Chuang's China Investments Limited

(莊士中國投資有限公司)[#]

(incorporated in Bermuda with limited liability)

(Stock Code: 298)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH, 2010

RESULTS

The Board of Directors (the "Board") of Chuang's China Investments Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively as the "Group") for the year ended 31st March, 2010 and the consolidated balance sheet as at 31st March, 2010 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2010

	Note	**2010** *HK$'000*	2009 *HK$'000*
Revenues		**381,951**	107,592
Cost of sales		**(294,403)**	(65,223)
Gross profit		**87,548**	42,369
Other income	*3*	**30,974**	8,902
Selling and marketing expenses		**(33,871)**	(12,634)
Administrative expenses		**(81,612)**	(81,933)
Other operating expenses		**(7,737)**	(39,585)
Change in fair value of investment properties		**101,941**	(21,927)
Operating profit/(loss)	*4*	**97,243**	(104,808)
Finance costs		**(8,878)**	(19,970)
Share of results of an associated company		**17**	261
Profit/(loss) before taxation		**88,382**	(124,517)
Taxation (charge)/credit	*5*	**(31,340)**	1,302
Profit/(loss) for the year		**57,042**	(123,215)
Attributable to:			
Equity holders		**53,834**	(122,966)
Minority interests		**3,208**	(249)
		57,042	(123,215)
		HK cents	*HK cents*
Earnings/(loss) per share (basic and diluted)	*6*	**3.53**	(8.14)

[#] *For identification purpose only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March, 2010

	2010	2009
	HK$'000	*HK$'000*
Profit/(loss) for the year	**57,042**	(123,215)
Other comprehensive income:		
Changes in exchange rates	**21,024**	19,599
Change in fair value of available-for-sale financial assets	**42,760**	(21,184)
Impairment of available-for-sale financial assets	**–**	25,000
Other comprehensive income for the year	**63,784**	23,415
Total comprehensive income/(loss) for the year	**120,826**	(99,800)
Total comprehensive income/(loss) attributable to:		
Equity holders	**117,470**	(100,158)
Minority interests	**3,356**	358
	120,826	(99,800)

CONSOLIDATED BALANCE SHEET
As at 31st March, 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment		**38,367**	38,986
Investment properties		**780,920**	678,627
Land use rights		**1,740**	1,739
Associated company		**3,221**	3,199
Available-for-sale financial assets		**64,729**	21,969
Loans and receivables		**11,474**	22,727
		900,451	767,247
Current assets			
Properties for sale		**1,771,148**	1,597,662
Inventories		**3,920**	4,366
Debtors and prepayments	7	**159,396**	132,592
Cash and bank balances		**293,917**	446,056
		2,228,381	2,180,676
Current liabilities			
Creditors and accruals	8	**210,453**	140,330
Short-term borrowings		**18,267**	85,013
Current portion of long-term borrowings		**102,778**	82,419
Taxation payable		**74,402**	57,478
		405,900	365,240
Net current assets		**1,822,481**	1,815,436
Total assets less current liabilities		**2,722,932**	2,582,683
Equity			
Share capital		**76,166**	76,166
Reserves		**1,824,326**	1,706,856
Shareholders' funds		**1,900,492**	1,783,022
Minority interests		**18,869**	11,507
Total equity		**1,919,361**	1,794,529
Non-current liabilities			
Long-term borrowings		**590,773**	589,794
Deferred taxation liabilities		**202,660**	188,224
Loans from minority interests		**10,138**	10,136
		803,571	788,154
		2,722,932	2,582,683

Notes:

1. BASIS OF PREPARATION

The financial statements have 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 Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group.

For the financial year ended 31st March, 2010, the Group adopted the following new and revised standards, amendments and interpretations that are effective for the Group's accounting periods beginning on 1st April, 2009 and relevant to the Group's operation:

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
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

The Group has assessed the impact of the adoption of these new and revised standards, 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 new and revised standards, amendments and interpretations 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 adopted by the Group:

HKAS 7 (Amendment)	Statement of Cash Flows (effective from 1st January, 2010)
HKAS 17 (Amendment)	Leases (effective from 1st January, 2010)
HKAS 24 (Revised)	Related Party Disclosures (effective from 1st January, 2011)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements (effective from 1st July, 2009)
HKAS 32 (Amendment)	Classification of Rights Issues (effective from 1st February, 2010)
HKAS 36 (Amendment)	Impairment of Assets (effective from 1st January, 2010)
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective from 1st July, 2009)
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 (effective from 1st July, 2009)
HKFRSs (Amendments)	Improvements to HKFRSs 2009 (effective from 1st July, 2009 and 1st January, 2010, as appropriate)
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards (effective from 1st July, 2009)
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters (effective from 1st January, 2010)
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters (effective from 1st July, 2010)
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions (effective from 1st January, 2010)
HKFRS 3 (Revised)	Business Combinations (effective from 1st July, 2009)
HKFRS 8 (Amendment)	Operating Segments (effective from 1st January, 2010)
HKFRS 9	Financial Instruments (effective from 1st January, 2013)
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement (effective from 1st January, 2011)
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments (effective from 1st July, 2010)

The Group will apply the above new and revised standards, amendments and interpretations 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 investment and development *HK$'000*	**Sale of goods and services** *HK$'000*	**Others and corporate** *HK$'000*	**2010 Total** *HK$'000*
Revenues	**364,628**	**17,323**	**–**	**381,951**
Other income	**2,243**	**1,006**	**27,725**	**30,974**
Operating profit/(loss)	**103,319**	**(2,985)**	**(3,091)**	**97,243**
Finance costs	**(8,878)**	**–**	**–**	**(8,878)**
Share of results of an associated company	**–**	**–**	**17**	**17**
Profit/(loss) before taxation	**94,441**	**(2,985)**	**(3,074)**	**88,382**
Taxation charge	**(31,337)**	**–**	**(3)**	**(31,340)**
Profit/(loss) for the year	**63,104**	**(2,985)**	**(3,077)**	**57,042**
Segment assets	**2,877,771**	**8,448**	**239,392**	**3,125,611**
Associated company	**–**	**–**	**3,221**	**3,221**
Total assets	**2,877,771**	**8,448**	**242,613**	**3,128,832**
Total liabilities	**1,201,193**	**1,947**	**6,331**	**1,209,471**
Other segment items are as follows:				
Capital expenditure	**380,144**	**43**	**592**	**380,779**
Depreciation	**3,009**	**544**	**1,434**	**4,987**
Amortisation of land use rights				
– charged into income statement	**788**	**–**	**–**	**788**
– capitalised into properties under development for sale	**16,770**	**–**	**–**	**16,770**
Write off of trade and other debtors	**3,682**	**–**	**–**	**3,682**

	Property investment and development *HK$'000*	Sale of goods and services *HK$'000*	Others and corporate *HK$'000*	2009 Total *HK$'000*
Revenues	75,488	32,104	–	107,592
Other income	5,020	2,690	1,192	8,902
Operating (loss)/profit	(45,374)	1,406	(60,840)	(104,808)
Finance costs	(19,970)	–	–	(19,970)
Share of results of an associated company	–	–	261	261
(Loss)/profit before taxation	(65,344)	1,406	(60,579)	(124,517)
Taxation credit/(charge)	1,306	–	(4)	1,302
(Loss)/profit for the year	(64,038)	1,406	(60,583)	(123,215)
Segment assets	2,769,227	12,666	162,831	2,944,724
Associated company	–	–	3,199	3,199
Total assets	2,769,227	12,666	166,030	2,947,923
Total liabilities	1,144,666	3,073	5,655	1,153,394
Other segment items are as follows:				
Capital expenditure	259,399	216	335	259,950
Depreciation	3,251	679	2,090	6,020
Amortisation of land use rights				
– charged into income statement	788	–	–	788
– capitalised into properties under development for sale	16,779	–	–	16,779
Write off of trade and other debtors	1,393	–	–	1,393
Impairment of available-for-sale financial assets	–	–	25,000	25,000

(b) Additional information by geographical segments

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		Non-current assets		Total assets		Capital expenditure	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**41,851**	53,350	**801,597**	661,046	**978,393**	832,023	**920**	652
The PRC	**338,964**	52,829	**98,854**	106,201	**2,150,047**	2,115,540	**379,859**	259,298
Other countries	**1,136**	1,413	**–**	–	**392**	360	**–**	–
	381,951	107,592	**900,451**	767,247	**3,128,832**	2,947,923	**380,779**	259,950

3. OTHER INCOME

	2010	2009
	HK$'000	*HK$'000*
Sale of scraped material	**965**	1,033
Net gain on disposal of property, plant and equipment	**27,283**	–
Interest income from		
Bank deposits	**1,351**	5,142
Loans and receivables	**5**	1,742
Overdue receivables	**12**	14
Sundries	**1,358**	971
	30,974	8,902

4. OPERATING PROFIT/(LOSS)

	2010	2009
	HK$'000	*HK$'000*
Operating profit/(loss) is stated after charging:		
Amortisation of land use rights	**788**	788
Cost of properties sold	**272,705**	31,712
Cost of inventories sold	**17,277**	28,394
Depreciation	**4,987**	6,020
Impairment of available-for-sale financial assets*	**–**	25,000
Impairment of property, plant and equipment*	**–**	273
Loss on disposal of property, plant and equipment*	**–**	668
Net exchange loss*	**307**	3,031
Staff costs, including Directors' emoluments:		
Wages and salaries	**32,077**	34,867
Retirement benefit costs	**945**	1,028
Write off of trade and other debtors	**3,682**	1,393

* *included in other operating expenses*

5. TAXATION CHARGE/(CREDIT)

	2010	2009
	HK$'000	*HK$'000*
Current		
PRC corporate income tax	**7,714**	1,948
PRC land appreciation tax	**9,194**	1,936
Deferred	**14,432**	(5,186)
	31,340	(1,302)

No provision for Hong Kong profits tax has been made as the Group does not have any estimated assessable profits for the year (2009: Nil). Taxation on overseas profits has been calculated on the estimated assessable profits for the year 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 charge of an associated company for the year ended 31st March, 2010 amounting to HK$80,000 (2009: HK$57,000) is included in the income statement as share of results of an associated company.

6. EARNINGS/(LOSS) PER SHARE

The calculation of the earnings/(loss) per share is based on the profit attributable to equity holders of HK$53,834,000 (2009: loss of HK$122,966,000) and the weighted average number of 1,523,328,700 (2009: 1,510,597,374) shares issued.

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

7. DEBTORS AND PREPAYMENTS

Rental income 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:

	2010	2009
	HK$'000	*HK$'000*
Below 30 days	**30,521**	3,893
31 to 60 days	**577**	1,508
61 to 90 days	**950**	478
Over 90 days	**1,755**	1,895
	33,803	7,774

Debtors and prepayments include deposits of HK$44,792,000 (2009: HK$75,357,000) for property development projects and acquisition of land use rights in the PRC and HK$39,616,000 (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:

	2010	2009
	HK$'000	*HK$'000*
Below 30 days	**428**	553
31 to 60 days	**267**	731
61 to 90 days	**243**	496
Over 90 days	**214**	143
	1,152	1,923

9. FINANCIAL GUARANTEES

As at 31st March, 2010, subsidiaries have provided guarantees amounting to HK$110,505,000 (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 31st March, 2010, the Group has capital expenditure commitments contracted but not provided for in respect of property development and property, plant and equipment amounting to HK$228,961,000 (2009: HK$337,276,000).

11. PLEDGE OF ASSETS

As at 31st March, 2010, 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$1,128,103,000 (2009: HK$1,130,726,000), to secure general banking and financial guarantee facilities granted to those subsidiaries.

12. SUBSEQUENT EVENTS

(a) In April 2010, the Group participated in a government land auction and had successfully bided for two development sites in Anshan, Liaoning, the PRC with a total of 500,000 developable sq. m. at a total cost of RMB202 million (equivalent to HK$231 million). The amount had been fully paid in May 2010 and according to the terms of the land auction, the two sites will be delivered to the Group before 30th July, 2010.

The Group obtained unsecured short-term facilities from its ultimate holding company, Chuang's Consortium International Limited, to finance the above acquisition. The facilities bear interests at prevailing market rates and amounted to about HK$100 million as at the date of this report.

(b) To facilitate the construction of Shenzhen Xiamen Railway (廈深鐵路) in Huizhou, the PRC, the Group agreed with the local government in May 2010 for the resumption of the Group's site in Huizhou and the relocation of the Group's leased factory building. The net compensations of RMB18.5 million and RMB14.5 million were received by the Group respectively. It is expected that net gains (after related expenses and costs) of about RMB10.5 million and RMB13.9 million will be recorded as other income in the financial year ending 31st March, 2011.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st March, 2010 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

FINANCIAL REVIEW

Revenues of the Group during the year amounted to HK$381.9 million (2009: HK$107.6 million), representing an increase of 255% from that of last year principally as a result of increase in sale of properties in the People's Republic of China (the "PRC"). Revenues of the Group comprise income from property development business of HK$337.4 million (2009: HK$51.4 million), rental income of HK$27.2 million (2009: HK$24.1 million) and income from manufacturing business of HK$17.3 million (2009: HK$32.1 million).

As a result of increase in revenues, gross profit increased by 106.4% to HK$87.5 million (2009: HK$42.4 million). Other income increased to HK$31.0 million (2009: HK$8.9 million) mainly due to net 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 market prices of properties in Hong Kong and the PRC during the year under review, the Group recorded an upward revaluation surplus of HK$101.9 million for its investments properties (2009: revaluation deficit of HK$21.9 million).

On the costs side, selling and marketing expenses increased to HK$33.9 million (2009: HK$12.6 million) to cope with the Group's property development business in the PRC. Administrative expenses slightly decreased to HK$81.6 million (2009: HK$81.9 million) and other operating expenses decreased to HK$7.7 million (2009: HK$39.6 million) mainly due to absence of impairment loss of the Group's investment in CNT Group Limited ("CNT") as recorded during the last corresponding year. Finance costs decreased to HK$8.9 million (2009: HK$20.0 million) as a result of refinanced bank borrowings with lower interests costs. Taxation charge increased to HK$31.3 million (2009: taxation credit of HK$1.3 million) due to increase in taxation provision relating to properties sold in the PRC and the deferred taxation provision for revaluation surplus of investment properties in Hong Kong.

Taking into account the above, profit attributable to equity holders of the Company for the year ended 31st March, 2010 amounted to HK$53.8 million (2009: loss of HK$123.0 million). Earnings per share were 3.53 HK cents (2009: loss per share of 8.14 HK cents).

DIVIDEND

In order to maintain a stronger cash position to finance ongoing property development projects, the Board has resolved not to recommend a final dividend for the year ended 31st March, 2010 (2009: Nil). No interim dividend (2009: Nil) has been paid in respect of the current financial year.

BUSINESS REVIEW

Land Replenishment

As the urbanisation process in the PRC accelerates the economic growth, the Group is actively assessing opportunities for land acquisitions. In the past year, the Group has actively reached out for opportunities in Guangzhou, Beijing, Chengdu, Changsha, Anshan and Yantai.

The Group adopts a flexible approach in continuance in our strategy of expansion of land reserves at low cost while keeping pace with the trend of urbanisation development and explores opportunities in potential regions especially in the second or third tier cities. Further to the agreement by the Group to dispose of the development sites in Huizhou for a consideration of RMB192 million *(equivalent to about RMB1,000 per developable sq. m.)*, in April 2010 the Group acquired two prime developable sites in Anshan for a consideration of RMB202 million *(equivalent to about RMB400 per developable sq. m.)*.

Property Development

The property market in the PRC experienced a strong rebound since early 2009 with active property transactions and an increase in property prices. This recovery was attributable to the strong liquidity and the pent-up demand released in 2009. However, such drastic rebound and public land auctions in certain cities have continuously hit new highs, lead to concerns of possible overheating. To ensure the healthy development of the property market, since early 2010 the PRC government has introduced a series of macro control policies which include the tightening of liquidity and mortgage policies for home buyers. With the impacts of these factors, in the short term, property transaction volumes will slow down, though, such temporary adjustment will not affect the long term growth trend of the property market.

At present, major completed property projects as well as developable projects of the Group are as follows:

Major completed property projects	**Type**	**Total GFA completed** *(sq. m.)*
Chuang's Le Papillon, Guangzhou	Residential/commercial	63,400
Imperial Garden, Chuang's New City, Dongguan	Residential/commercial	96,000
Beverly Hills, Changsha	Residential/commercial	70,000
Total		229,400

Developable property projects	Total developable GFA *(sq. m.)*
Chuang's Le Papillon, Guangzhou	386,600
Imperial Garden, Chuang's New City, Dongguan	434,000
Guangdong: Sub-total	820,600
Chuang's Palazzo Caesar, Changsha	535,000
Beverly Hills, Changsha	10,600
Anshan Cyber Mall, Anshan	110,000
Chuang's Plaza, Anshan	390,000
Chuang's Le Printemps, Chengdu	120,000
Xiamen Mingjia Binhai, Xiamen	18,000
Other region: Sub-total	1,183,600
Total	2,004,200

Progress of the Group's development projects is as follows:

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

Chuang's Le Papillon has a total GFA of over 450,000 *sq. m.*, comprising the first phase of 63,400 *sq. m.* of completed properties and 386,600 *sq. m.* for development. The average land cost of this project is about RMB820 per *sq. m.*. It is located within 1 km from the Lianhuashan Port (蓮花山港) that provides ferry services to Hong Kong, and is within 5 km to the station of Guangzhou Metro route number 4. Furthermore, the station of Guangzhou Express Rail Link (廣州高速鐵路) is located within 23 km, and is now providing express train services from Guangzhou to Wuhan. By the end of this year, the express train service will extend from Guangzhou to Shenzhen, thus reducing travelling time to just 20 minutes. Once the cross border express train (廣深港高速鐵路) connecting to West Kowloon of Hong Kong are completed, travelling from Guangzhou to Hong Kong is estimated to be within 50 minutes.

Phase I of Chuang's Le Papillon has been completed. It comprises residential GFA of about 60,000 *sq. m.*, commercial and club house facilities of about 3,400 *sq. m.* and about 254 carparking spaces. It provides 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.*.

Blocks 1 to 3 with flat sizes ranging from 93 *sq. m.* to 120 *sq. m.* have virtually been sold out at an average selling price of about RMB5,200 per *sq. m.*. These sold units were delivered to buyers in March 2010, and the sales are accounted as the Group's revenue in the financial year under review.

In January 2010, presales commenced for blocks 8 to 11 providing 4 bed-room apartments of 175 *sq. m.*. Up to now, about 32% of these 124 apartments are sold at an average selling price of about RMB7,000 per *sq. m.*. These sold units are scheduled to be delivered to buyers in early September 2010 and the sales will be accounted as the Group's revenue in the financial year ending 31st March, 2011.

In view of the recent tightening of the mortgage polices for buyers of second property per household, the progress of the sales of blocks 8 to 11 which mainly provide larger flat size has been adversely affected. However, the Group believes that the fundamental demand for properties in Guangzhou remains strong, and the popular flat sizes are of 90-120 *sq. m.*. To replenish the supply of these flat sizes, the Group has embarked on phase II of Chuang's Le Papillon which comprises 6 blocks with 50,000 *sq. m.* GFA providing units from 90 *sq. m.* to 120 *sq. m.*. Foundation works have been completed and superstructure works are now in progress. It is expected that presales of these 6 blocks will commence before the end of September 2010.

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

Imperial Garden has a total GFA of 530,000 *sq. m.*, comprising 96,000 *sq. m.* of completed properties and 434,000 *sq. m.* for development. The average land cost of this project is about RMB660 per *sq. m.*. It is located at 18 km from the new Humen Station (虎門站) of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (廣深港高速鐵路). The express train from Shenzhen to Guangzhou will be in service before the end of 2010, and travelling time will then be greatly reduced to just 10 minutes from Humen Station to either Guangzhou or Shenzhen. Furthermore, Chuang's New City is only 3 minutes away from the exit of the new coastal highway (沿江高速), now under construction serving Guangzhou to Shekou, and in turn linking to Hong Kong by way of the Hong Kong–Shenzhen Western Corridor. The construction of the Dongguan Light Rail (東莞市軌道) is in progress, and the nearest rail station is designated just within 1 minute' drive from Chuang's New City.

Construction works of Imperial Garden providing residential GFA of about 89,000 *sq. m.*, commercial complex of about 7,000 *sq. m.* and 184 carparking spaces have been completed, providing 8 residential blocks 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.*.

Sales of Imperial Garden are still in progress. As of now, a total of 5 blocks providing 372 typical units with total GFA of 46,780 *sq. m.* have been launched, of which 78% has been sold at an average selling price of RMB4,700 per *sq. m.*. The Group will shortly launch the other 3 blocks with flat sizes ranging from 96 *sq. m.* to 161 *sq. m.*. Handover of sold units to buyers has commenced in December 2009 and about 90% of these sales are completed and accounted as the Group's revenue in the financial year under review.

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

In January 2008, the Group entered into an agreement with Daya Bay Economic & Technological Development Group (大亞灣經濟技術開發集團公司), a state-owned enterprise, to dispose of the Group's development sites in Huizhou. The sites have a total developable area of about 190,000 *sq. m.* and the disposal consideration is about RMB192 million, representing about RMB1,000 per *sq. m.* of developable GFA. Deposit of about RMB15 million had been received upon signing of the agreement and the original completion date was April 2008. After signing the agreement, as affected by the macro economic measures in the PRC in 2008, Daya Bay State-owned Assets Supervision and Administration Commission (大亞灣經濟技術開發區國有資產管理中心) had requested for an extension in the completion of the transaction.

With successful negotiation in February 2010, the Group entered into the supplemental agreement with Daya Bay Economic & Technological Development Group (大亞灣經濟技術開發集團公司), and received further deposits of RMB20 million. From April 2010 to the date of this report, the Group has further received deposits of RMB90 million. It is expected that a further RMB51 million will be paid to the Group upon delivery of the sites and the disposal will be completed in the financial year ending 31st March, 2011, whereas the balance of RMB16 million will be paid to the Group on the first anniversary of delivery of the sites.

Furthermore, in May 2010, the Group agreed with the local authority of Huizhou for the resumption of the Group's remaining site in Huizhou to facilitate the construction of Shenzhen Xiamen Railway (廈深鐵路). The net cash compensation of about RMB18.5 million was received by the Group. As a result of the land resumption, it is expected that a net gain of about RMB10.5 million will be recorded as other income of the Group in the first half of the financial year ending 31st March, 2011.

Beverly Hills, Changsha, Hunan (54% owned)

Phase I of the project comprises completed properties of about 70,000 *sq. m.* and properties under construction of about 10,600 *sq. m.*. Land cost is about RMB200 per *sq. m.*.

Within phase I, development of the 70,000 *sq. m.* residential area has been completed, comprising 172 bungalows, link houses and semi-detached houses and 144 units of high rise apartments. Up to the date of this report, about 71% of the development has been sold. The Group will market the remaining 12 link houses, 31 semi-detached houses and 20 high rise apartments as well as the 7 bungalows in the financial year ending 2011. The Group is also constructing a boutique residence, occupying a site area of about 7,800 *sq. m.* and a total GFA of about 10,600 *sq. m.*. Superstructure works for the development have been completed and the rest of the external finishing works and the landscaping works are to be completed within 2010.

The Group is planning for further phases of the project and will negotiate with the local government for supply of land with total site area up to 900,000 *sq. m.* at 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 535,000 *sq. m.* at the average land cost of RMB270 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 of about 135,000 *sq. m.*, mid-rise and high-rise apartments of about 390,000 *sq. m.* and commercial facilities of about 10,000 *sq. m.*. Site formation works have commenced on phase I of the project comprising link houses and semi-detached houses of about 50,000 *sq. m.*.

Anshan Cyber Mall, Anshan, Liaoning (100% owned)

In April 2010, the Group participated in a government land auction and had successfully bid for the development site in Anshan, Liaoning province. With a population of 3.6 million, Anshan is the important steel production base of the PRC, and is also known as the "Steel Capital". Land cost for the site is RMB44.5 million *(equivalent to HK$51 million)* and had been fully paid in May 2010. With a total of 110,000 developable *sq. m.*, the average land cost is about RMB400 per *sq. m.*. According to the terms of the land auction, the site will be delivered to the Group before 30th July, 2010.

The site, tentatively named as Anshan Cyber Mall, is located in the prime city centre of Tie Dong Qu (鐵東區) of Anshan, right next to the Anshan rail station and the nearby popular outdoor mall. It will be developed into a comprehensive complex for residential and commercial purposes and on the basis of a plot ratio of 10 times, residential GFA will be 90,000 *sq. m.* and commercial GFA will be 20,000 *sq. m.*. The Group has commenced on the master layout plan for the project and will commence on ground investigation works once the site is delivered by the local government.

Chuang's Plaza, Anshan, Liaoning (100% owned)

During the government land auction in April 2010, the Group had successfully bid for the second development site in Anshan, Liaoning province. Land cost for the site is RMB157.5 million *(equivalent to HK$180 million)* and had been fully paid in May 2010. With a total of 390,000 developable *sq. m.*, the average land cost is about RMB400 per *sq. m.*. According to the terms of the land auction, the site will be delivered to the Group before 30th July, 2010.

Situated within 1 km from Anshan Cyber Mall, the second site acquired by the Group, tentatively named as Chuang's Plaza, is located in the prime city centre of Tie Dong Qu (鐵東區) and is within walking distance to the Anshan rail station and the popular local marketplace as well as the local government offices. It will be developed into a comprehensive complex for residential and commercial purposes with developable GFA of 390,000 *sq. m.* based on a plot ratio of 10 times. The Group has commenced on the master layout plan for the project and will commence on ground investigation works once the site is delivered by the local government.

Xiamen Mingjia Binhai, Xiamen, Fujian (59.5% owned)

The site, having an area of about 27,574 *sq. m.*, is located in Siming Qu (思明區) of Xiamen. Land cost of this project is about RMB4,800 per *sq. m.*. It will be developed into a luxurious high end villas and resort with GFA of about 18,000 *sq. m.*. On the site, about 30 villas will be developed with a plot ratio of just 0.3, aiming to create a secluded elegant lifestyle. A deluxe boutique hotel with about 100 keys will be built and water features including waterfalls, cascades and infinity pool concept will be incorporated. Master planning work is in progress.

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 Wu Hou Qu (武侯區). Conversion of the site to residential/ commercial use has been obtained. Based on a plot ratio of 4, the development with GFA of about 120,000 *sq. m.* will comprise residential, commercial and carparking spaces. Master planning work is in progress.

Property Sales

For the financial year ended 2010, property sales of the Group which were recognised as revenues were about HK$337.4 million, representing a 557% increase compared to that of the last corresponding year. The sales are principally related to phase I of Chuang's Le Papillon in Guangzhou, Imperial Garden in Dongguan and Beverly Hills in Changsha.

As at the date of this report, the Group has contracted sales of about HK$307 million which have not yet been recorded as revenues, including the sale of the development sites in Huizhou as mentioned hereinabove, as well as property sales related to phase I of 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 the financial year ending 2011.

In the remaining financial year ending 2011, the Group targets to market an aggregate of about 159,000 *sq. m.* of GFA, including 88,000 *sq. m.* of phases I and II of Chuang's Le Papillon in Guangzhou, 51,000 *sq. m.* of Imperial Garden in Dongguan and 20,000 *sq. m.* of Beverly Hills in Changsha, the total value of which, based on estimated current market prices of the properties, amounts to about RMB1.1 billion *(equivalent to HK$1.25 billion)*.

Other Investments

During the year, the Group's rental property in Hong Kong, Chuang's Tower in Central, maintained high occupancy rate. Rental and other income during the year amounted to HK$25.7 million, representing a 13% increase over that of last year.

The Group's other assets include Yuen Sang Hardware Company (1988) Limited ("Yuen Sang") which engaged in the manufacturing and sales of metalware for exports. To facilitate the construction of Shenzhen Xiamen Railway (厦深鐵路) in Huizhou, the Group agreed with the local government in May 2010 for relocating from the leased factory building of Yuen Sang. The net compensation of RMB14.5 million was received by the Group. At the end of June 2010, Yuen Sang's manufacturing operation is relocated to a newly leased factory premises with about 4,000 *sq. m.* in Huizhou. Taking into account the relocation expenses, it is expected that a net gain of about RMB13.9 million will be recorded as other income in the first half of the financial year ending 31st March, 2011.

Furthermore the Group's other assets also include approximately 10.4% interests in a quoted investment in CNT and 25% interests in Treasure Auctioneer International Limited. The aggregate book values of these other investments amounted to over HK$804 million as at 31st March, 2010. During the year under review, the Group 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 POSITIONS

As at 31st March, 2010, the Group's cash and bank balances amounted to HK$293.9 million (2009: HK$446.1 million). Bank borrowings of the Group as at the same date amounted to HK$711.8 million (2009: HK$757.2 million). Approximately 17% of the Group's bank borrowings were repayable within one year, 19% repayable within second year and 64% repayable within third to fifth years.

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 asset value attributable to the equity holders of the Company) was 22.0% (2009: 17.5%). The net debt to equity ratio of the Group has increased when compared with that of last year mainly due to the Group's capital expenditures on various development projects in the PRC during the year.

Approximately 57% of the Group's cash and bank balances were in Hong Kong dollar and United States dollar with the remaining 43% in Renminbi. Risk in exchange rate fluctuation would not be material.

About HK$391.0 million (being 55%) of the Group's bank borrowings were in Hong Kong dollar and HK$320.8 million *(equivalent to RMB281 million)* (being 45%) in Renminbi.

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 dollar will be reduced.

Subsequent to the balance sheet date, the Group obtained unsecured short-term facilities from its ultimate holding company, Chuang's Consortium International Limited, to finance the acquisition of two development sites in Anshan, the PRC. The facilities bear interests at prevailing market rates and amounted to about HK$100 million as at the date of this report.

As at 31st March, 2010, the net asset value attributable to equity holders of the Company was HK$1,900.5 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

With the introduction of macro control policies to regulate the property market in the PRC, the credit market and liquidity will be tightened and will inevitably affect the market sentiment in the short term. However, these measures are to maintain the steady and healthy growth of the property market in the PRC rather than suppressing the market. The rapid urbanisation in the PRC will remain a strong impetus to the growth of the property market. The strong demand for better standards of housing and living is an irreversible trend, and with increasing disposable income, pent-up demand for properties would be unleashed in the coming years.

Looking ahead, the Group is optimistic about the prospects of the projects in the cities where we are located. The Group will continue to focus on enhancing our existing development projects providing modern residential properties at an affordable average selling price. With the relatively low land cost of these projects, there is ample room for remarkable growth in revenues and profits for the Group in the coming years.

STAFF

As at 31st March, 2010, the Group employed 654 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 year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the year.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2010 with the code provisions set out in the Appendix 14 – Code on Corporate Governance Practices of the 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 results of the Group for the year ended 31st March, 2010. 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.

PROPOSED FORMAL ADOPTION OF THE CHINESE NAME AS THE SECONDARY NAME OF THE COMPANY

The Board proposes to formally adopt the Chinese name "莊士中國投資有限公司" (which was previously adopted for identification purpose) as the secondary name of the Company, which is subject to (i) the passing of a special resolution by the shareholders of the Company at the forthcoming annual general meeting; and (ii) the approval by the Registrar of Companies in Bermuda.

A circular containing, among other matters, details of the proposed adoption of the Chinese name as the secondary name of the Company, and the notice of convening the forthcoming annual general meeting of the Company will be despatched to the shareholders of the Company as soon as practicable.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The annual report of the Company for the year ended 31st March, 2010 containing all applicable information required by Paragraph 45 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 the Executive Directors, and Mr. Abraham Shek Lai Him, Dr. Hwang Jen, Mr. David Chu Yu Lin and Dr. Peter Po Fun Chan are the 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, 12th July, 2010