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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, 2016

RESULTS

The board of Directors (the “Board”) of Chuang's China Investments Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (collectively as the “Group”) for the six months ended 30th September, 2016 as follow:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30th September, 2016

	Note	2016 HK\$'000	2015 HK\$'000
Revenues		423,897	368,015
Net gain of financial assets at fair value through profit or loss		8,303	463
Revenues and net gain	5	432,200	368,478
Cost of sales		(253,392)	(219,579)
Gross profit		178,808	148,899
Other income and net gain	7	5,125	72,504
Selling and marketing expenses		(18,412)	(20,260)
Administrative and other operating expenses		(62,715)	(66,830)
Change in fair value of investment properties		25,239	32,425
Operating profit	8	128,045	166,738
Finance costs	9	(6,638)	(7,821)
Share of results of associated companies		(705)	(1,022)
Share of result of a joint venture	10	28,151	–
Profit before taxation		148,853	157,895
Taxation	11	(59,522)	(96,186)
Profit for the period		89,331	61,709
Attributable to:			
Equity holders		87,654	65,386
Non-controlling interests		1,677	(3,677)
		89,331	61,709
		HK cents	HK cents (Restated)
Earnings per share (basic and diluted)	13	3.73	3.75

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the six months ended 30th September, 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit for the period	<u>89,331</u>	<u>61,709</u>
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss:		
Net exchange differences	(40,286)	(38,290)
Change in fair value of available-for-sale financial assets	<u>153,193</u>	<u>(45,549)</u>
Other comprehensive income/(loss) for the period	<u>112,907</u>	<u>(83,839)</u>
Total comprehensive income/(loss) for the period	<u><u>202,238</u></u>	<u><u>(22,130)</u></u>
Total comprehensive income/(loss) attributable to:		
Equity holders	200,680	(16,148)
Non-controlling interests	<u>1,558</u>	<u>(5,982)</u>
	<u><u>202,238</u></u>	<u><u>(22,130)</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30th September, 2016

		30th September, 2016 HK\$'000	31st March, 2016 HK\$'000
	Note		
Non-current assets			
Property, plant and equipment		64,278	69,981
Investment properties		458,612	539,103
Land use right		1,541	1,562
Properties for/under development		141,877	145,769
Associated companies		21,561	21,721
Joint venture		340,283	282,554
Available-for-sale financial assets		336,590	167,924
Loans and receivables		11,692	12,051
		<u>1,376,434</u>	<u>1,240,665</u>
Current assets			
Properties for sale		1,249,941	1,779,398
Inventories		47,586	47,586
Debtors and prepayments	15	247,637	276,478
Financial assets at fair value through profit or loss		503,280	226,253
Pledged bank balances		–	40,173
Cash and bank balances		886,343	565,494
		<u>2,934,787</u>	<u>2,935,382</u>
Assets of disposal group classified as held for sale	16	499,157	–
		<u>3,433,944</u>	<u>2,935,382</u>
Current liabilities			
Creditors and accruals	17	507,297	144,413
Sales deposits received		11,657	363,709
Short-term bank borrowings	18	143,000	–
Current portion of long-term bank borrowings	18	279,507	406,671
Taxation payable		238,251	276,131
		<u>1,179,712</u>	<u>1,190,924</u>
Liabilities of disposal group classified as held for sale	16	181,793	–
		<u>1,361,505</u>	<u>1,190,924</u>
Net current assets		<u>2,072,439</u>	<u>1,744,458</u>
Total assets less current liabilities		<u><u>3,448,873</u></u>	<u><u>2,985,123</u></u>

		30th September, 2016	31st March, 2016
	<i>Note</i>	HK\$'000	HK\$'000
Equity			
Share capital	19	118,750	81,057
Reserves		2,733,745	2,428,425
Shareholders' funds		2,852,495	2,509,482
Non-controlling interests		944	(614)
Total equity		2,853,439	2,508,868
Non-current liabilities			
Long-term bank borrowings	18	495,700	302,002
Deferred taxation liabilities		87,102	161,729
Loans and payables with non-controlling interests		12,632	12,524
		595,434	476,255
		3,448,873	2,985,123

NOTES:

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, 2016, the Company was a 57.3% owned subsidiary of Profit Stability Investments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Chuang's Consortium International Limited ("CCIL"), a limited liability company incorporated in Bermuda and listed on the Main Board of the Stock Exchange. The board of Directors (the "Board") regards CCIL as the ultimate holding company.

The principal activities of the Company and its subsidiaries (collectively as the "Group") are property development, investment and trading, hotel operation and management, manufacturing, sales and trading of goods and merchandises, including watch components and art pieces, and securities investment and trading.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss 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. The condensed consolidated interim financial information should be read in conjunction with the consolidated annual financial statements of the Group for the year ended 31st March, 2016 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

For the six months ended 30th September, 2016, the Group entered into a sale and purchase agreement with independent third parties to dispose of its wholly-owned subsidiaries (see Note 16). As such, all related assets and liabilities of the disposal group were classified as held for sale as at 30th September, 2016 in accordance with the accounting policy below. Except as stated below, the accounting policies and methods of computation used in the preparation of the condensed consolidated interim financial information are consistent with those used in the consolidated annual financial statements of the Group for the year ended 31st March, 2016.

(a) Accounting policy for disposal group held for sale

Assets and liabilities of disposal group are classified as held for sale when its carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The assets and liabilities of disposal group are stated at the lower of carrying amount and fair value less costs to sell (except for certain assets and liabilities as explained below). Investment properties, financial assets and deferred taxation liabilities, which are classified as held for sale, would continue to be measured in accordance with the policies set out in Note 2 to the consolidated annual financial statements of the Group for the year ended 31st March, 2016.

(b) Effect of adopting new standard and amendments to standards

For the six months ended 30th September, 2016, the Group adopted the following new standard and amendments to standards that are effective for the accounting periods beginning on or after 1st April, 2016 and relevant to the operations of the Group:

HKAS 1 (Amendment)	Presentation of Financial Statements — Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Property, Plant and Equipment and Intangible Assets — Clarification of Acceptable Methods of Depreciation and Amortization
HKAS 27 (Amendment)	Separate Financial Statements: Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities — Applying the Consolidation Exception
HKFRS 11 (Amendment)	Joint Arrangements — Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle

The Group has assessed the impact of the adoption of these new standard and amendments to standards and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the condensed consolidated interim financial information.

(c) New standards and amendments to standards that are not yet effective

The following new standards and amendments to standards have been published which are relevant to the Group's operations and are mandatory for the Group's accounting periods beginning on or after 1st April, 2017, but have not yet been early adopted by the Group:

HKAS 7 (Amendment)	Cash Flow Statements — Disclosure initiative (effective from 1st January, 2017)
HKAS 12 (Amendment)	Income Taxes — Recognition of Deferred Tax Assets for Unrealized Losses (effective from 1st January, 2017)
HKFRS 9	Financial Instruments (effective from 1st January, 2018)
HKFRS 15	Revenue from Contracts with Customers (effective from 1st January, 2018)
HKFRS 16	Leases (effective from 1st January, 2019)

The Group will adopt the above new standards and amendments to standards as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The activities of the Group expose it to a variety of financial risks including credit risk, liquidity risk, cash flow and fair value interest rate risk, foreign exchange risk and price risk. The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the consolidated annual financial statements and it should be read in conjunction with the consolidated annual financial statements of the Group for the year ended 31st March, 2016. There has been no material change in the Group's financial risk management policies since the year ended 31st March, 2016.

(b) Liquidity risk

Compared to the year ended 31st March, 2016, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

(c) Fair value estimation

The fair values of financial instruments traded in active markets are based on quoted market prices at the balance sheet date, whereas the fair values of other financial assets and financial liabilities are determined in accordance with the generally accepted pricing models based on discounted cash flow analysis.

The Directors considered that the carrying values of financial assets and financial liabilities recorded at amortized cost in the condensed consolidated interim financial information approximate their fair values.

During the six months ended 30th September, 2016, there was no significant change in the business or economic circumstances that affect the fair values of the Group's financial assets and financial liabilities, no transfers of financial assets or financial liabilities between the levels in the hierarchy, and no reclassifications of financial assets.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing the condensed consolidated interim financial information 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 condensed consolidated interim financial information are consistent with those used in the consolidated annual financial statements of the Group for the year ended 31st March, 2016.

5. REVENUES AND NET GAIN

Revenues and net gain recognized during the period are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenues		
Sales of properties	391,791	358,663
Rental income and management fees	10,468	7,455
Sales of goods and merchandises	860	923
Interest income from financial assets at fair value through profit or loss	20,778	974
	<u>423,897</u>	<u>368,015</u>
Net gain		
Net realized gain of financial assets at fair value through profit or loss	47	–
Net fair value gain of financial assets at fair value through profit or loss	8,256	463
	<u>8,303</u>	<u>463</u>
Revenues and net gain	<u><u>432,200</u></u>	<u><u>368,478</u></u>

6. SEGMENT INFORMATION

(a) Segment information by business lines

The chief operating decision maker (the “CODM”) has been identified as the Executive Directors and senior management. The CODM 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 CODM considers the business from a business perspective, including property development, investment and trading, sales of goods and merchandises, securities investment and trading and others (including hotel operation and management). The CODM assesses the performance of the operating segments based on the measure of segment result.

The segment information by business lines is as follows:

	Property development, investment and trading <i>HK\$'000</i>	Sales of goods and merchandises <i>HK\$'000</i>	Securities investment and trading <i>HK\$'000</i>	Others and corporate <i>HK\$'000</i>	Total <i>HK\$'000</i>
2016					
Revenues and net gain	402,259	860	29,081	–	432,200
Other income and net gain/(loss)	294	(11)	34	4,808	5,125
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating profit/(loss)	143,945	(2,008)	29,115	(43,007)	128,045
Finance costs	(6,507)	–	(131)	–	(6,638)
Share of results of associated companies	–	–	–	(705)	(705)
Share of result of a joint venture	28,151	–	–	–	28,151
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Profit/(loss) before taxation	165,589	(2,008)	28,984	(43,712)	148,853
Taxation	(59,522)	–	–	–	(59,522)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Profit/(loss) for the period	106,067	(2,008)	28,984	(43,712)	89,331
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 30th September, 2016					
Segment assets	3,069,502	49,696	503,280	826,056	4,448,534
Associated companies	–	–	–	21,561	21,561
Joint venture	340,283	–	–	–	340,283
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	3,409,785	49,696	503,280	847,617	4,810,378
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	1,871,931	1,105	22,000	61,903	1,956,939
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2016					
Other segment items are as follows:					
Capital expenditure	120,988	–	–	619	121,607
Depreciation	451	12	–	5,107	5,570
Amortization of land use right	16	–	–	–	16
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Note: Assets and liabilities of disposal group classified as held for sale were reported under the property development, investment and trading segment as at 30th September, 2016.

	Property development, investment and trading <i>HK\$'000</i>	Sales of goods and merchandises <i>HK\$'000</i>	Securities investment and trading <i>HK\$'000</i>	Others and corporate <i>HK\$'000</i>	Total <i>HK\$'000</i>
2015					
Revenues and net gain	366,118	923	1,437	–	368,478
Other income and net gain/(loss)	<u>64,185</u>	<u>(7)</u>	<u>31</u>	<u>8,295</u>	<u>72,504</u>
Operating profit/(loss)	193,362	(487)	1,468	(27,605)	166,738
Finance costs	(7,821)	–	–	–	(7,821)
Share of results of associated companies	<u>–</u>	<u>(54)</u>	<u>–</u>	<u>(968)</u>	<u>(1,022)</u>
Profit/(loss) before taxation	185,541	(541)	1,468	(28,573)	157,895
Taxation	<u>(96,186)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(96,186)</u>
Profit/(loss) for the period	<u>89,355</u>	<u>(541)</u>	<u>1,468</u>	<u>(28,573)</u>	<u>61,709</u>
As at 31st March, 2016					
Segment assets	3,127,218	51,089	226,253	467,212	3,871,772
Associated companies	–	–	–	21,721	21,721
Joint venture	<u>282,554</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>282,554</u>
Total assets	<u>3,409,772</u>	<u>51,089</u>	<u>226,253</u>	<u>488,933</u>	<u>4,176,047</u>
Total liabilities	<u>1,651,421</u>	<u>569</u>	<u>–</u>	<u>15,189</u>	<u>1,667,179</u>
2015					
Other segment items are as follows:					
Capital expenditure	284,845	–	–	618	285,463
Depreciation	859	13	–	5,084	5,956
Amortization of land use rights					
— charged to the consolidated income statement	16	–	–	–	16
— capitalized into properties	<u>2,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,000</u>

(b) Geographical segment information

The business of the Group operates in different geographical areas. Revenues and net gain are presented by the countries where the customers are located. Non-current assets, total assets and capital expenditure are presented by the countries where the assets are located. The segment information by geographical area is as follows:

	Revenues and net gain		Capital expenditure	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Hong Kong	29,084	1,462	17,784	6,941
The People's Republic of China (the "PRC")	402,259	366,118	103,823	278,522
Other countries	857	898	—	—
	<u>432,200</u>	<u>368,478</u>	<u>121,607</u>	<u>285,463</u>
	Non-current assets (Note)		Total assets	
	30th September, 2016 HK\$'000	31st March, 2016 HK\$'000	30th September, 2016 HK\$'000	31st March, 2016 HK\$'000
Hong Kong	68,645	73,510	2,152,630	1,160,548
The PRC	959,507	987,180	2,621,971	2,979,366
Other countries	—	—	35,777	36,133
	<u>1,028,152</u>	<u>1,060,690</u>	<u>4,810,378</u>	<u>4,176,047</u>

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

7. OTHER INCOME AND NET GAIN

	2016 HK\$'000	2015 HK\$'000
Interest income from bank deposits	1,906	7,340
Dividend income from available-for-sale financial assets	3,243	3,889
Write-back of provision for indemnity (Note)	—	58,546
Fair value gain on transfer of properties from properties for sale to investment properties	—	2,781
Net loss on disposal of property, plant and equipment	(5)	(5)
Net exchange loss	(197)	(47)
Sundries	178	—
	<u>5,125</u>	<u>72,504</u>

Note: On 27th May, 2013, a wholly-owned subsidiary (the "Vendor") of the Group entered into an agreement with an independent third party (the "Purchaser") to dispose of its investment in a wholly-owned subsidiary at a consideration of HK\$1. The Vendor also executed an indemnity deed amounting to RMB48.8 million (equivalent to approximately HK\$58.5 million) in favour of the Purchaser for a period of two years from the date of completion of the disposal on 15th August, 2013. The transaction was announced by the Company on 27th May, 2013. The write-back of provision for indemnity in 2015 was related to this as the indemnity was expired during the period ended 30th September, 2015.

8. OPERATING PROFIT

	2016 HK\$'000	2015 HK\$'000
Operating profit is stated after charging:		
Amortization of land use right	16	16
Cost of properties sold	248,541	215,118
Cost of inventories sold	203	580
Depreciation	5,570	5,956
Staff costs, including Directors' emoluments		
Wages and salaries	24,663	28,688
Retirement benefit costs	1,318	1,557

9. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interest expenses on bank borrowings	12,135	12,616
Amounts capitalized into properties under development	(5,497)	(4,795)
	<u>6,638</u>	<u>7,821</u>

The capitalization rates applied to funds borrowed for the development of properties range from 2.00% to 8.08% (2015: 2.10% to 3.16%) per annum.

10. SHARE OF RESULT OF A JOINT VENTURE

Share of result of a joint venture of HK\$28,151,000 (2015: Nil) in the condensed consolidated income statement is the share of result of the joint venture for the period ended 30th September, 2016 which mainly includes the share of fair value gain of its investment properties (net of the related deferred taxation) of HK\$30,426,000.

11. TAXATION

	2016 HK\$'000	2015 HK\$'000
Current taxation		
PRC corporate income tax	26,902	44,133
PRC land appreciation tax	35,594	59,054
Deferred taxation	(2,974)	(7,001)
	<u>59,522</u>	<u>96,186</u>

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits for the period (2015: Nil). PRC corporate income tax has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the PRC. PRC land appreciation tax is levied at 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.

There is no taxation charge/credit of associated companies for the six months ended 30th September, 2016 (2015: Nil). Share of deferred taxation charge of the joint venture for the six months ended 30th September, 2016 of HK\$10,142,000 (2015: Nil) is included in the condensed consolidated income statement as share of result of a joint venture.

12. INTERIM DIVIDEND

	2016 HK\$'000	2015 HK\$'000
Interim dividend of 1.5 HK cents (2015: 1.0 HK cent) per share	<u>35,584</u>	<u>16,211</u>

On 23rd November, 2016, the Board declared an interim dividend of 1.5 HK cents (2015: 1.0 HK cent) per share amounting to HK\$35,584,000 (2015: HK\$16,211,000). The amount of HK\$35,584,000 is calculated based on 2,372,295,316 issued shares as at 23rd November, 2016. This dividend is not reflected as a dividend payable in the condensed consolidated interim financial information, but will be reflected and accounted for as an appropriation of reserves in the year ending 31st March, 2017.

13. EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit attributable to equity holders of HK\$87,654,000 (2015: HK\$65,386,000) and the weighted average number of 2,347,002,999 (2015: 1,743,656,867, as restated) shares in issue during the period. The weighted average number of shares used in the calculation of earnings per share had been adjusted for the bonus element of the rights issue following the completion of the rights issue on 3rd May, 2016 (see Note 19(a)) and the prior period comparative had also been restated for such effect.

The diluted earnings per share is equal to the basic earnings per share since there are no dilutive potential shares in issue during the periods.

14. CAPITAL EXPENDITURE

On 21st April, 2015, the Company and its wholly-owned subsidiary entered into a sale and purchase agreement with Midas International Holdings Limited ("Midas") (a listed subsidiary of CCIL) and its wholly-owned subsidiary to acquire the entire registered capital of a PRC wholly-owned subsidiary of Midas (the major assets are the land and completed property in the PRC) at a consideration of RMB101.6 million (equivalent to approximately HK\$123.4 million). The transaction was completed on 21st August, 2015 and the consideration was settled in full in cash at completion. The Group recorded the land and property acquired as investment properties since completion of the transaction. The transaction was announced by the Company on 21st April, 2015 and 21st August, 2015, and published in the circular of the Company on 13th May, 2015, respectively.

For the six months ended 30th September, 2016, the Group incurred acquisition and development costs on property, plant and equipment of HK\$619,000 (2015: HK\$929,000), and property projects, properties and investment properties (including the aforesaid one for 2015) of HK\$120,988,000 (2015: HK\$284,534,000).

15. DEBTORS AND PREPAYMENTS

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

	30th September, 2016 HK\$'000	31st March, 2016 HK\$'000
Below 30 days	3,873	7,193
31 to 60 days	21	21
61 to 90 days	17	–
Over 90 days	1,233	1,230
	<u>5,144</u>	<u>8,444</u>

Debtors and prepayments include net deposits of HK\$206,084,000 (31st March, 2016: HK\$212,356,000) for property projects and acquisition of land use rights after the accumulated provision for impairment of HK\$11,272,000 (31st March, 2016: HK\$11,272,000) as at 30th September, 2016.

16. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	30th September, 2016 HK\$'000	31st March, 2016 HK\$'000
Assets		
Investment properties	104,089	–
Properties for sale	382,940	–
Debtors and prepayments	2,565	–
Pledged bank balances	155	–
Cash and bank balances	9,408	–
	<u>499,157</u>	<u>–</u>
Assets of disposal group classified as held for sale		
Liabilities		
Creditors and accruals	32,625	–
Taxation payable	78,908	–
Deferred taxation liabilities	70,260	–
	<u>181,793</u>	<u>–</u>
Liabilities of disposal group classified as held for sale		

On 25th August, 2016, the Company and its wholly-owned subsidiary entered into a sale and purchase agreement with independent third parties to dispose of its wholly-owned subsidiaries which held a property development project at Dongguan, the PRC, for a consideration of approximately RMB1,330.4 million (equivalent to approximately HK\$1,545.9 million) (subject to adjustment) (the “Dongguan Disposal”). The Group will retain the administration building and certain completed properties upon completion. The Dongguan Disposal was announced by the Company on 28th August, 2016 and published in the circular on 26th September, 2016 respectively. As at 30th September, 2016, initial deposit of RMB300 million (equivalent to approximately HK\$348.2 million) was received and recorded in “Creditors and accruals” (see Note 17). All related assets and liabilities of the disposal group were reclassified as “Assets of disposal group classified as held for sale” and “Liabilities of disposal group classified as held for sale” respectively as at 30th September, 2016. The transaction was completed on 27th October, 2016 (see Note 23(a)).

17. CREDITORS AND ACCRUALS

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

	30th September, 2016 HK\$'000	31st March, 2016 HK\$'000
Over 60 days	<u>–</u>	<u>138</u>

Creditors and accruals include the construction cost payables and accruals of HK\$60,456,000 (31st March, 2016: HK\$74,687,000) for the property projects of the Group, and the initial deposit received from the Dongguan Disposal of approximately HK\$348.2 million (31st March, 2016: Nil) (see Note 16).

18. BORROWINGS

	30th September, 2016 HK\$'000	31st March, 2016 HK\$'000
Unsecured bank borrowings		
Long-term bank borrowings	<u>200,000</u>	<u>149,887</u>
Secured bank borrowings		
Short-term bank borrowings	<u>143,000</u>	<u>–</u>
Long-term bank borrowings	<u>575,207</u>	<u>558,786</u>
	<u>718,207</u>	<u>558,786</u>
Total bank borrowings	<u>918,207</u>	<u>708,673</u>

The total bank borrowings are analyzed as follows:

	30th September, 2016 HK\$'000	31st March, 2016 HK\$'000
Short-term bank borrowings	<u>143,000</u>	<u>–</u>
Long-term bank borrowings	<u>775,207</u>	<u>708,673</u>
	<u>918,207</u>	<u>708,673</u>

The long-term bank borrowings are analyzed as follows:

	30th September, 2016 HK\$'000	31st March, 2016 HK\$'000
Long-term bank borrowings	<u>775,207</u>	<u>708,673</u>
Current portion included in current liabilities		
Portion due within one year	(14,507)	(311,671)
Portion due after one year which contains a repayment on demand clause	<u>(265,000)</u>	<u>(95,000)</u>
	<u>(279,507)</u>	<u>(406,671)</u>
	<u>495,700</u>	<u>302,002</u>

The bank borrowings are repayable in the following periods based on the agreed scheduled repayment dates set out in the loan agreements:

	30th September, 2016 HK\$'000	31st March, 2016 HK\$'000
Within the first year	157,507	311,671
Within the second year	72,196	16,854
Within the third to fifth years	<u>688,504</u>	<u>380,148</u>
	<u>918,207</u>	<u>708,673</u>

19. SHARE CAPITAL

	30th September, 2016 HK\$'000	31st March, 2016 HK\$'000
Authorized:		
18,000,000,000 shares of HK\$0.05 each	<u>900,000</u>	<u>900,000</u>
	Number of shares	Amount HK\$'000
Issued and fully paid at HK\$0.05 each:		
At 1st April, 2016	1,621,143,544	81,057
Issue of shares (<i>Note a</i>)	810,571,772	40,529
Repurchase of shares (<i>Note b</i>)	<u>(56,720,000)</u>	<u>(2,836)</u>
At 30th September, 2016	<u>2,374,995,316</u>	<u>118,750</u>

Notes:

(a) Issue of shares

On 3rd May, 2016, the rights issue on the basis of one rights share for every two ordinary shares at a subscription price of HK\$0.28 per rights share was completed. A total of 810,571,772 shares were issued resulting in net proceeds of approximately HK\$222,951,000 to the Company. The new shares rank pari passu with the existing shares.

(b) Repurchase of shares

During the period ended 30th September, 2016, the Company repurchased 59,220,000 shares of its own shares on the Stock Exchange with total amount of approximately HK\$31,984,000. The repurchased shares were cancelled before the period ended 30th September, 2016, except for 2,500,000 shares with amount of approximately HK\$1,334,000 were cancelled after 30th September, 2016. And subsequent to 30th September, 2016, the Company had further repurchased 200,000 shares with amount of approximately HK\$102,000 and the shares were also cancelled after repurchase.

20. FINANCIAL GUARANTEES

As at 30th September, 2016, the subsidiaries had provided guarantees of HK\$961,615,000 (31st March, 2016: HK\$1,079,858,000) to banks for mortgage loans made by the banks to the purchasers of properties sold by the subsidiaries in the PRC.

21. COMMITMENTS

As at 30th September, 2016, the Group had commitments contracted but not provided for in respect of property projects and property, plant and equipment of HK\$272,132,000 (31st March, 2016: HK\$262,343,000) and available-for-sale financial assets of HK\$46,536,000 (31st March, 2016: HK\$47,964,000) respectively.

22. PLEDGE OF ASSETS

As at 30th September, 2016, the Group had pledged certain assets including investment properties, properties for sale and financial assets at fair value through profit or loss, with an aggregate carrying value of HK\$986,756,000 (31st March, 2016: HK\$849,154,000, including bank deposits), to secure banking and financial guarantee facilities granted to the subsidiaries.

23. EVENTS AFTER THE REPORTING PERIOD

- (a) For the Dongguan Disposal as stated in Note 16, the transaction was approved by the shareholders of the Company at the special general meeting held on 13th October, 2016. The transaction was then completed on 27th October, 2016 in accordance with the terms and conditions of the sale and purchase agreement and the consideration was received in full at completion. An estimated net gain of approximately HK\$1.2 billion is expected to be generated from the transaction and will be accounted for in the second half of this financial year.
- (b) On 4th November, 2016, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party to acquire an office property in London, United Kingdom, at a net consideration of approximately GBP79 million (equivalent to approximately HK\$764 million). The transaction was announced by the Company on 6th November, 2016. The Group intends to hold the said property for investment purposes. A deposit of GBP8 million (equivalent to approximately HK\$77 million) has been paid upon signing of the sale and purchase agreement, and the transaction will be completed on 24th November, 2016.

FINANCIAL REVIEW

Profit attributable to equity holders of the Company for the six months ended 30th September, 2016 increased by 34.1% to HK\$87.7 million (2015: HK\$65.4 million). Earnings per share was 3.73 HK cents (2015: 3.75 HK cents, as restated).

Revenues and net gain of the Group for the six months ended 30th September, 2016 increased by approximately 17.3% compared to that of the last corresponding period to HK\$432.2 million (2015: HK\$368.5 million), comprising sales of properties in the People's Republic of China (the "PRC") of HK\$391.8 million (2015: HK\$358.7 million), securities investment and trading income of HK\$29.1 million (2015: HK\$1.4 million), rental and management fee income of HK\$10.5 million (2015: HK\$7.5 million) and income from sales and trading business of HK\$0.8 million (2015: HK\$0.9 million).

During the period under review, gross profit increased by 20.1% to HK\$178.8 million (2015: HK\$148.9 million) and was mainly attributable to the higher profit margin generated from securities investment and trading. Other income and net gain decreased to HK\$5.1 million (2015: HK\$72.5 million) mainly related to the absence of reversal of tax indemnity from disposal of a subsidiary as recorded in the last corresponding period. A breakdown of other income and net gain is shown in note 7 on page 11 of this report. For the period under review, the Group recorded a gain on change in fair value of investment properties in the PRC of HK\$25.2 million (2015: HK\$32.4 million).

During the period under review, the Group's operating costs were largely in line with the last corresponding period. Selling and marketing expenses amounted to HK\$18.4 million (2015: HK\$20.3 million). Administrative and other operating expenses amounted to HK\$62.7 million (2015: HK\$66.8 million). Finance costs amounted to HK\$6.6 million (2015: HK\$7.8 million).

Share of loss of associated companies amounted to HK\$0.7 million (2015: HK\$1.0 million). Share of result of a joint venture of HK\$28.2 million (2015: Nil) was mainly related to the share of change in fair value of the investment properties owned by the joint venture. Taxation decreased by 38.1% to HK\$59.5 million (2015: HK\$96.2 million) and was mainly due to the lower gross profit margin for the sales of properties in the PRC recognized by the Group during the period.

INTERIM DIVIDEND

The Board has resolved to pay an interim dividend of 1.5 HK cents (2015: 1.0 HK cent) per share payable on or before Wednesday, 18th January, 2017 to the shareholders whose names appear on the Company's register of members on Friday, 30th December, 2016.

BUSINESS REVIEW

During the period under review, the Group has strategized some major moves in its business operations. The Group grasped the opportunity of the rising market trend and disposed of its property development project in Dongguan, the PRC, in August 2016. Then in November 2016, the Group has successfully acquired a prime freehold property interests in London, United Kingdom, which further strengthens the portfolio of investment properties.

Update information about the Group's business progress is as follows:

A. Investment Properties

The Group holds the following portfolio as investment properties with an attributable aggregate gross floor area ("GFA") of approximately 170,000 *sq. m.*.

1. The industrial property located at Changan (長安), Dongguan, with a GFA of about 39,081 *sq. m.*, is entirely leased out and the tenancy will expire in 2023.
2. Chengdu Digital Plaza Level 6 at Wuhou District (武侯區), Chengdu, having a GFA of 4,255 *sq. m.*, is subject to a lease expiring in 2019.
3. Five office units at R&F Yingkai Square (富力盈凱廣場), which is located in the CBD of Zhujiang New Town (珠江新城) in Guangzhou, having a total GFA of 896 *sq. m.* and is subject to a lease expiring in 2018.
4. Chuang's Mid-town at Tie Dong Qu (鐵東區) in Anshan consists of a 6-level commercial podium providing an aggregate GFA of about 29,616 *sq. m.*. Above the podium will be a twin tower (Block AB and C) with 27 and 33-storey respectively, offering total GFA of about 63,000 *sq. m.* as office, residential and service apartments. Superstructure works of the commercial podium and the twin tower have topped off. Internal and external finishing works are in satisfactory progress. The Group has appointed an international real estate agency as leasing agent to carry out marketing campaign on this project.
5. Chuang's Le Papillon at Guangzhou has completed commercial properties with aggregate GFA of 1,181 *sq. m.*. Commercial properties with GFA of about 867 *sq. m.* are subject to tenancies with the latest one expiring in 2023, while the remaining GFA of about 314 *sq. m.* is to be leased out.
6. Chuang's New City at Dongguan has commercial properties of about 7,935 *sq. m.* which are subject to various leases expiring from 2016 to 2025. Additional investment properties under construction at Chuang's New City have a total GFA of about 5,173 *sq. m.*. On 28th August, 2016, the Group announced the disposal of the entire interests in the Dongguan property development project together with all of these investment properties. Completion of the disposal took place on 27th October, 2016.

7. The Group's strategy is to increase its portfolio of investment properties which provide stable and recurring income. On 6th November, 2016, the Group announced the acquisition of the freehold interests in an office property (with a GFA of 77,652 *sq. ft.*), 6–12 Fenchurch Street, in the prime location of City of London, United Kingdom at a net consideration of approximately GBP79 million (equivalent to approximately HK\$764 million), which represented about GBP1,017 (equivalent to approximately HK\$9,845) per *sq. ft.*. Completion of this acquisition will be on 24th November, 2016. This property is virtually fully leased to various tenants generating annual rental income in 2016 of approximately GBP3.4 million (equivalent to approximately HK\$32.9 million), representing a current yield of approximately 4.3%. The Group believes that such rental income will be further enhanced after the rent review on existing tenancies in the next six months after completion.
8. The Xiamen Mingjia Hotel (廈門銘家酒店) comprises 30 villas (aggregate GFA of about 9,376 *sq. m.*) and a 6-storey hotel building with 100 guest-rooms (gross area of 9,780 *sq. m.*). The Group intends to lease the hotel building and the 30 villas with a view to further enhance recurring income. Negotiations with prospective tenant on leasing of the hotel building are in advanced stage, whereas marketing on leasing of the 30 villas is in satisfactory progress. The Group owns an effective 59.5% interests in this joint venture.

B. Property Development

1. *Chuang's New City, Dongguan, Guangdong (100% owned)*

Chuang's New City is divided into different phases of development. The Group has completed an aggregate GFA of over 280,000 *sq. m.* comprising phase I (Shatian Garden), phase II (Gold Coast) and phase III (Imperial Garden, comprising Blocks 1 to 14 and 29 to 31). It has 44 residential buildings providing a total of 2,589 flats, modern commercial shopping complex and 649 carparking spaces. It is well equipped with ancillary facilities such as club house, kindergarten and sports arena. During the period under review, occupancy of Block 29 to 31 of Imperial Garden were handed over to buyers and therefore the contracted sales were recorded as revenues of the Group.

Within this project, there are a total of 323,492.86 *sq. m.* of GFA available for future development. On 28th August, 2016, the Group announced the disposal of the entire interests in this project, at a cash consideration of approximately RMB1,330.4 million (equivalent to approximately HK\$1,545.9 million). Completion of this disposal took place on 27th October, 2016, and the estimated net gain of approximately HK\$1.2 billion will be accounted for in the second half of this financial year.

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

Chuang's Le Papillon is an integrated residential and commercial community and is also divided into different phases. Phase I and II (Block A to P) have a total GFA of approximately 260,800 *sq. m.*. It comprises 34 high-rise residential towers with a total of 2,077 flats and 22 villas, commercial podium, club houses and 1,497 carparking spaces.

The residential properties of Phase I and II of Chuang's Le Papillon have largely been sold out. Currently, the project has contracted sales of about RMB14 million (equivalent to approximately HK\$16 million), which will be recognized as revenues of the Group when these sales are completed. Furthermore, there are residential properties available for sale of about RMB41 million (equivalent to approximately HK\$46 million) and carparks of about RMB136 million (equivalent to approximately HK\$153 million). As for the 22 villas (Block P) with GFA of approximately 6,987 *sq. m.*, the Group intends to lease them out in order to benefit from the long-term asset appreciation.

For the remaining development (Phase III), the Group owns a land of over 92,000 *sq. m.*. The Group is currently reviewing the feasibility to increase the development plot ratio of the site with a view to enhance the value of this project. The Group will also explore other option which may be available to speed up realizing the stored value in this project.

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

Adjacent to Chuang's Mid-town, the second site of the Group is located in the prime city centre of Tie Dong Qu (鐵東區). With a developable GFA of 390,000 *sq. m.*, the site will provide a mega integrated development including office towers, retail, food and beverage and entertainment facilities together with residential blocks. Master planning is in progress and the Group will adopt a longer term planning for this project.

4. *Yip Wong Road, Tuen Mun, New Territories, Hong Kong (100% owned)*

The site has an area of about 2,428 *sq. m.* and has developable GFA of 10,862 *sq. m.* for residential purpose and 2,428 *sq. m.* for commercial purpose. The site is located along the riverside recreation park, overlooking Tuen Mun River. Along the promenade right in front of the site, it is within leisure walking distance to the nearby landmark commercial mall.

Building plans of the development project have been approved. Contract for excavation and lateral support works and foundation works has been awarded. Excavation and lateral support works have commenced. It is expected that foundation works will be completed in the third quarter of 2017.

5. *Other property projects in the PRC*

The Group owns an effective interest of 54% of a property development project in Changsha. As at 30th September, 2016, the Group's total investment costs amounted to about HK\$78 million. Unsold properties (total residential GFA of 18,400 *sq. m.* and commercial GFA of 11,600 *sq. m.*) of this project have a total book costs of about HK\$113 million. Within the commercial area, the Group is planning for a hotel with 117 guest-rooms. The Group will liaise with the local government authorities in renewing the operating license of the joint venture company which has expired since 2012.

The Group holds a 51% development interest in a project in Wuhou District, Chengdu. As at 30th September, 2016, the Group's total investment costs in this project was about RMB146.8 million (equivalent to approximately HK\$170.8 million). The Group has launched legal proceedings in May 2016 in order to recoup the investment in this project. The aggregate amounts demanded by the Group is approximately RMB435 million (equivalent to approximately HK\$488.0 million). Further announcement(s) about the legal proceeding will be made by the Company as and when appropriate.

C. Investments

During the period under review, the Group engaged in investment and trading in securities in order to broaden the income stream. The investment is expanded to a portfolio of high yield bonds with face value of about US\$57.6 million, and the market value of these bonds as at 30th September, 2016 was about HK\$503.3 million.

During the period under review, the Group has acquired further shares in CNT Group Limited ("CNT") (a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) on the market and held over 18% shareholding interests. With reference to the higher closing share price of CNT as at 30th September, 2016 of HK\$0.76 (31st March, 2016: HK\$0.295), the book value of the Group in this investment increased to approximately HK\$266.8 million (31st March, 2016: HK\$96.0 million).

FINANCIAL POSITION

Financial resources

During the period under review, the Group maintained strong financial position. As at 30th September, 2016, the Group's cash, bank balances and investments held for trading amounted to HK\$1,389.6 million (31st March, 2016: HK\$831.9 million). As at the same date, bank borrowings of the Group amounted to HK\$918.2 million (31st March, 2016: HK\$708.7 million). The debt to equity ratio (calculated as a percentage of bank borrowings over net asset value attributable to equity holders of the Company) was 32.2% (31st March, 2016: 28.2%). Approximately 93.6% of the Group's cash, bank balances and investments held for trading were in Hong Kong dollar and United States dollar with the remaining 6.4% in Renminbi. Approximately 90.7% of the Group's bank borrowings were in Hong Kong dollar with the remaining 9.3% in Renminbi.

Based on the agreed scheduled repayment dates in the loan agreements and ignoring the effect of any repayment on demand clause, approximately 17.1% of the Group's bank borrowings were repayable within the first year, 7.9% were repayable within the second year and the balance of 75.0% were repayable within the third to fifth years.

Foreign exchange risk

As disclosed in the "Business Review" section of this report, the Group also conducts its businesses in other places outside Hong Kong, with the income and the major cost items in those places being denominated in their local foreign currencies. Therefore, it is expected that any fluctuation of these foreign currencies' exchange rates would not have material effect on the operations of the Group. However, as the Group's consolidated financial statements are presented in Hong Kong dollar, the Group's financial position is subject to exchange exposure to these foreign currencies. The Group would closely monitor this risk exposure from time to time.

Net asset value

As at 30th September, 2016, the net asset value attributable to equity holders of the Company increased to HK\$2,852.5 million. Net asset value per share amounted to HK\$1.20, which is calculated based on the historical cost of the Group's land bank, before taking into account the appreciated value and the estimated net gain of the disposal of Dongguan project which will be accounted for in the second half of this financial year.

PROSPECTS

The Group will continue with its strategy to focus on property development in first tier cities as well as to further diversify to other businesses with steady income. The Group will continue to seek investment opportunities, further expand the Group's sources of revenue, enhance the Group's profitability, and maximize return for its shareholders. Geographically, the Group will seek for opportunities not only in Hong Kong and the PRC but also to expand to other matured countries. Furthermore, the Group will proactively explore business innovations to achieve long-term sustainable development, and will focus on those ventures that require similar skill-sets of land acquisition, land planning and utilization.

CLOSING OF REGISTER

The register of members of the Company will be closed from Friday, 23rd December, 2016 to Friday, 30th December, 2016, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrars in Hong Kong, Tricor Progressive Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Thursday, 22nd December, 2016.

STAFF

The Group puts emphasis on training and cultivating elite talent. We are committed to providing a dynamic and enthusiastic working atmosphere and increase hiring talents of all fields. As at 30th September, 2016, the Group employed 261 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

During the six months ended 30th September, 2016 and up to the date of this announcement, the Company repurchased a total of 59,420,000 shares on the Stock Exchange at an aggregate cash consideration of approximately HK\$31,984,900 (excluding expenses). All the repurchased shares were then cancelled and the number of issued shares of the Company was reduced accordingly. Particulars of the repurchases are as follows:

Period of repurchase	Total number of shares repurchased	Price per share paid		Aggregate consideration HK\$
		Highest HK\$	Lowest HK\$	
September 2016	59,220,000	0.55	0.51	31,883,000
October 2016	200,000	0.51	0.50	101,900
Total	<u>59,420,000</u>			<u>31,984,900</u>

Apart from the above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30th September, 2016 and up to the date of this announcement.

CORPORATE GOVERNANCE

Due to other commitments, an Independent Non-Executive Director had not attended the 2016 annual general meeting of the Company as required by Code A.6.7 of the Corporate Governance Code (the "CG Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Except as mentioned hereof, the Company has complied throughout the six months ended 30th September, 2016 with the code provisions set out in the CG Code.

An audit committee has been established by the Company to review and supervise the Company's financial reporting process, risk management and internal controls and review the relationship with the auditor. The audit committee has held meetings in accordance with the relevant requirements. The Group's condensed consolidated interim financial information for the period ended 30th September, 2016 have been reviewed by the audit committee of the Company and by the Company's independent auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The current members of the audit committee are Mr. Abraham Shek Lai Him, Mr. David Chu Yu Lin and Mr. Andrew Fan Chun Wah, 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 INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The interim report of the Company for the six months ended 30th September, 2016 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.

By order of the Board of
Chuang's China Investments Limited
Ann Li Mee Sum
Deputy Chairman

Hong Kong, 23rd November, 2016

As at the date of this announcement, Miss Ann Li Mee Sum, Mr. Albert Chuang Ka Pun, Mr. Chong Ka Fung, Mr. Sunny Pang Chun Kit and Mr. Peter Lo Wing Cheung are the Executive Directors of the Company, and Mr. Abraham Shek Lai Him, Mr. David Chu Yu Lin and Mr. Andrew Fan Chun Wah are the Independent Non-Executive Directors of the Company.