned Assets Supervision and Administration Commission) had proposed to defer completion of the transaction. The Group is currently considering the proposal and seeking legal advice on the deferral. Furthermore, the Group's remaining site with an area of 11,236 sq. m. will be resumed by the government to facilitate the construction of 廈深鐵路 (Shenzhen Xiamen Railway). It is expected that negotiation on the compensation for the resumption of land will commence in early 2009.

Property Sales

For the six months ended 30th September, 2008, property sales of the Group was HK$28.4 million, mainly related to sales of Gold Coast in Dongguan and Beverly Hills in Changsha.

In the financial year ending 2009, the Group will market about 182,000 sq. m. GFA relating to Guangzhou, Dongguan and Changsha, and 257 carparking spaces in Dongguan. Up to the date of this report, the Group has contracted sales of about HK$79.0 million relating to Gold Coast, Imperial Garden and Beverly Hills which has not yet been recorded as revenues.

Other Investments

During the period, the Group's rental property in Hong Kong, Chuang's Tower in Central, maintained high occupancy rate. Rental and other income during the period was HK$10.3 million, representing an increase of 13% 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, approximately 12.5% interests in a quoted investment in CNT Group Limited and 25% interests in Treasure Auctioneer International Limited.

The aggregate book values of these other investments amounted to over HK$737.0 million as at 30th September, 2008. During the period, the Group has contemplated the sale of these other investments at the right prices and will continue to identify suitable opportunities for such disposal so as to generate additional capital for our property development business in the PRC.

FINANCIAL POSITION

As at 30th September, 2008, the Group's cash and bank balances amounted to HK$348.7 million (31st March, 2008: HK$453.9 million). Bank borrowings of the Group as at the same date amounted to HK$560.9 million (31st March, 2008: HK$455.9 million).

The net debt to equity ratio of the Group (expressed as a percentage of bank borrowings net of cash and bank balances over total net assets value attributable to the equity holders of the Company) was 11.3% (31st March, 2008: 0.1%).

Approximately 82% of the Group's cash and bank balances were in Hong Kong dollar, United States dollar with the remaining 18% in Renminbi. Risk in exchange rate fluctuation would not be material.

About HK$369.0 million (being 65.8%) of the Group's bank borrowings were in Hong Kong dollars and HK$191.9 million (equivalent to RMB169.2 million) (being 34.2%) were in Renminbi. Approximately 37.1% of the Group's bank borrowings were repayable within one year, 3.9% repayable within 1 to 2 years and 59.0% repayable within 2 to 5 years. As majority of the Group's assets are located in the PRC, in the future, the Group will pursue the strategy of increasing its borrowings in Renminbi in order to cope with the project developments in the PRC whilst the borrowings in Hong Kong dollars will be reduced.

As at 30th September, 2008, the net assets value attributable to equity holders of the Company was HK$1,880.7 million. Net asset value per share amounted to HK$1.25, which is calculated based on the historical cost of the Group's land bank, before taking into account the appreciated value.

PROSPECTS

The recent turmoil in the global financial market has caused further upheaval in the business sectors and will inevitably have an adverse impact on economic growth. In the PRC, property prices and transaction volumes have experienced sharp decline in the past months. However, we believe that the fundamental factors underpinning the healthy growth of the property sector in the PRC to remain intact. Market demand will remain strong in the long-term as driven by the on-going urbanisation and the strive for improving living environment continues.

With the various measures introduced by the PRC government recently, in particular the relaxation of monetary policy and stimulation of domestic consumptions, confidence of the PRC property buyers will gradually be restored. To weather the fluctuations under this tough environment, the Group will exercise stringent control over its financial position and tighten cost control on development projects in order to maintain its price competitiveness. The Group continues to maintain positive outlook on the long-term development of the property market in the PRC.

STAFF

As at 30th September, 2008, the Group employed 338 staff. In addition, the subcontracting factories of the Group have 489 workers. The Group provides its staff with other benefits including discretionary bonus, contributory provident fund, share options and medical insurance. Staff training is also provided as and when required.

DEALING IN THE COMPANY'S SECURITIES

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

CORPORATE GOVERNANCE

In the annual general meeting (the "AGM") of the Company held on 28th August, 2008, the Chairman of the Company, due to personal commitment, had not attended the AGM in accordance with Rule E.1.2 of the Appendix 14 – Code on Corporate Governance Practices ("CG Code") of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). However, the Deputy Chairman of the Company attended the AGM to answer questions raised by shareholders. Except mentioned above, the Company has complied throughout the six months ended 30th September, 2008 with the code provisions set out in the CG Code 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 and review the relationship with the auditors. The audit committee has held meetings in accordance with the relevant requirements and reviewed the interim report of the Group for the six months ended 30th September, 2008. 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, 2008 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. Lee Sai Wai, Miss Ann Li Mee Sum, Mr. Sunny Pang Chun Kit, Miss Candy Chuang Ka Wai and Mr. Albert Chuang Ka Pun are Executive Directors, Mr. Abraham Shek Lai Him, Dr. Hwang Jen, Mr. David Chu Yu Lin and Dr. Peter Po Fun Chan are Independent Non-Executive Directors of the Company.

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

Hong Kong, 11th December, 2008