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## Chuang's China Investments Limited

(莊士中國投資有限公司)<sup>#</sup>

*(incorporated in Bermuda with limited liability)*

(Stock Code: 298)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2009

#### 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 as the “Group”) for the six months ended 30th September, 2009 as follows:

#### CONSOLIDATED INCOME STATEMENT (UNAUDITED)

*For the six months ended 30th September, 2009*

|                                               | <i>Note</i> | <b>2009</b><br><b>HK\$'000</b> | <b>2008</b><br><b>HK\$'000</b> |
|-----------------------------------------------|-------------|--------------------------------|--------------------------------|
| Revenues                                      |             | <b>58,112</b>                  | 58,650                         |
| Cost of sales                                 |             | <b>(37,463)</b>                | (35,004)                       |
| Gross profit                                  |             | <b>20,649</b>                  | 23,646                         |
| Other income                                  | 3           | <b>29,882</b>                  | 4,966                          |
| Selling and marketing expenses                |             | <b>(11,632)</b>                | (6,541)                        |
| Administrative expenses                       |             | <b>(39,232)</b>                | (37,232)                       |
| Other operating expenses                      |             | <b>(4,092)</b>                 | (6,517)                        |
| Change in fair value of investment properties |             | <b>30,000</b>                  | 50,000                         |
| Operating profit                              | 4           | <b>25,575</b>                  | 28,322                         |
| Finance costs                                 |             | <b>(3,641)</b>                 | (11,356)                       |
| Share of results of associated companies      |             | <b>76</b>                      | 227                            |
| Profit before taxation                        |             | <b>22,010</b>                  | 17,193                         |
| Taxation                                      | 5           | <b>(9,364)</b>                 | (10,419)                       |
| Profit for the period                         |             | <b>12,646</b>                  | 6,774                          |
| Attributable to:                              |             |                                |                                |
| Equity holders                                |             | <b>12,873</b>                  | 6,099                          |
| Minority interests                            |             | <b>(227)</b>                   | 675                            |
|                                               |             | <b>12,646</b>                  | 6,774                          |
|                                               |             | <b>HK cent</b>                 | <b>HK cent</b>                 |
| Earnings per share (basic and diluted)        | 6           | <b>0.85</b>                    | 0.41                           |

<sup>#</sup> *For identification purpose only*

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)***For the six months ended 30th September, 2009*

|                                                                | <b>2009</b><br><b>HK\$'000</b> | 2008<br><b>HK\$'000</b> |
|----------------------------------------------------------------|--------------------------------|-------------------------|
| <b>Profit for the period</b>                                   | <b>12,646</b>                  | 6,774                   |
| Other comprehensive income                                     |                                |                         |
| Changes in exchange rates                                      | <b>16,593</b>                  | 20,057                  |
| Change in fair value of available-for-sale<br>financial assets | <b>17,653</b>                  | (19,615)                |
| Other comprehensive income for the period                      | <b>34,246</b>                  | 442                     |
| <b>Total comprehensive income for the period</b>               | <b>46,892</b>                  | 7,216                   |
| Total comprehensive income attributable to:                    |                                |                         |
| Equity holders                                                 | <b>47,112</b>                  | 5,920                   |
| Minority interests                                             | <b>(220)</b>                   | 1,296                   |
|                                                                | <b>46,892</b>                  | 7,216                   |

# **CONSOLIDATED BALANCE SHEET (UNAUDITED)**

*As at 30th September, 2009*

|                                              |             | <b>30th September,<br/>2009</b> | <b>31st March,<br/>2009</b> |
|----------------------------------------------|-------------|---------------------------------|-----------------------------|
|                                              | <i>Note</i> | <i>HK\$'000</i>                 | <i>HK\$'000</i>             |
| <b>Non-current assets</b>                    |             |                                 |                             |
| Property, plant and equipment                |             | <b>39,550</b>                   | 38,986                      |
| Investment properties                        |             | <b>708,679</b>                  | 678,627                     |
| Land use rights                              |             | <b>1,755</b>                    | 1,739                       |
| Associated companies                         |             | <b>3,281</b>                    | 3,199                       |
| Available-for-sale financial assets          |             | <b>39,622</b>                   | 21,969                      |
| Loans and receivables                        |             | <b>11,404</b>                   | 22,727                      |
|                                              |             | <b>804,291</b>                  | 767,247                     |
| <b>Current assets</b>                        |             |                                 |                             |
| Properties for sale                          |             | <b>1,779,783</b>                | 1,597,662                   |
| Inventories                                  |             | <b>4,065</b>                    | 4,366                       |
| Debtors and prepayments                      | 7           | <b>118,302</b>                  | 132,592                     |
| Cash and bank balances                       |             | <b>383,114</b>                  | 446,056                     |
|                                              |             | <b>2,285,264</b>                | 2,180,676                   |
| <b>Current liabilities</b>                   |             |                                 |                             |
| Creditors and accruals                       | 8           | <b>252,109</b>                  | 140,330                     |
| Short-term borrowings                        |             | <b>71,611</b>                   | 85,013                      |
| Current portion of long-term borrowings      |             | <b>78,735</b>                   | 82,419                      |
| Taxation payable                             |             | <b>63,194</b>                   | 57,478                      |
|                                              |             | <b>465,649</b>                  | 365,240                     |
| <b>Net current assets</b>                    |             | <b>1,819,615</b>                | 1,815,436                   |
| <b>Total assets less current liabilities</b> |             | <b>2,623,906</b>                | 2,582,683                   |
| <b>Equity</b>                                |             |                                 |                             |
| Share capital                                |             | <b>76,166</b>                   | 76,166                      |
| Reserves                                     |             | <b>1,753,968</b>                | 1,706,856                   |
| Shareholders' funds                          |             | <b>1,830,134</b>                | 1,783,022                   |
| Minority interests                           |             | <b>14,180</b>                   | 11,507                      |
| <b>Total equity</b>                          |             | <b>1,844,314</b>                | 1,794,529                   |
| <b>Non-current liabilities</b>               |             |                                 |                             |
| Long-term borrowings                         |             | <b>576,095</b>                  | 589,794                     |
| Deferred taxation liabilities                |             | <b>193,361</b>                  | 188,224                     |
| Loans from minority shareholders             |             | <b>10,136</b>                   | 10,136                      |
|                                              |             | <b>779,592</b>                  | 788,154                     |
|                                              |             | <b>2,623,906</b>                | 2,582,683                   |

## 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 Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

Except as described below, 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, 2009.

In 2009, the Group adopted the following new standard, amendments and interpretations that are effective for the Group’s accounting periods beginning on 1st April, 2009 and relevant to the operations of the Group:

|                                |                                                                               |
|--------------------------------|-------------------------------------------------------------------------------|
| HKAS 1 (Revised)               | Presentation of Financial Statements                                          |
| HKAS 23 (Revised)              | Borrowing Costs                                                               |
| HKAS 40 (Amendment)            | Investment Property                                                           |
| HKFRS 1 & HKAS 27 (Amendments) | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| HKFRS 7 (Amendment)            | Improving Disclosures about Financial Instruments                             |
| HKFRS 8                        | Operating Segments                                                            |
| HK(IFRIC)-Int 15               | Agreements for the Construction of Real Estate                                |
| HK(IFRIC)-Int 16               | Hedges of a Net Investment in a Foreign Operation                             |

The Group has assessed the impact of the adoption of these new standard, amendments and interpretations and considered that there were neither significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies and presentation of the financial statements except for the presentation of the consolidated statement of comprehensive income to present the non-owner consolidated changes in equity as required under HKAS 1 (Revised) and the segment information as required under HKFRS 8.

The following amendments have been published which are relevant to the Group's operation and are mandatory for the Group's accounting periods beginning on or after 1st April, 2010, but have not yet been early adopted by the Group:

|                     |                                                                                                               |
|---------------------|---------------------------------------------------------------------------------------------------------------|
| HKAS 7 (Amendment)  | Statement of Cash Flows<br>(effective from 1st January, 2010)                                                 |
| HKAS 17 (Amendment) | Leases (effective from 1st January, 2010)                                                                     |
| HKAS 27 (Revised)   | Consolidated and Separate Financial Statements<br>(effective from 1st July, 2009)                             |
| HKAS 36 (Amendment) | Impairment of Assets (effective from 1st January, 2010)                                                       |
| HKAS 39 (Amendment) | Financial Instruments: Recognition and Measurement<br>– Eligible Hedged Items (effective from 1st July, 2009) |
| HKFRS 1 (Revised)   | First-time Adoption of Hong Kong Financial Reporting<br>Standards (effective from 1st July, 2009)             |
| HKFRS 3 (Revised)   | Business Combinations (effective from 1st July, 2009)                                                         |
| HKFRS 8 (Amendment) | Operating Segments (effective from 1st January, 2010)                                                         |

The Group will apply the above amendments as and when they become effective. The Group has already commenced an assessment of the related impact to the Group and is not yet in a position to state whether any substantial changes to the Group's results of operations and financial position will be resulted.

## 2. SEGMENT INFORMATION

### (a) Segment information by business lines

The chief operating decision maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Board considers the business from a business perspective, including property investment and development, sale of goods and services, and others (including securities trading). The Board assesses the performance of the operating segments based on a measure of segment result.

The segment information by business lines is as follows:

|                                                             | Property<br>investment<br>and<br>development<br><i>HK\$'000</i> | Sale of<br>goods and<br>services<br><i>HK\$'000</i> | Others and<br>corporate<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|-------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------|--------------------------------------------|--------------------------|
| <b>2009</b>                                                 |                                                                 |                                                     |                                            |                          |
| Revenues                                                    | 48,736                                                          | 9,376                                               | –                                          | 58,112                   |
| Other income                                                | 1,590                                                           | 616                                                 | 27,676                                     | 29,882                   |
|                                                             | <u>          </u>                                               | <u>          </u>                                   | <u>          </u>                          | <u>          </u>        |
| Operating profit/(loss)                                     | 15,143                                                          | (1,285)                                             | 11,717                                     | 25,575                   |
| Finance costs                                               | (3,641)                                                         | –                                                   | –                                          | (3,641)                  |
| Share of results of associated<br>companies                 | –                                                               | –                                                   | 76                                         | 76                       |
|                                                             | <u>          </u>                                               | <u>          </u>                                   | <u>          </u>                          | <u>          </u>        |
| Profit/(loss) before taxation                               | 11,502                                                          | (1,285)                                             | 11,793                                     | 22,010                   |
| Taxation                                                    | (9,362)                                                         | –                                                   | (2)                                        | (9,364)                  |
|                                                             | <u>          </u>                                               | <u>          </u>                                   | <u>          </u>                          | <u>          </u>        |
| Profit/(loss) for the period                                | 2,140                                                           | (1,285)                                             | 11,791                                     | 12,646                   |
|                                                             | <u>          </u>                                               | <u>          </u>                                   | <u>          </u>                          | <u>          </u>        |
| <b>As at 30th September, 2009</b>                           |                                                                 |                                                     |                                            |                          |
| Segment assets                                              | 2,884,315                                                       | 11,439                                              | 190,520                                    | 3,086,274                |
| Associated companies                                        | –                                                               | –                                                   | 3,281                                      | 3,281                    |
|                                                             | <u>          </u>                                               | <u>          </u>                                   | <u>          </u>                          | <u>          </u>        |
| Total assets                                                | 2,884,315                                                       | 11,439                                              | 193,801                                    | 3,089,555                |
|                                                             | <u>          </u>                                               | <u>          </u>                                   | <u>          </u>                          | <u>          </u>        |
| Total liabilities                                           | 1,237,249                                                       | 3,219                                               | 4,773                                      | 1,245,241                |
|                                                             | <u>          </u>                                               | <u>          </u>                                   | <u>          </u>                          | <u>          </u>        |
| <b>2009</b>                                                 |                                                                 |                                                     |                                            |                          |
| Capital expenditure                                         | 170,495                                                         | –                                                   | 584                                        | 171,079                  |
| Depreciation                                                | 1,432                                                           | 268                                                 | 753                                        | 2,453                    |
| Amortisation of land use rights                             |                                                                 |                                                     |                                            |                          |
| – charged to income statement                               | 395                                                             | –                                                   | –                                          | 395                      |
| – capitalised into properties<br>under development for sale | 8,521                                                           | –                                                   | –                                          | 8,521                    |
| Write off of other debtors                                  | 934                                                             | –                                                   | –                                          | 934                      |
|                                                             | <u>          </u>                                               | <u>          </u>                                   | <u>          </u>                          | <u>          </u>        |

|                                             | Property<br>investment<br>and<br>development<br><i>HK\$'000</i> | Sale of<br>goods and<br>services<br><i>HK\$'000</i> | Others and<br>corporate<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------|--------------------------------------------|--------------------------|
| 2008                                        |                                                                 |                                                     |                                            |                          |
| Revenues                                    | 39,640                                                          | 19,010                                              | –                                          | 58,650                   |
| Other income                                | 3,326                                                           | 907                                                 | 733                                        | 4,966                    |
|                                             | <u>          </u>                                               | <u>          </u>                                   | <u>          </u>                          | <u>          </u>        |
| Operating profit/(loss)                     | 45,492                                                          | 1,164                                               | (18,334)                                   | 28,322                   |
| Finance costs                               | (11,356)                                                        | –                                                   | –                                          | (11,356)                 |
| Share of results of associated<br>companies | –                                                               | –                                                   | 227                                        | 227                      |
|                                             | <u>          </u>                                               | <u>          </u>                                   | <u>          </u>                          | <u>          </u>        |
| Profit/(loss) before taxation               | 34,136                                                          | 1,164                                               | (18,107)                                   | 17,193                   |
| Taxation                                    | (10,415)                                                        | –                                                   | (4)                                        | (10,419)                 |
|                                             | <u>          </u>                                               | <u>          </u>                                   | <u>          </u>                          | <u>          </u>        |
| Profit/(loss) for the period                | 23,721                                                          | 1,164                                               | (18,111)                                   | 6,774                    |
|                                             | <u>          </u>                                               | <u>          </u>                                   | <u>          </u>                          | <u>          </u>        |
| As at 31st March, 2009                      |                                                                 |                                                     |                                            |                          |
| Segment assets                              | 2,769,227                                                       | 12,666                                              | 162,831                                    | 2,944,724                |
| Associated companies                        | –                                                               | –                                                   | 3,199                                      | 3,199                    |
|                                             | <u>          </u>                                               | <u>          </u>                                   | <u>          </u>                          | <u>          </u>        |
| Total assets                                | 2,769,227                                                       | 12,666                                              | 166,030                                    | 2,947,923                |
|                                             | <u>          </u>                                               | <u>          </u>                                   | <u>          </u>                          | <u>          </u>        |
| Total liabilities                           | 1,144,666                                                       | 3,073                                               | 5,655                                      | 1,153,394                |
|                                             | <u>          </u>                                               | <u>          </u>                                   | <u>          </u>                          | <u>          </u>        |
| 2008                                        |                                                                 |                                                     |                                            |                          |
| 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                    |
| Write off of other debtors                  | 1,277                                                           | –                                                   | –                                          | 1,277                    |
|                                             | <u>          </u>                                               | <u>          </u>                                   | <u>          </u>                          | <u>          </u>        |

**(b) Additional information by geographical area**

The business of the Group operates in three geographical areas of Hong Kong, the People's Republic of China (the "PRC") and other countries. The segment information by geographical area is as follows:

|                 | Revenues         |                  | Total assets                        |                                 | Capital expenditure |                  |
|-----------------|------------------|------------------|-------------------------------------|---------------------------------|---------------------|------------------|
|                 | 2009<br>HK\$'000 | 2008<br>HK\$'000 | 30th September,<br>2009<br>HK\$'000 | 31st March,<br>2009<br>HK\$'000 | 2009<br>HK\$'000    | 2008<br>HK\$'000 |
| Hong Kong       | 21,010           | 28,371           | 861,843                             | 832,023                         | 908                 | 550              |
| The PRC         | 36,403           | 29,294           | 2,227,097                           | 2,115,540                       | 170,171             | 184,091          |
| Other countries | 699              | 985              | 615                                 | 360                             | –                   | –                |
|                 | <u>58,112</u>    | <u>58,650</u>    | <u>3,089,555</u>                    | <u>2,947,923</u>                | <u>171,079</u>      | <u>184,641</u>   |

**3. OTHER INCOME**

|                                                   | 2009<br>HK\$'000 | 2008<br>HK\$'000 |
|---------------------------------------------------|------------------|------------------|
| Sale of scrapped material                         | 614              | 894              |
| Interest income                                   | 862              | 3,799            |
| Gain on disposal of property, plant and equipment | 27,376           | –                |
| Sundries                                          | 1,030            | 273              |
|                                                   | <u>29,882</u>    | <u>4,966</u>     |

**4. OPERATING PROFIT**

|                                               | 2009<br>HK\$'000 | 2008<br>HK\$'000 |
|-----------------------------------------------|------------------|------------------|
| Operating profit is stated after charging:    |                  |                  |
| Amortisation of land use rights               | 395              | 395              |
| Cost of properties sold                       | 25,958           | 15,962           |
| Cost of inventories sold                      | 9,188            | 16,858           |
| Depreciation                                  | 2,453            | 3,077            |
| Exchange loss                                 | 99               | 3,456            |
| Staff costs, including Directors' emoluments: |                  |                  |
| – Wages and salaries                          | 15,606           | 16,504           |
| – Retirement benefit costs                    | 471              | 537              |
| Write off of other debtors                    | 934              | 1,277            |
|                                               | <u></u>          | <u></u>          |

## 5. TAXATION

|                           | 2009<br><i>HK\$'000</i> | 2008<br><i>HK\$'000</i> |
|---------------------------|-------------------------|-------------------------|
| Current                   |                         |                         |
| PRC corporate income tax  | 1,759                   | 2,103                   |
| PRC land appreciation tax | 2,469                   | 1,299                   |
| Deferred taxation         | 5,136                   | 7,017                   |
|                           | <u>9,364</u>            | <u>10,419</u>           |

No provision for Hong Kong profits tax has been made as the Group does not have any estimated assessable profits for the period (2008: 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. PRC land appreciation tax is levied at the progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development expenditures.

Share of taxation credit of associated companies for the six months ended 30th September, 2009 amounting to HK\$6,000 (2008: taxation charge of HK\$57,000) is included in the income statement as share of results of associated companies.

## 6. EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit attributable to equity holders of HK\$12,873,000 (2008: HK\$6,099,000) and 1,523,328,700 (2008: 1,500,549,612) 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.

## 7. DEBTORS AND PREPAYMENTS

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

|               | 30th September,<br>2009<br><i>HK\$'000</i> | 31st March,<br>2009<br><i>HK\$'000</i> |
|---------------|--------------------------------------------|----------------------------------------|
| Below 30 days | 11,312                                     | 3,893                                  |
| 31 to 60 days | 1,317                                      | 1,508                                  |
| 61 to 90 days | 1,422                                      | 478                                    |
| Over 90 days  | 2,355                                      | 1,895                                  |
|               | <u>16,406</u>                              | <u>7,774</u>                           |

Debtors and prepayments include deposits of HK\$44,762,000 (31st March, 2009: HK\$75,357,000) for property development projects in the PRC and HK\$17,363,000 (31st March, 2009: HK\$17,363,000) for acquisition of property, plant and equipment.

## 8. CREDITORS AND ACCRUALS

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

|               | <b>30th September,<br/>2009<br/>HK\$'000</b> | <b>31st March,<br/>2009<br/>HK\$'000</b> |
|---------------|----------------------------------------------|------------------------------------------|
| Below 30 days | <b>857</b>                                   | 553                                      |
| 31 to 60 days | <b>437</b>                                   | 731                                      |
| 61 to 90 days | <b>498</b>                                   | 496                                      |
| Over 90 days  | <b>273</b>                                   | 143                                      |
|               | <hr/> <b>2,065</b> <hr/>                     | <hr/> 1,923 <hr/>                        |

## 9. FINANCIAL GUARANTEES

As at 30th September, 2009, subsidiaries have provided guarantees amounting to HK\$107,888,000 (31st March 2009: HK\$33,447,000) to banks for mortgage loans made by the banks to the purchasers of properties sold by the subsidiaries.

## 10. CAPITAL COMMITMENTS

As at 30th September, 2009, the Group has capital expenditure commitments contracted but not provided for amounting to HK\$375,247,000 (31st March 2009: HK\$337,276,000).

## 11. PLEDGE OF ASSETS

As at 30th September, 2009, 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\$1,118,631,000 (31st March 2009: HK\$1,130,726,000), 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, 2009 was HK\$58.1 million (2008: HK\$58.7 million), representing a slight decrease over that of last year. Revenues of the Group comprise income from property development business of HK\$35.8 million (2008: HK\$28.5 million), rental and its related income of HK\$13.0 million (2008: HK\$11.2 million) and income from manufacturing business of HK\$9.3 million (2008: HK\$19.0 million).

During the six months under review, gross profit decreased to HK\$20.6 million (2008: HK\$23.6 million) as a result of decrease in profit contribution from the manufacturing business. Other income increased to HK\$29.9 million (2008: HK\$5.0 million) principally due to gain on disposal of property, plant and equipment. A detailed analysis of other income is shown in note 3 on page 8 of this report. Reflecting the improvement in the office prices in Hong Kong during the period, the Group recorded an upward revaluation surplus of HK\$30 million (2008: HK\$50 million).

On the costs side, selling and marketing expenses increased to HK\$11.6 million (2008: HK\$6.5 million) to cope with the Group's property development business in the People's Republic of China (the "PRC"). Administrative expenses increased to HK\$39.2 million (2008: HK\$37.2 million) due to general increase in overhead while other operating expenses decreased to HK\$4.1 million (2008: HK\$6.5 million) principally due to a reduction of exchange loss for the period under review. Finance costs decreased to HK\$3.6 million (2008: HK\$11.4 million) as a result of refinanced bank borrowings with lower interest costs.

Taking these factors into account, profit attributable to equity holders of the Company for the period ended 30th September, 2009 was HK\$12.9 million (2008: HK\$6.1 million). Earnings per share were 0.85 HK cent (2008: 0.41 HK cent).

## **INTERIM DIVIDEND**

The Board does not declare an interim dividend for the six months ended 30th September, 2009 (2008: Nil).

## **BUSINESS REVIEW**

### **Property Development**

The property market in the PRC has benefited from the range of economic stimulus policies and the supportive monetary policies to home-buyers since the beginning of this year. As a result, the property market has been picking up since March 2009, with both selling prices and transaction volume of properties in the PRC recording encouraging rebound. A brief summary of the Group's major projects during the period 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 club house facilities is under development. It will provide a total of 11 residential blocks of over 350 apartments with typical flats ranging from 93 sq. m. to 202 sq. m. and executive duplex units of 343 sq. m..

Construction works for the initial 3 residential blocks providing GFA of about 15,000 sq. m. have been completed. Pre-sales of these 3 blocks in May 2009 have received encouraging market responses. Up to now, all units of these 3 blocks are virtually sold out at average selling price of RMB5,200 per sq. m.. It is expected that handover of these 3 blocks will be before the end of March 2010. Landscape works and club house construction are in progress and will be completed during this financial year.

Superstructures of the other 8 blocks with GFA of 45,000 sq. m. have topped off in November 2009. The flat sizes of these 8 blocks mainly range from 175 sq. m. to 202 sq. m., providing 4 to 5 bedrooms apartments. To capitalise on the opportunities from the encouraging market response, the Group will progressively launch these new blocks for pre-sales in the first quarter of 2010.

The master layout plan for Phase II development of Le Papillon with total GFA of 200,000 sq. m. has been submitted for approval. The Group will commence on the site formation works shortly and planning for pre-sales will be in the second quarter of 2010.

*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.. External finishing works of these 8 blocks have been completed, and at present, landscaping and utility supplies works are in progress. It is expected that handover of properties will be before the end of December 2009.

Pre-sales of Imperial Garden are progressing. Up to now, a total of 5 blocks providing 372 typical units with total GFA of 46,780 sq. m. have been launched, of which 62% has been pre-sold at average selling price of RMB4,650 per sq. m.. With the exciting infrastructures under construction, including the Guangzhou-Shenzhen-Hong Kong Express Rail Link (廣深港高速鐵路) and the Dongguan Light Rail (東莞市軌道), the Group believes that Imperial Garden will be benefited in the medium term in both property prices and transaction volume.

The Group will commence on the Phase II development of Imperial Garden which will provide total GFA of about 50,000 sq. m. and the plans for pre-sales will commence in the third quarter of 2010.

*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 RMB15 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 the completion of the transaction. In view

of the recent improvements in the PRC property market, the Group has resumed preliminary discussions with 大亞灣經濟技術開發集團公司 (Daya Bay Economic & Technological Development Group) regarding completion arrangement.

In November 2009, the Group has received notice from the local authority that the Group's remaining site at Huizhou will be resumed to facilitate the construction of 厦深鐵路 (Shenzhen Xiamen Railway). The Group has formally appointed legal adviser to commence on negotiations for the claims and compensation for such resumption.

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

Phase I of the project comprises about 70,000 sq. m. GFA. Land cost is about RMB200 per sq. m.. The residential development of Phase I of the project comprises 172 bungalows, link-houses and semi-detached houses and 144 units of high rise apartments. Development of the residential area have been completed. Up to the date of this report, about 66% of the development has been sold. The Group will market the remaining 11 link-houses, 31 semi-detached houses and 38 high rise apartments as well as the 8 bungalows. Within this phase I, the Group will also construct a boutique hotel, which occupies a site area of about 7,800 sq. m. and total GFA is about 10,600 sq. m.. External finishing works and landscaping works for the boutique hotel will be completed in the first quarter of 2010.

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. at average land cost of RMB230 per sq. m.. 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 aggregate GFA of about 166,000 sq. m., apartments with GFA of 464,000 sq. m., and commercial facilities with GFA of 10,000 sq. m.. Site formation works have commenced on phase I of the project comprising 55,000 sq. m. GFA.

*Xiamen Mingjia Binhai, Xiamen, Fujian (59.5% 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 exclusive resort with GFA of about 16,500 sq. m., providing 33 villas with a plot ratio of just 0.3, and a deluxe boutique hotel providing exclusive facilities to the villa residents. 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). Conversion of the site to residential/commercial use has been obtained. Land cost of this project is about RMB1,800 per sq. m.. Based on a plot ratio of 4, the development with GFA of about 130,000 sq. m. will comprise residential, commercial and carparking spaces. Master planning is currently in progress.

## **Property Sales**

For the six months ended 30th September, 2009, property sales of the Group which were recognised as revenues were about HK\$35.8 million, mainly related to sales of Gold Coast in Dongguan and Beverly Hills in Changsha.

As at the date of this report, the Group has contracted sales of about HK\$263 million which have not yet been recorded as revenues, and are mainly related to Chuang's Le Papillon in Guangzhou, Imperial Garden in Dongguan and Beverly Hills in Changsha. It is expected that handover of these properties will be in second half of this financial year.

In the remaining financial year ending 2010, the Group will continue to market an aggregate of about 128,000 sq. m. GFA relating to projects in Guangzhou, Dongguan and Changsha, 270 carparking spaces in Guangzhou and 255 carparking spaces in Dongguan. In the financial year ending 2011, the Group plans to market an additional GFA of about 250,000 sq. m. relating to projects in Guangzhou and Dongguan, making total GFA to be marketed in two financial years ending 2011 to be about 378,000 sq. m. and based on current market prices of these properties, the total sales value are expected to exceed HK\$2.1 billion.

## **Other Investments**

During the period, the Group's rental property in Hong Kong, Chuang's Tower in Central, maintained high occupancy rate. Rental and its related income during the period was HK\$12.3 million, representing an increase of 19% as compared to the last corresponding period.

The Group's other assets include Yuen Sang Hardware Company (1988) Limited ("Yuen Sang") which engaged in the manufacture and sale of metalware for exports. To facilitate the construction of 厦深鐵路 (Shenzhen Xiamen Railway) in Huizhou, Yuen Sang received notice from the local authority in November 2009 that the leased factory premises of Yuen Sang in Huizhou will be resumed and demolished. As such, the manufacturing business of Yuen Sang will likely be interrupted. Yuen Sang has formally appointed legal adviser to commence on negotiations for the claims and compensation for the loss in case Yuen Sang's operation is required to be relocated. Furthermore, the Group's other assets also include 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\$711 million as at 30th September, 2009. The Group will identify suitable opportunities for disposal of these other investments so as to generate additional capital for our property development business in the PRC.

## **FINANCIAL POSITIONS**

As at 30th September, 2009, the Group's cash and bank balances amounted to HK\$383.1 million (31st March, 2009: HK\$446.1 million). Bank borrowings of the Group as at the same date amounted to HK\$726.4 million (31st March, 2009: HK\$757.2 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 18.8% (31st March, 2009: 17.5%).

Approximately 60.4% of the Group's cash and bank balances were in Hong Kong dollar and United States dollar with the remaining 39.6% in Renminbi. Risk in exchange rate fluctuation would not be material.

About HK\$353.0 million (being 48.6%) of the Group's bank borrowings were in Hong Kong dollars and HK\$373.4 million (equivalent to RMB329.1 million) (being 51.4%) were in Renminbi. Approximately 20.7% of the Group's bank borrowings were repayable within one year, 9.3% repayable within the second year and 70% repayable within the third to fifth years. As majority of the Group's assets are located in the PRC, the Group will pursue the strategy of increasing its borrowings in Renminbi in order to cope with the project developments in the PRC.

As at 30th September, 2009, the net assets value attributable to equity holders of the Company was HK\$1,830.1 million. Net asset value per share amounted to HK\$1.20, which is calculated based on the historical cost of the Group's land bank, before taking into account the appreciated value.

## **PROSPECTS**

The prospect of the PRC property market is promising and will be sustainable under the strong economic growth and government spending in various infrastructural improvements. These new infrastructures, including the Guangzhou-Shenzhen-Hong Kong Express Rail Link (廣深港高速鐵路) and the Pearl River Delta Light Rail (珠三角城際軌道), will accelerate the accessibility of a core circle of cities in the Pearl River Delta within an hour. To maintain our stable development, the Group will continue to expand its land reserves, particularly in Guangzhou and in general in the Pearl River Delta region.

Given that opportunities abound and the business prospect, the Group is determined to devote more resources to the property development business. The scale of construction will be increased so as to lay the foundation for future growth. Looking ahead, we are confident of the long term development of our property projects in the PRC.

## **STAFF**

As at 30th September, 2009, the Group employed 707 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.

## **DEALING IN THE COMPANY'S SECURITIES**

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

## **CORPORATE GOVERNANCE**

The Company has complied throughout the six months ended 30th September, 2009 with the code provisions set out in the Appendix 14 – Code on Corporate Governance Practices of Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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 auditor. 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, 2009. 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, 2009 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, Miss Candy Chuang Ka Wai, Mr. Sunny Pang Chun Kit, Mr. Albert Chuang Ka Pun and Mr. Wong Chung Wai are Executive Directors and 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, 3rd December, 2009