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## Chuang's China Investments Limited

(莊士中國投資有限公司)

*(incorporated in Bermuda with limited liability)*

(Stock Code: 298)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2010

#### 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, 2010 as follows:

#### CONSOLIDATED INCOME STATEMENT (UNAUDITED)

*For the six months ended 30th September, 2010*

|                                               | Note | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|-----------------------------------------------|------|------------------|------------------|
| Revenues                                      |      | 57,683           | 58,112           |
| Cost of sales                                 |      | (40,870)         | (37,463)         |
| Gross profit                                  |      | 16,813           | 20,649           |
| Other income                                  | 6    | 31,212           | 29,882           |
| Selling and marketing expenses                |      | (7,871)          | (11,632)         |
| Administrative expenses                       |      | (41,596)         | (39,232)         |
| Other operating expenses                      |      | (4,792)          | (4,092)          |
| Change in fair value of investment properties |      | 26,000           | 30,000           |
| Operating profit                              | 7    | 19,766           | 25,575           |
| Finance costs                                 |      | (7,194)          | (3,641)          |
| Share of results of an associated company     |      | 2,034            | 76               |
| Profit before taxation                        |      | 14,606           | 22,010           |
| Taxation                                      | 8    | (5,459)          | (9,364)          |
| Profit for the period                         |      | 9,147            | 12,646           |
| Attributable to:                              |      |                  |                  |
| Equity holders                                |      | 10,897           | 12,873           |
| Non-controlling interests                     |      | (1,750)          | (227)            |
|                                               |      | 9,147            | 12,646           |
|                                               |      | HK cent          | HK cent          |
| Earnings per share (basic and diluted)        | 9    | 0.72             | 0.85             |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)***For the six months ended 30th September, 2010*

|                                                             | <b>2010</b><br><b>HK\$'000</b> | 2009<br><b>HK\$'000</b> |
|-------------------------------------------------------------|--------------------------------|-------------------------|
| <b>Profit for the period</b>                                | <b>9,147</b>                   | 12,646                  |
| Other comprehensive income:                                 |                                |                         |
| Changes in exchange rates                                   | <b>18,925</b>                  | 16,593                  |
| Change in fair value of available-for-sale financial assets | <b>1,962</b>                   | 17,653                  |
| Other comprehensive income for the period                   | <b>20,887</b>                  | 34,246                  |
| <b>Total comprehensive income for the period</b>            | <b>30,034</b>                  | 46,892                  |
| Total comprehensive income attributable to:                 |                                |                         |
| Equity holders                                              | <b>31,254</b>                  | 47,112                  |
| Non-controlling interests                                   | <b>(1,220)</b>                 | (220)                   |
|                                                             | <b>30,034</b>                  | 46,892                  |

# **CONSOLIDATED BALANCE SHEET (UNAUDITED)**

*As at 30th September, 2010*

|                                              |             | <b>30th September,<br/>2010</b> | 31st March,<br>2010 |
|----------------------------------------------|-------------|---------------------------------|---------------------|
|                                              | <i>Note</i> | <b>HK\$'000</b>                 | <b>HK\$'000</b>     |
| <b>Non-current assets</b>                    |             |                                 |                     |
| Property, plant and equipment                |             | <b>39,735</b>                   | 38,367              |
| Investment properties                        |             | <b>807,972</b>                  | 780,920             |
| Land use rights                              |             | <b>1,727</b>                    | 1,740               |
| Associated company                           |             | <b>5,255</b>                    | 3,221               |
| Available-for-sale financial assets          |             | <b>66,691</b>                   | 64,729              |
| Loans and receivables                        |             | <b>11,711</b>                   | 11,474              |
|                                              |             | <b>933,091</b>                  | 900,451             |
| <b>Current assets</b>                        |             |                                 |                     |
| Properties for sale                          |             | <b>1,846,563</b>                | 1,771,148           |
| Inventories                                  |             | <b>3,861</b>                    | 3,920               |
| Debtors and prepayments                      | 10          | <b>407,082</b>                  | 159,396             |
| Cash and bank balances                       |             | <b>114,728</b>                  | 293,917             |
|                                              |             | <b>2,372,234</b>                | 2,228,381           |
| <b>Current liabilities</b>                   |             |                                 |                     |
| Creditors and accruals                       | 11          | <b>334,799</b>                  | 210,453             |
| Short-term bank borrowings                   |             | <b>–</b>                        | 18,267              |
| Current portion of long-term bank borrowings |             | <b>111,397</b>                  | 102,778             |
| Taxation payable                             |             | <b>78,062</b>                   | 74,402              |
|                                              |             | <b>524,258</b>                  | 405,900             |
| <b>Net current assets</b>                    |             | <b>1,847,976</b>                | 1,822,481           |
| <b>Total assets less current liabilities</b> |             | <b>2,781,067</b>                | 2,722,932           |
| <b>Equity</b>                                |             |                                 |                     |
| Share capital                                |             | <b>76,166</b>                   | 76,166              |
| Reserves                                     |             | <b>1,855,580</b>                | 1,824,326           |
| Shareholders' funds                          |             | <b>1,931,746</b>                | 1,900,492           |
| Non-controlling interests                    |             | <b>17,649</b>                   | 18,869              |
| <b>Total equity</b>                          |             | <b>1,949,395</b>                | 1,919,361           |
| <b>Non-current liabilities</b>               |             |                                 |                     |
| Long-term bank borrowings                    |             | <b>498,332</b>                  | 590,773             |
| Deferred taxation liabilities                |             | <b>203,194</b>                  | 202,660             |
| Loan from ultimate holding company           |             | <b>120,000</b>                  | –                   |
| Loans from non-controlling interests         |             | <b>10,146</b>                   | 10,138              |
|                                              |             | <b>831,672</b>                  | 803,571             |
|                                              |             | <b>2,781,067</b>                | 2,722,932           |

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

Chuang's China Investments Limited (the "Company") is a limited liability company incorporated in Bermuda and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business in Hong Kong is 25th Floor, Alexandra House, 18 Chater Road, Central.

As at 30th September, 2010, the Company was a 57.04% owned subsidiary of Profit Stability Investments Limited, incorporated in the British Virgin Islands, which is a wholly-owned subsidiary of Chuang's Consortium International Limited ("CCIL"), incorporated in Bermuda and listed on the Main Board of the Stock Exchange. The Directors regard CCIL as being the ultimate holding company.

The principal activities of the Company and its subsidiaries (collectively as the "Group") are property investment and development, manufacturing and sale of watch components and merchandise, and securities investment and trading.

### 2. 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, 2010.

In 2010, the Group adopted the following revised standards, amendments and interpretation that are effective for the Group's accounting periods beginning on 1st April, 2010 and relevant to the operations of the Group:

|                     |                                                                               |
|---------------------|-------------------------------------------------------------------------------|
| HKAS 7 (Amendment)  | Statement of Cash Flows                                                       |
| HKAS 17 (Amendment) | Leases                                                                        |
| HKAS 27 (Revised)   | Consolidated and Separate Financial Statements                                |
| HKAS 32 (Amendment) | Classification of Rights Issues                                               |
| HKAS 36 (Amendment) | Impairment of Assets                                                          |
| HKAS 39 (Amendment) | Financial Instruments: Recognition and Measurement<br>– Eligible Hedged Items |
| HKFRSs (Amendments) | Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008                   |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009                                                   |
| HKFRS 1 (Revised)   | First-time Adoption of Hong Kong Financial Reporting Standards                |
| HKFRS 1 (Amendment) | Additional Exemptions for First-time Adopters                                 |
| HKFRS 2 (Amendment) | Group Cash-settled Share-based Payment Transactions                           |
| HKFRS 3 (Revised)   | Business Combinations                                                         |
| HKFRS 8 (Amendment) | Operating Segments                                                            |
| HK(IFRIC) – Int 17  | Distributions of Non-cash Assets to Owners                                    |

The Group has assessed the impact of the adoption of these revised standards, amendments and interpretation 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 except for HKAS 17 (Amendment), HKAS 27 (Revised) and HKFRS 3 (Revised).

HKAS 17 (Amendment) requires the Group to reassess the classification of land use rights as finance or operating leases. The Group reassessed the classification of unexpired land use rights as at 1st April, 2010 on the basis of information existing at the inception of those leases, and considered that no reclassification is necessary.

In addition, during the reassessment, the Group has changed its accounting policy for land use rights which are accounted for as properties for sale. These land use rights meet the definition of both inventories under HKAS 2 “Inventories” and leasehold land under HKAS 17 (Amendment). Previously they were classified as prepaid operating lease and payments were amortised on a straight line basis over the period of the lease in accordance with HKAS 17. Amortisation during the development phase was capitalised as part of the development cost of the properties. Amortisation charge incurred prior to the development and following completion of the property was recognised in the income statement.

Subsequent to the change in accounting policy, the land use rights are classified as inventories in accordance with HKAS 2 and measured at the lower of cost and net realisable value. Management believes that the new classification as inventories results in a more relevant presentation of the financial position of the Group, and of its performance for the period. The revised treatment reflects management’s intent regarding the use of the land use rights, and results in a presentation consistent with industry practice.

Since development commenced almost immediately after land use rights were obtained, and a large majority of completed properties were sold in the same period in which the respective properties were completed, substantially all amortisation charges had been capitalised in prior years. Accordingly, the change in accounting policy has had no material effect on the income statement of the Group for the current period or comparative periods. Moreover, as the land use rights were already accounted for as part of properties for sale in prior years, the change in accounting policy has no impact on the balance sheet.

HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests that do not result in the change of control to be recorded as equity transactions and these transactions will no longer result in goodwill or gains and losses. When control is lost, any remaining interest in the entity is remeasured to fair value, the difference between its fair value and carrying amount is recognised in the income statement.

HKFRS 3 (Revised) continued to apply the acquisition method to business combinations, with some significant changes. For example, all acquisition-related costs should be expensed. The cost of acquisition includes the fair value at the acquisition date of any contingent purchase consideration. In a business combination undertaken in phases/stages, the previously held equity interest in the acquiree is remeasured at fair value and the difference between its fair value and carrying amount is recognised in the income statement. There is a choice, on the basis of each acquisition, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets.

The adoption of HKAS 27 (Revised) and HKFRS 3 (Revised) does not result in any impact on the Group’s result in the current period nor the financial position at the end of the reporting period.

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, 2011, but have not yet been adopted by the Group:

|                              |                                                                                                                |
|------------------------------|----------------------------------------------------------------------------------------------------------------|
| HKAS 24 (Revised)            | Related Party Disclosures (effective from 1st January, 2011)                                                   |
| HKFRSs (Amendments)          | Improvements to HKFRSs 2010 (effective from 1st July, 2010 and 1st January, 2011, as appropriate)              |
| HKFRS 1 (Amendment)          | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters (effective from 1st July, 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.

### **3. FINANCIAL RISK MANAGEMENT**

All aspects of the financial risk management objectives and policies of the Group are consistent with those disclosed in the annual financial statements for the year ended 31st March, 2010.

### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

Estimates and judgments used are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions applied in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31st March, 2010.

### **5. SEGMENT INFORMATION**

#### **(a) Segment information by business lines**

The chief operating decision maker has been identified as the Board of Directors (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>2010</b>                                  |                                                                 |                                                     |                                            |                          |
| Revenues                                     | 50,476                                                          | 7,207                                               | –                                          | 57,683                   |
| Other income                                 | 14,621                                                          | 16,576                                              | 15                                         | 31,212                   |
|                                              | <u>          </u>                                               | <u>          </u>                                   | <u>          </u>                          | <u>          </u>        |
| Operating profit/(loss)                      | 21,421                                                          | 13,355                                              | (15,010)                                   | 19,766                   |
| Finance costs                                | (7,194)                                                         | –                                                   | –                                          | (7,194)                  |
| Share of results of an associated<br>company | –                                                               | –                                                   | 2,034                                      | 2,034                    |
|                                              | <u>          </u>                                               | <u>          </u>                                   | <u>          </u>                          | <u>          </u>        |
| Profit/(loss) before taxation                | 14,227                                                          | 13,355                                              | (12,976)                                   | 14,606                   |
| Taxation                                     | (5,456)                                                         | –                                                   | (3)                                        | (5,459)                  |
|                                              | <u>          </u>                                               | <u>          </u>                                   | <u>          </u>                          | <u>          </u>        |
| Profit/(loss) for the period                 | 8,771                                                           | 13,355                                              | (12,979)                                   | 9,147                    |
|                                              | <u>          </u>                                               | <u>          </u>                                   | <u>          </u>                          | <u>          </u>        |
| <b>As at 30th September, 2010</b>            |                                                                 |                                                     |                                            |                          |
| Segment assets                               | 3,148,695                                                       | 8,853                                               | 142,522                                    | 3,300,070                |
| Associated company                           | –                                                               | –                                                   | 5,255                                      | 5,255                    |
|                                              | <u>          </u>                                               | <u>          </u>                                   | <u>          </u>                          | <u>          </u>        |
| Total assets                                 | 3,148,695                                                       | 8,853                                               | 147,777                                    | 3,305,325                |
|                                              | <u>          </u>                                               | <u>          </u>                                   | <u>          </u>                          | <u>          </u>        |
| Total liabilities                            | 1,346,379                                                       | 3,738                                               | 5,813                                      | 1,355,930                |
|                                              | <u>          </u>                                               | <u>          </u>                                   | <u>          </u>                          | <u>          </u>        |
| <b>2010</b>                                  |                                                                 |                                                     |                                            |                          |
| Other segment items are as follows:          |                                                                 |                                                     |                                            |                          |
| Capital expenditure                          | 86,228                                                          | 2,451                                               | 58                                         | 88,737                   |
| Depreciation                                 | 1,469                                                           | 309                                                 | 641                                        | 2,419                    |
| Amortisation of land use rights              | 16                                                              | –                                                   | –                                          | 16                       |
| Write off of trade and other<br>debtors      | 1,111                                                           | 38                                                  | –                                          | 1,149                    |
|                                              | <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> |
|----------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------|--------------------------------------------|--------------------------|
| 2009                                         |                                                                 |                                                     |                                            |                          |
| Revenues                                     | 48,736                                                          | 9,376                                               | –                                          | 58,112                   |
| Other income                                 | <u>1,590</u>                                                    | <u>616</u>                                          | <u>27,676</u>                              | <u>29,882</u>            |
| Operating profit/(loss)                      | 15,143                                                          | (1,285)                                             | 11,717                                     | 25,575                   |
| Finance costs                                | (3,641)                                                         | –                                                   | –                                          | (3,641)                  |
| Share of results of an associated<br>company | <u>–</u>                                                        | <u>–</u>                                            | <u>76</u>                                  | <u>76</u>                |
| Profit/(loss) before taxation                | 11,502                                                          | (1,285)                                             | 11,793                                     | 22,010                   |
| Taxation                                     | <u>(9,362)</u>                                                  | <u>–</u>                                            | <u>(2)</u>                                 | <u>(9,364)</u>           |
| Profit/(loss) for the period                 | <u>2,140</u>                                                    | <u>(1,285)</u>                                      | <u>11,791</u>                              | <u>12,646</u>            |
| As at 31st March, 2010                       |                                                                 |                                                     |                                            |                          |
| Segment assets                               | 2,877,771                                                       | 8,448                                               | 239,392                                    | 3,125,611                |
| Associated company                           | <u>–</u>                                                        | <u>–</u>                                            | <u>3,221</u>                               | <u>3,221</u>             |
| Total assets                                 | <u>2,877,771</u>                                                | <u>8,448</u>                                        | <u>242,613</u>                             | <u>3,128,832</u>         |
| Total liabilities                            | <u>1,201,193</u>                                                | <u>1,947</u>                                        | <u>6,331</u>                               | <u>1,209,471</u>         |
| 2009                                         |                                                                 |                                                     |                                            |                          |
| Other segment items are as follows:          |                                                                 |                                                     |                                            |                          |
| Capital expenditure                          | 170,495                                                         | –                                                   | 584                                        | 171,079                  |
| Depreciation                                 | 1,432                                                           | 268                                                 | 753                                        | 2,453                    |
| Amortisation of land use rights              | 16                                                              | –                                                   | –                                          | 16                       |
| Write off of trade and other<br>debtors      | <u>934</u>                                                      | <u>–</u>                                            | <u>–</u>                                   | <u>934</u>               |

**(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. Revenues are based on the country in which the customer is located. Non-current assets, total assets and capital expenditure are based on where the assets are located. The segment information by geographical area is as follows:

|                 | <b>Revenues</b> |                 | <b>Capital expenditure</b> |                 |
|-----------------|-----------------|-----------------|----------------------------|-----------------|
|                 | <b>2010</b>     | <b>2009</b>     | <b>2010</b>                | <b>2009</b>     |
|                 | <b>HK\$'000</b> | <b>HK\$'000</b> | <b>HK\$'000</b>            | <b>HK\$'000</b> |
| Hong Kong       | <b>20,199</b>   | 21,010          | <b>363</b>                 | 908             |
| The PRC         | <b>37,027</b>   | 36,403          | <b>88,374</b>              | 170,171         |
| Other countries | <b>457</b>      | 699             | <b>–</b>                   | –               |
|                 | <b>57,683</b>   | 58,112          | <b>88,737</b>              | 171,079         |

  

|                 | <b>Non-current assets (note)</b> |                         | <b>Total assets</b>         |                         |
|-----------------|----------------------------------|-------------------------|-----------------------------|-------------------------|
|                 | <b>30th September, 2010</b>      | <b>31st March, 2010</b> | <b>30th September, 2010</b> | <b>31st March, 2010</b> |
|                 | <b>HK\$'000</b>                  | <b>HK\$'000</b>         | <b>HK\$'000</b>             | <b>HK\$'000</b>         |
| Hong Kong       | <b>764,230</b>                   | 736,868                 | <b>907,221</b>              | 978,393                 |
| The PRC         | <b>90,459</b>                    | 87,380                  | <b>2,397,882</b>            | 2,150,047               |
| Other countries | <b>–</b>                         | –                       | <b>222</b>                  | 392                     |
|                 | <b>854,689</b>                   | 824,248                 | <b>3,305,325</b>            | 3,128,832               |

*Note: Non-current assets in geographical segments represent non-current assets other than available-for-sale financial assets and loans and receivables.*

**6. OTHER INCOME**

|                                                               | <b>2010</b>     | <b>2009</b>     |
|---------------------------------------------------------------|-----------------|-----------------|
|                                                               | <b>HK\$'000</b> | <b>HK\$'000</b> |
| Sale of scraped material                                      | <b>313</b>      | 614             |
| Interest income                                               | <b>943</b>      | 862             |
| Net gain on disposal of property, plant and equipment         | <b>1,451</b>    | 27,376          |
| Net compensation from government for the resumption of assets | <b>28,006</b>   | –               |
| Sundries                                                      | <b>499</b>      | 1,030           |
|                                                               | <b>31,212</b>   | 29,882          |

## 7. OPERATING PROFIT

|                                               | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|-----------------------------------------------|------------------|------------------|
| Operating profit is stated after charging:    |                  |                  |
| Amortisation of land use rights               | 16               | 16               |
| Cost of properties sold                       | 30,092           | 25,958           |
| Cost of inventories sold                      | 8,396            | 9,188            |
| Depreciation                                  | 2,419            | 2,453            |
| Exchange loss                                 | 980              | 99               |
| Staff costs, including Directors' emoluments: |                  |                  |
| – Wages and salaries                          | 18,540           | 15,606           |
| – Retirement benefit costs                    | 532              | 471              |
| Write off of trade and other debtors          | 1,149            | 934              |

## 8. TAXATION

|                           | 2010<br>HK\$'000 | 2009<br>HK\$'000 |
|---------------------------|------------------|------------------|
| Current                   |                  |                  |
| PRC corporate income tax  | 2,269            | 1,759            |
| PRC land appreciation tax | 2,690            | 2,469            |
| Deferred                  | 500              | 5,136            |
|                           | 5,459            | 9,364            |

No provision for Hong Kong profits tax has been made as the Group does not have any estimated assessable profits for the period (2009: 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 charge of an associated company for the six months ended 30th September, 2010 amounting to HK\$304,000 (2009: taxation credit of HK\$6,000) is included in the income statement as share of results of an associated company.

## 9. EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit attributable to equity holders of HK\$10,897,000 (2009: HK\$12,873,000) and 1,523,328,700 (2009: 1,523,328,700) 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 periods.

## 10. DEBTORS AND PREPAYMENTS

Rental income and management fees 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:

|               | <b>30th September,<br/>2010<br/>HK\$'000</b> | <b>31st March,<br/>2010<br/>HK\$'000</b> |
|---------------|----------------------------------------------|------------------------------------------|
| Below 30 days | <b>4,536</b>                                 | 30,521                                   |
| 31 to 60 days | <b>1,070</b>                                 | 577                                      |
| 61 to 90 days | <b>349</b>                                   | 950                                      |
| Over 90 days  | <b>4,124</b>                                 | 1,755                                    |
|               | <b>10,079</b>                                | <b>33,803</b>                            |

Debtors and prepayments include deposits of HK\$279,102,000 (31st March, 2010: HK\$44,792,000) for property development projects and acquisition of land use rights in the PRC and HK\$53,216,000 (31st March, 2010: HK\$39,616,000) for acquisition of property, plant and equipment.

## 11. CREDITORS AND ACCRUALS

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

|               | <b>30th September,<br/>2010<br/>HK\$'000</b> | <b>31st March,<br/>2010<br/>HK\$'000</b> |
|---------------|----------------------------------------------|------------------------------------------|
| Below 30 days | <b>652</b>                                   | 428                                      |
| 31 to 60 days | <b>763</b>                                   | 267                                      |
| 61 to 90 days | <b>322</b>                                   | 243                                      |
| Over 90 days  | <b>509</b>                                   | 214                                      |
|               | <b>2,246</b>                                 | <b>1,152</b>                             |

Creditors and accruals include sales deposits received of HK\$201,971,000 (31st March, 2010: HK\$52,938,000) regarding the sales of properties of the Group in the PRC which have not yet been recognised as revenues during the period.

## 12. FINANCIAL GUARANTEES

As at 30th September, 2010, the subsidiaries have provided guarantees amounting to HK\$191,688,000 (31st March, 2010: HK\$110,505,000) to banks for mortgage loans made by the banks to the purchasers of properties sold by the subsidiaries in the PRC.

## 13. CAPITAL COMMITMENTS

As at 30th September, 2010, the Group has capital expenditure commitments contracted but not provided for amounting to HK\$290,675,000 (31st March, 2010: HK\$228,961,000).

## 14. PLEDGE OF ASSETS

As at 30th September, 2010, the Group has pledged the shares and assets of certain subsidiaries, including bank deposits, investment properties and properties for sale, with an aggregate carrying value of HK\$1,133,780,000 (31st March, 2010: HK\$1,128,103,000), 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, 2010 was HK\$57.7 million (2009: HK\$58.1 million), representing a slight decrease over that of last year. Revenues of the Group comprise income from property development business of HK\$36.2 million (2009: HK\$35.8 million), rental and its related income of HK\$14.3 million (2009: HK\$13.0 million) and income from manufacturing business of HK\$7.2 million (2009: HK\$9.3 million).

During the six months under review, gross profit decreased to HK\$16.8 million (2009: HK\$20.6 million) mainly as a result of reduction in profit margin on property sales. Other income amounted to HK\$31.2 million (2009: HK\$29.9 million) mainly due to net compensation received by the Group resulting from the land resumption by the Huizhou government to facilitate the railway construction. A detailed analysis of other income is shown in note 6 on page 9 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\$26 million (2009: HK\$30 million) for its investment properties.

On the costs side, selling and marketing expenses decreased to HK\$7.9 million (2009: HK\$11.6 million) in view of reduction in marketing campaign launched during the period. Administrative expenses increased to HK\$41.6 million (2009: HK\$39.2 million) and that was due to general increase in overhead while other operating expenses increased to HK\$4.8 million (2009: HK\$4.1 million) principally due to an increase in exchange loss for the period under review. Finance costs increased to HK\$7.2 million (2009: HK\$3.6 million) as a result of reduced capitalisation of interest expenses to properties under development in the People's Republic of China (the "PRC"). Share of results of an associated company increased to HK\$2.0 million (2009: HK\$0.1 million) in relation to the Group's 25% interests in Treasure Auctioneer International Limited. Taxation decreased to HK\$5.5 million (2009: HK\$9.4 million) mainly due to the reversal of deferred taxation provision in the PRC.

Taking these factors into account, profit attributable to equity holders of the Company for the period ended 30th September, 2010 was HK\$10.9 million (2009: HK\$12.9 million). Earnings per share were 0.72 HK cent (2009: 0.85 HK cent).

## **INTERIM DIVIDEND**

The Board does not declare an interim dividend for the six months ended 30th September, 2010 (2009: Nil).

## **BUSINESS REVIEW**

### **Property Development**

During the period under review, the PRC government has further introduced a series of macro control policies including tightening of mortgage policies and restricting home purchases to one property per household. With the impacts of these factors, the Group has timely adjusted its development strategy of the projects in response to the cautious market sentiments. In addition, the Group plans to realign its PRC property projects and focus on major cities

including Guangzhou, Chengdu, Xiamen and the Yangtze River Delta region. A brief summary of the Group's major projects is as follows:

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

The development has a total gross floor area ("GFA") of 450,000 m<sup>2</sup> and is being developed in three phases. The first phase of the project comprising GFA of 60,000 m<sup>2</sup> residential and 3,400 m<sup>2</sup> commercial and clubhouse facilities is completed. Phase I provides a total of 11 residential blocks with over 350 apartment units. Block 1 to Block 3 of about 15,000 m<sup>2</sup> GFA are virtually all sold out at an average selling price of RMB5,200 per m<sup>2</sup>. The Group holds the commercial and clubhouse properties for investment purpose, and the majority of the commercial complex has been leased to an operator for supermarket.

Block 8 to Block 11 have a total GFA of about 22,000 m<sup>2</sup> providing apartment size of 175 m<sup>2</sup>. Presales for Block 8 to Block 11 are in progress, and up to now, about 40% of these 124 apartments are sold at an average selling price of about RMB7,100 per m<sup>2</sup>. These sold units will be delivered to buyers before the end of December 2010 and the sales will be accounted as the Group's revenue in the financial year ending 31st March, 2011. Block 4 to Block 7 have a total GFA of about 23,000 m<sup>2</sup> providing 4 bed-room apartments of 202 m<sup>2</sup> and duplex apartments of over 400 m<sup>2</sup>. Marketing of these four blocks will commence before the end of December 2010 together with the launch of the prestigious VIP clubhouse designated for Block 4 to Block 7.

The revised master layout plan for phase II and phase III development of Chuang's Le Papillon with a total GFA of approximately 386,600 m<sup>2</sup> has been approved. Construction works of phase II have commenced, and superstructure works for Block 12 to Block 17 with a GFA of approximately 50,000 m<sup>2</sup> are underway. Marketing of these six blocks of flat sizes ranging from 90 m<sup>2</sup> to 120 m<sup>2</sup> have received encouraging responses. Presale of these six blocks with estimated sales value of about RMB370 million will be launched in the fourth quarter of 2010.

Construction works for another 146,600 m<sup>2</sup> of phase II will commence before the end of the financial year ending 31st March, 2011. In addition, the Group will keep close monitoring of the local market condition and will embark on phase III with developable GFA of 190,000 m<sup>2</sup>. The Group expects that these two remaining phases of Chuang's Le Papillon will be completed in three years with estimated sales value of about RMB4.3 billion.

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

Imperial Garden, phase III of Chuang's New City, has a total GFA of 530,000 m<sup>2</sup>. Construction of 8 residential towers with an aggregate GFA of approximately 88,000 m<sup>2</sup> in Imperial Garden has been completed. It provides over 600 residential units with flat sizes ranging from 80 m<sup>2</sup> to 160 m<sup>2</sup>, executive duplex units of 280 m<sup>2</sup> and unique simplex units of 445 m<sup>2</sup>. Sales of these 8 residential towers with a total GFA of about 88,000 m<sup>2</sup> have been launched, of which 46% have been sold at an average selling price of RMB4,740 per m<sup>2</sup>. On top of the residential development, the Group holds the commercial portion of Imperial Garden and Gold Coast (phase II of Chuang's New City) with aggregate GFA of about 12,400 m<sup>2</sup> for investment purpose.

Infrastructure under construction such as 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) is anticipated to expedite local development and real estate transaction along the transportation network. The Group believes that when the newly developed express rail connecting Guangzhou via Dongguan to Shenzhen is in service in mid 2011 and the link to West Kowloon of Hong Kong in 2015, Imperial Garden will attract property buyers from Shenzhen and Hong Kong as it is located close to the Dongguan Humen Station (東莞虎門站). The development potential of Imperial Garden will be enhanced, and the Group will embark on the remaining phases accordingly.

***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 interest in a site with total developable area of about 190,000 m<sup>2</sup> and the disposal consideration is about RMB192 million. Up to the date of this report, the Group has received total deposits of RMB136 million. It is expected that a further RMB40 million will be paid to the Group upon delivery of the sites and the disposal is expected to 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.

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 (厦深鐵路). As a result of the land resumption, net cash compensation of RMB18.5 million has been received by the Group and a net gain of about RMB10.5 million has been recorded as other income in the period under review.

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

Phase I of Beverly Hills has a total GFA of 80,600 m<sup>2</sup> based on a plot ratio of 0.8. Phase I of the project comprises of 172 units of detached houses, semi-detached houses, townhouses, and 144 units of high-rise apartments. All residential units were completed, of which 71% have been sold. The associated clubhouse and a boutique hotel with a total GFA of approximately 10,600 m<sup>2</sup> are now under renovation and will be completed in the fourth quarter of 2010.

The Group is planning to develop phase II of the project and is in discussion with local government on granting of land.

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

Chuang's Palazzo Caesar has a total developable GFA of 535,000 m<sup>2</sup>, based on a plot ratio of 1.8. The master layout plan has been approved comprising 135,000 m<sup>2</sup> GFA of low-rise villas, 390,000 m<sup>2</sup> GFA of high-rise residential towers and commercial facilities of about 10,000 m<sup>2</sup>.

The Group is holding preliminary discussions with independent third parties for possible disposal of interests in this project.

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

The site is located along the coastline of Siming Qu (思明區), abutting the well-known scenic route of Xiamen Ring Road (環島路) with land area of 27,562 m<sup>2</sup>. In November 2010, the Group obtained the land use rights certificate for the site.

The development has a total GFA of 18,000 m<sup>2</sup> with a plot ratio of 0.65. The project includes 30 private pool villas and an exclusive boutique hotel of about 90 keys providing exceptional hospitality experience in Xiamen. Upon completion, the Group intends to hold this property for investment purpose. The resort will be managed by an international acclaimed resort/spa hotel management operator. The development offers the highest international standard of luxury with elegant architectural design, tropical landscaping and water feature.

Submission for approval of master layout plan is in progress and detailed floor plans are being developed.

***Chuang's Mid-town, Anshan, Liaoning (100% owned)***

In April 2010, the Group participated in government land auction and successfully bid for the development site in Anshan, Liaoning province. Chuang's Mid-town 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 walking mall. It will be developed into a comprehensive complex for residential and commercial purpose and with a plot ratio of 10, residential GFA will be 90,000 m<sup>2</sup> and commercial GFA will be 20,000 m<sup>2</sup>.

Land cost for the site in the sum of RMB44.5 million has been fully paid. According to the terms of the land auction, the site should be delivered to the Group before 30th July, 2010. However, up to the date of this report, the local government has not yet fulfilled its obligation to handover the site. The Group is finalising 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. Situated within 1 km from the first site, the second site acquired by the Group 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. This site will be developed into comprehensive complex for residential and commercial purpose with developable GFA of 390,000 m<sup>2</sup> based on a plot ratio of 10.

Land cost for the site in the sum of RMB157.8 million has been fully paid. According to the terms of the land auction, the site should be delivered to the Group before 30th July, 2010. However, up to the date of this report, the local government has not yet fulfilled its obligation to handover the site. 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 Le Printemps, Chengdu, Sichuan (51% owned)***

The 30,000 m<sup>2</sup> site is located in the prominent district within the second-ring road, Wu Hou Qu (武侯區) of Chengdu. In order to expand the development size, the Group is in discussions with the local government for resettlement and redevelopment of the adjacent site. Once such redevelopment is approved, the master layout plan will be revised from the existing plot ratio of 4 to a plot ratio of 6.

### **Property Sales**

For the six months ended 30th September, 2010, property sales of the Group in the PRC which were recognised as revenues were about HK\$36.2 million, mainly related to sales of Imperial Garden in Dongguan and Beverly Hills in Changsha.

As at the date of this report, the Group has contracted sales of about HK\$328.1 million which have not yet been recorded as revenues, including sale of the development sites in Huizhou as mentioned hereinabove, as well as property sales 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 the financial year ending 2011.

In the financial year ending 2011, the Group targets to market an aggregate of about 153,100 m<sup>2</sup> of GFA, including 86,600 m<sup>2</sup> of phases I and II of Chuang's Le Papillon in Guangzhou, 47,500 m<sup>2</sup> of Imperial Garden in Dongguan and 19,000 m<sup>2</sup> 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\$1.28 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\$13.4 million, representing an increase of 9% 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 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 was relocated to newly leased factory premises with about 4,000 m<sup>2</sup> in Huizhou. Taking into account the relocation expenses, a net gain of about RMB13.9 million has been recorded by the Group in the period under review.

The aggregate book values of these other investments amounted to over HK\$833.1 million as at 30th September, 2010. 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, 2010, the Group's cash and bank balances amounted to HK\$114.7 million (31st March, 2010: HK\$293.9 million). Bank borrowings of the Group as at the same date amounted to HK\$609.7 million (31st March, 2010: HK\$711.8 million). Approximately 18.3% of the Group's bank borrowings were repayable within one year, 27.4% repayable within second year and 54.3% repayable within third to fifth years.

The net debt to equity ratio of the Group (expressed as a percentage of interest bearing borrowings net of cash and bank balances over total net assets value attributable to the equity holders of the Company) was 31.8% (31st March, 2010: 22.0%). The increase in net debt to equity ratio of the Group when compared with that as at 31st March, 2010 was related to the Group's capital expenditures on various development projects in the PRC during the period.

Approximately 33.6% of the Group's cash and bank balances were in Hong Kong dollar and United States dollar with the remaining 66.4% in Renminbi. Risk in exchange rate fluctuation would not be material.

About HK\$379.0 million (being 62.2%) of the Group's bank borrowings were in Hong Kong dollar and HK\$230.7 million (equivalent to RMB198.0 million) (being 37.8%) were 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 dollars will be reduced.

During the period under review, 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 HK\$120 million as at 30th September, 2010.

As at 30th September, 2010, the net asset value attributable to equity holders of the Company was HK\$1,931.7 million. Net asset value per share amounted to HK\$1.27, 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 a series of macro control policies in the PRC including the tightening of mortgage policies, restraining investment and speculative demand as well as restricting home purchases to one property per household, transaction volumes and prices of the property market in the PRC will inevitably be affected and is expected to remain weak in the short term. However, in the medium-to-long term, with the progress of urbanisation in the PRC, there will be no change in the rigid demand for housing, which is a driving force for the sustainable growth of the property market in the PRC.

Looking ahead, the Group holds optimistic view 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 30th September, 2010, the Group employed 583 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, 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 interim report of the Group for the six months ended 30th September, 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.

## **PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE**

The interim report of the Company for the six months ended 30th September, 2010 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. Albert Chuang Ka Pun, Mr. Sunny Pang Chun Kit 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, 23rd November, 2010