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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, 2017

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, 2017 as follow:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30th September, 2017

	Note	2017 HK\$'000	2016 HK\$'000
Revenues and net gain	5	91,685	432,200
Revenues		82,948	423,897
Net gain of financial assets at fair value through profit or loss		8,737	8,303
Cost of sales		(22,983)	(253,392)
Gross profit		68,702	178,808
Other income and net gain	7	6,432	5,125
Selling and marketing expenses		(4,419)	(18,412)
Administrative and other operating expenses		(79,069)	(62,715)
Change in fair value of investment properties		122,439	25,239
Operating profit	8	114,085	128,045
Finance costs	9	(14,395)	(6,638)
Share of results of associated companies		(842)	(705)
Share of result of a joint venture	10	2,862	28,151
Profit before taxation		101,710	148,853
Taxation	11	(4,932)	(59,522)
Profit for the period		96,778	89,331
Attributable to:			
Equity holders		96,425	87,654
Non-controlling interests		353	1,677
		96,778	89,331
		HK cents	HK cents
Earnings per share (basic and diluted)	13	4.09	3.73

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)**

For the six months ended 30th September, 2017

	2017 HK\$'000	2016 <i>HK\$'000</i>
Profit for the period	96,778	89,331
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss:		
Net exchange differences	100,841	(40,286)
Share of exchange reserve of an associated company	(939)	–
Share of exchange reserve of a joint venture	2,122	–
Change in fair value of available-for-sale financial assets	(67,530)	153,193
Realization of investment revaluation reserve upon disposal of available-for-sale financial assets	(100)	–
Other comprehensive income for the period	34,394	112,907
Total comprehensive income for the period	131,172	202,238
Total comprehensive income attributable to:		
Equity holders	125,689	200,680
Non-controlling interests	5,483	1,558
	131,172	202,238

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30th September, 2017

		30th September, 2017	31st March, 2017
	Note	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		61,710	66,656
Investment properties		1,339,259	1,122,668
Land use rights		3,375	3,266
Properties for/under development		146,782	141,759
Cemetery assets		545,127	525,648
Associated companies		21,402	21,950
Joint venture		336,812	329,953
Available-for-sale financial assets		168,435	226,394
Loans and receivables		11,756	11,336
		<u>2,634,658</u>	<u>2,449,630</u>
Current assets			
Properties for sale		1,413,699	1,340,982
Cemetery assets		528,963	512,883
Inventories		51,865	50,756
Debtors and prepayments	15	258,276	256,675
Financial assets at fair value through profit or loss		704,703	604,948
Cash and bank balances		1,074,396	1,244,846
		<u>4,031,902</u>	<u>4,011,090</u>
Current liabilities			
Creditors and accruals	16	256,057	150,917
Sales deposits received		3,056	2,851
Short-term bank borrowing	17	121,000	121,000
Current portion of long-term bank borrowings	17	304,126	297,500
Taxation payable		235,999	224,796
		<u>920,238</u>	<u>797,064</u>
Net current assets		<u>3,111,664</u>	<u>3,214,026</u>
Total assets less current liabilities		<u><u>5,746,322</u></u>	<u><u>5,663,656</u></u>

		30th September, 2017	31st March, 2017
	<i>Note</i>	HK\$'000	HK\$'000
Equity			
Share capital	18	117,442	118,357
Reserves		3,974,183	3,952,722
Shareholders' funds		4,091,625	4,071,079
Non-controlling interests		110,593	105,110
Total equity		4,202,218	4,176,189
Non-current liabilities			
Long-term bank borrowings	17	1,027,764	987,736
Deferred taxation liabilities		311,396	302,647
Amount due to a fellow subsidiary		116,980	112,880
Loans and payables with non-controlling interests		27,253	25,662
Other non-current liabilities		60,711	58,542
		1,544,104	1,487,467
		5,746,322	5,663,656

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, 2017, the Company was a 60.7% 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") regard 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, development and operation of cemetery, 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 value, 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, 2017 which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs").

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, 2017, except as stated below.

Effect of adopting amendments to standards

For the six months ended 30th September, 2017, the Group adopted the following amendments to standards that are effective for the accounting periods beginning on or after 1st April, 2017 and relevant to the operations of the Group:

HKAS 7 (Amendment)	Cash Flow Statements – Disclosure Initiative
HKAS 12 (Amendment)	Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses
HKFRS 12 (Amendment)	Disclosure of Interest in Other Entities

The Group has assessed the impact of the adoption of these 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.

Amendment to standard that is not yet effective but has been early adopted

The following amendment to standard was early adopted by the Group from 1st April, 2017:

HKAS 40 (Amendment)	Investment Property — Transfers of Investment Property
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The amendment to HKAS 40 clarified that, to transfer to or from, investment properties, there must be a change in use. A change in use would involve (a) an assessment of whether a property meets the definition of investment property; and (b) supporting evidence that a change in use has occurred. The amendment also re-characterised the list of circumstances in the standard as a non-exhaustive list of examples. The Group considers that the revised standard better reflects the intended use of the properties of the Group, and has early adopted the amended standard. There was no significant impact to the Group as a result of the adoption of the amended standard for the current period.

New standards, amendments to standards and new interpretations that are not yet effective

The following new standards, amendments to standards and new interpretations 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, 2018, but have not yet been early adopted by the Group:

HKAS 28 (Amendment)	Investments in Associates and Joint Ventures (effective from 1st January, 2018)
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions (effective from 1st January, 2018)
HKFRS 9	Financial Instruments (effective from 1st January, 2018)
HKFRS 15	Revenue from Contracts with Customers (effective from 1st January, 2018)
HKFRS 15 (Amendment)	Clarifications to HKFRS 15 (effective from 1st January, 2018)
HKFRS 16	Leases (effective from 1st January, 2019)
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration (effective from 1st January, 2018)
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments (effective from 1st January, 2019)

Key developments of these new standards, amendments to standards and new interpretations which may have an impact to the Group's accounting policies and presentation of the condensed consolidated interim financial information are described below:

HKFRS 15 will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. HKFRS 15 is based on the principle that revenue is recognized when control of a good or service transfers to a customer. Management is currently assessing the effects of adoption of HKFRS 15 on the Group's condensed consolidated interim financial information and anticipated that the timing of the recognition of revenue on certain property sales may be affected. At this stage, the Group is not yet able to estimate the impact of the adoption of HKFRS 15 on the Group's condensed consolidated interim financial information. The Group will make more detailed assessments of the impact during the second half of the financial year.

The Group will adopt the above new standards, amendments to standards and new interpretations 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, 2017. There has been no material change in the Group's financial risk management policies since the year ended 31st March, 2017.

(b) Liquidity risk

Compared to the year ended 31st March, 2017, 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, 2017, 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, 2017.

5. REVENUES AND NET GAIN

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenues		
Sales of properties	27,938	391,791
Rental income and management fees	23,138	10,468
Sales of cemetery assets	8,114	–
Sales of goods and merchandises	2,210	860
Interest income from financial assets at fair value through profit or loss	21,548	20,778
	<u>82,948</u>	<u>423,897</u>
Net gain		
Net realized gain of financial assets at fair value through profit or loss	6,869	47
Net fair value gain of financial assets at fair value through profit or loss	1,868	8,256
	<u>8,737</u>	<u>8,303</u>
Revenues and net gain	<u><u>91,685</u></u>	<u><u>432,200</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, development and operation of cemetery, 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 HK\$'000	Cemetery HK\$'000	Sales of goods and merchandises HK\$'000	Securities investment and trading HK\$'000	Others and corporate HK\$'000	Total HK\$'000
2017						
Revenues and net gain	51,076	8,114	2,210	30,285	–	91,685
Other income and net gain/(loss)	<u>1,506</u>	<u>(4,090)</u>	<u>60</u>	<u>–</u>	<u>8,956</u>	<u>6,432</u>
Operating profit/(loss)	138,732	(6,424)	53	30,269	(48,545)	114,085
Finance costs	(13,222)	(1,173)	–	–	–	(14,395)
Share of results of associated companies	–	–	–	–	(842)	(842)
Share of result of a joint venture	<u>2,862</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,862</u>
Profit/(loss) before taxation	128,372	(7,597)	53	30,269	(49,387)	101,710
Taxation (charge)/credit	<u>(6,054)</u>	<u>1,122</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(4,932)</u>
Profit/(loss) for the period	<u>122,318</u>	<u>(6,475)</u>	<u>53</u>	<u>30,269</u>	<u>(49,387)</u>	<u>96,778</u>
As at 30th September, 2017						
Segment assets	3,251,878	1,100,933	52,542	705,234	1,197,759	6,308,346
Associated companies	–	–	–	–	21,402	21,402
Joint venture	<u>336,812</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>336,812</u>
Total assets	<u>3,588,690</u>	<u>1,100,933</u>	<u>52,542</u>	<u>705,234</u>	<u>1,219,161</u>	<u>6,666,560</u>
Total liabilities	<u>1,933,634</u>	<u>430,801</u>	<u>531</u>	<u>102</u>	<u>99,274</u>	<u>2,464,342</u>
2017						
Other segment items are as follows:						
Capital expenditure	75,253	28	–	–	635	75,916
Depreciation	403	396	60	–	5,114	5,973
Amortization of land use rights	<u>16</u>	<u>29</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>45</u>

	Property development, investment and trading HK\$'000	Cemetery HK\$'000 (Note)	Sales of goods and merchandises HK\$'000	Securities investment and trading HK\$'000	Others and corporate HK\$'000	Total HK\$'000
2016						
Revenues and net gain	402,259	–	860	29,081	–	432,200
Other income and net gain/(loss)	<u>294</u>	<u>–</u>	<u>(11)</u>	<u>34</u>	<u>4,808</u>	<u>5,125</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	<u>28,151</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>28,151</u>
Profit/(loss) before taxation	165,589	–	(2,008)	28,984	(43,712)	148,853
Taxation	<u>(59,522)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(59,522)</u>
Profit/(loss) for the period	<u>106,067</u>	<u>–</u>	<u>(2,008)</u>	<u>28,984</u>	<u>(43,712)</u>	<u>89,331</u>
As at 31st March, 2017						
Segment assets	2,960,472	1,064,108	52,774	605,033	1,426,430	6,108,817
Associated companies	–	–	–	–	21,950	21,950
Joint venture	<u>329,953</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>329,953</u>
Total assets	<u>3,290,425</u>	<u>1,064,108</u>	<u>52,774</u>	<u>605,033</u>	<u>1,448,380</u>	<u>6,460,720</u>
Total liabilities	<u>1,852,658</u>	<u>417,264</u>	<u>1,552</u>	<u>102</u>	<u>12,955</u>	<u>2,284,531</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	<u>16</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>16</u>

Note: The Group acquired its cemetery business on 31st March, 2017, and thus there were no segment results of the cemetery business shown for the six months ended 30th September, 2016.

(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	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Hong Kong	31,685	29,084	24,636	17,784
The People's Republic of China (the "PRC")	40,276	402,259	51,280	103,823
United Kingdom	18,913	–	–	–
Other countries	811	857	–	–
	<u>91,685</u>	<u>432,200</u>	<u>75,916</u>	<u>121,607</u>
	Non-current assets (Note)		Total assets	
	30th September, 2017 HK\$'000	31st March, 2017 HK\$'000	30th September, 2017 HK\$'000	31st March, 2017 HK\$'000
Hong Kong	58,900	64,383	2,419,220	2,512,554
The PRC	1,401,867	1,342,832	3,207,458	3,104,688
United Kingdom	993,700	804,685	1,005,224	812,321
Other countries	–	–	34,658	31,157
	<u>2,454,467</u>	<u>2,211,900</u>	<u>6,666,560</u>	<u>6,460,720</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

	2017 HK\$'000	2016 HK\$'000
Interest income from bank deposits	4,844	1,906
Dividend income from available-for-sale financial assets	5,022	3,243
Gain on disposal of available-for-sale financial assets	166	–
Net loss on disposal of property, plant and equipment	–	(5)
Net exchange loss	(3,660)	(197)
Sundries	60	178
	<u>6,432</u>	<u>5,125</u>

8. OPERATING PROFIT

	2017 HK\$'000	2016 HK\$'000
Operating profit is stated after charging:		
Amortization of land use rights	45	16
Cost of properties sold	16,962	248,541
Cost of cemetery assets sold	3,665	–
Cost of inventories sold	1,559	203
Depreciation	5,973	5,570
Staff costs, including Directors' emoluments		
Wages and salaries	26,341	24,663
Retirement benefit costs	1,504	1,318

9. FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
Interest expenses		
Bank borrowings	19,591	12,135
Amount due to a fellow subsidiary	1,173	–
	<u>20,764</u>	<u>12,135</u>
Amounts capitalized into		
Investment property	(843)	(819)
Properties under development	(5,526)	(4,678)
	<u>(6,369)</u>	<u>(5,497)</u>
	<u>14,395</u>	<u>6,638</u>

The capitalization rates applied to funds borrowed for the development of properties range from 2.17% to 8.08% (2016: 2.00% to 8.08%) per annum.

10. SHARE OF RESULT OF A JOINT VENTURE

Share of result of a joint venture of HK\$2,862,000 (2016: HK\$28,151,000) in the condensed consolidated income statement is the share of result of the joint venture for the period ended 30th September, 2017. For 2016, the share mainly included the share of fair value gain of the investment properties (net of the related deferred taxation) of the joint venture of HK\$30 million. Rental income received by the joint venture from the non-wholly-owned subsidiary of the joint venture partner for the period ended 30th September, 2017 amounted to approximately HK\$5,312,000 (2016: Nil) and was included in the "Share of result of a joint venture" in the condensed consolidated income statement.

11. TAXATION

	2017 HK\$'000	2016 HK\$'000
Current taxation		
PRC corporate income tax	645	26,902
PRC land appreciation tax	4,821	35,594
Deferred taxation	(534)	(2,974)
	<u>4,932</u>	<u>59,522</u>

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits for the period (2016: 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, 2017 (2016: Nil). Share of deferred taxation charge of the joint venture for the six months ended 30th September, 2017 of HK\$9,000 (2016: HK\$10,142,000) is included in the condensed consolidated income statement as share of result of a joint venture.

12. INTERIM DIVIDEND

	2017 HK\$'000	2016 HK\$'000
Interim dividend of 1.5 HK cents (2016: 1.5 HK cents) per share	<u>35,233</u>	<u>35,584</u>

On 27th November, 2017, the Board declared an interim dividend of 1.5 HK cents (2016: 1.5 HK cents) per share amounting to HK\$35,233,000 (2016: HK\$35,584,000). The amount of HK\$35,233,000 is calculated based on 2,348,835,316 issued shares as at 27th November, 2017. 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, 2018.

13. EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit attributable to equity holders of HK\$96,425,000 (2016: HK\$87,654,000) and the weighted average number of 2,357,367,393 (2016: 2,347,002,999) shares in issue during the period. The weighted average number of shares used in the calculation of earnings per share of 2016 had been adjusted for the bonus element of the rights issue following the completion of the rights issue on 3rd May, 2016.

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

For the six months ended 30th September, 2017, the Group incurred acquisition and development costs on property, plant and equipment of HK\$661,000 (2016: HK\$619,000), and property projects, properties, investment properties and cemetery assets of HK\$75,255,000 (2016: HK\$120,988,000).

15. DEBTORS AND PREPAYMENTS

Receivables from sales of properties and cemetery assets are settled in accordance with the terms of respective contracts. 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, 2017 HK\$'000	31st March, 2017 HK\$'000
Below 30 days	12,727	7,120
31 to 60 days	–	359
61 to 90 days	318	–
Over 90 days	8,558	7,269
	<u>21,603</u>	<u>14,748</u>

Debtors and prepayments include net deposits of HK\$207,000,000 (31st March, 2017: HK\$199,563,000) for property projects and acquisition of land use rights after the accumulated provision for impairment of HK\$11,272,000 (31st March, 2017: HK\$11,272,000) as at 30th September, 2017.

16. CREDITORS AND ACCRUALS

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

	30th September, 2017 HK\$'000	31st March, 2017 HK\$'000
Over 60 days	<u>1,106</u>	<u>1,066</u>

Creditors and accruals include the construction cost payables and accruals of HK\$103,535,000 (31st March, 2017: HK\$86,837,000) for the property and cemetery projects of the Group, and dividend payable of HK\$94,286,000 (31st March, 2017: Nil).

17. BORROWINGS

	30th September, 2017 HK\$'000	31st March, 2017 HK\$'000
Unsecured bank borrowings		
Long-term bank borrowings	<u>196,000</u>	<u>200,000</u>
Secured bank borrowings		
Short-term bank borrowing	121,000	121,000
Long-term bank borrowings	<u>1,135,890</u>	<u>1,085,236</u>
	<u>1,256,890</u>	<u>1,206,236</u>
Total bank borrowings	<u>1,452,890</u>	<u>1,406,236</u>

The total bank borrowings are analyzed as follows:

	30th September, 2017 HK\$'000	31st March, 2017 HK\$'000
Short-term bank borrowing	121,000	121,000
Long-term bank borrowings	1,331,890	1,285,236
	<u>1,452,890</u>	<u>1,406,236</u>

The long-term bank borrowings are analyzed as follows:

	30th September, 2017 HK\$'000	31st March, 2017 HK\$'000
Long-term bank borrowings	1,331,890	1,285,236
Current portion included in current liabilities		
Portion due within one year	(74,126)	(49,500)
Portion due after one year which contains a repayment on demand clause	(230,000)	(248,000)
	<u>(304,126)</u>	<u>(297,500)</u>
	<u>1,027,764</u>	<u>987,736</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, 2017 HK\$'000	31st March, 2017 HK\$'000
Within the first year	195,126	170,500
Within the second year	316,239	119,003
Within the third to fifth years	941,525	1,116,733
	<u>1,452,890</u>	<u>1,406,236</u>

18. SHARE CAPITAL

	30th September, 2017 HK\$'000	31st March, 2017 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, 2017	2,367,145,316	118,357
Repurchase of shares (<i>Note</i>)	<u>(18,310,000)</u>	<u>(915)</u>
At 30th September, 2017	<u>2,348,835,316</u>	<u>117,442</u>

Note: During the period ended 30th September, 2017, the Company repurchased 18,310,000 shares of its own shares on the Stock Exchange with a total amount of approximately HK\$10,858,000. The repurchased shares were cancelled after repurchase.

19. FINANCIAL GUARANTEES

As at 30th September, 2017, the subsidiaries had provided guarantees of HK\$376,621,000 (31st March, 2017: HK\$421,079,000) to banks for mortgage loans made by the banks to the purchasers of properties sold by the subsidiaries in the PRC.

20. COMMITMENTS

As at 30th September, 2017, the Group had commitments contracted but not provided for in respect of property projects and property, plant and equipment of HK\$133,465,000 (31st March, 2017: HK\$197,396,000).

21. PLEDGE OF ASSETS

As at 30th September, 2017, 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\$1,982,806,000 (31st March, 2017: HK\$1,737,016,000), to secure banking facilities granted to the subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS REVIEW

Profit attributable to equity holders of the Company for the six months ended 30th September, 2017 increased by 10% to HK\$96.4 million (2016: HK\$87.7 million). Earnings per share was 4.09 HK cents (2016: 3.73 HK cents). A review of the results is set out below.

Revenues and net gain of the Group for the six months ended 30th September, 2017 was approximately HK\$91.7 million (2016: HK\$432.2 million), which was decreased by approximately 78.8% compared to that of the last corresponding period as a result of slowdown in flow of property development projects available for sales. During the period, revenues and net gain comprised sales of properties in the People's Republic of China (the "PRC") of HK\$28.0 million (2016: HK\$391.8 million), securities investment and trading income of HK\$30.3 million (2016: HK\$29.1 million), rental and management fee income of HK\$23.1 million (2016: HK\$10.5 million), income from sales and trading business of HK\$2.2 million (2016: HK\$0.8 million) and cemetery assets income of HK\$8.1 million (2016: Nil).

During the period under review, gross profit decreased by 61.6% to HK\$68.7 million (2016: HK\$178.8 million) mainly as a result of drop in revenues. Other income and net gain increased to HK\$6.4 million (2016: HK\$5.1 million) and was attributable by increase in interest income and dividend income. 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 of HK\$122.4 million (2016: HK\$25.2 million), mainly derived from the investment property in the United Kingdom ("UK").

During the period under review, the Group's selling and marketing expenses reduced to HK\$4.4 million (2016: HK\$18.4 million) in view of the decrease in sales of properties in the PRC. Administrative and other operating expenses amounted to HK\$79.1 million (2016: HK\$62.7 million) as a result of general increase in overhead and increase in activities of the Group. Finance costs increased to HK\$14.4 million (2016: HK\$6.6 million) during the period as a result of increase in bank borrowings.

Share of loss of associated companies amounted to HK\$0.8 million (2016: HK\$0.7 million). Share of result of a joint venture was HK\$2.9 million (2016: HK\$28.2 million) and the reduction was mainly related to the absence of change in fair value of the investment properties owned by the joint venture. Taxation decreased to HK\$4.9 million (2016: HK\$59.5 million) and was mainly due to the drop in 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 (2016: 1.5 HK cents) per share payable on or before Thursday, 18th January, 2018 to the shareholders whose names appear on the Company's register of members on Friday, 29th December, 2017.

BUSINESS REVIEW

A. Investment Properties and Hotel Property

The Group holds the following portfolio of investment properties and hotel property in the PRC and the UK for steady recurring rental income.

1. Investment Properties

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

Chuang's Mid-town consists of a 6-level commercial podium providing an aggregate gross floor area ("GFA") of about 29,600 *sq. m.*. Above the podium stands a twin tower (Block AB and C) with 27 and 33-storey respectively, offering a total GFA of about 62,700 *sq. m.*. External finishing works have been completed whereas internal fitting works are in satisfactory progress. It is expected that occupancy permit will be obtained in the financial year ending 31st March, 2018. Marketing and discussions are in progress with restaurants chain and serviced apartment operator. In addition, the Group has appointed international real estate agencies as leasing agents to carry out marketing campaign. The estimated rental income, on a fully leased basis, will be about RMB25.0 million per annum.

(ii) *Commercial Property in Shatian, Dongguan (100% owned)*

The Group owns a 4-storey commercial building in Shatian, Dongguan, providing a total GFA of about 4,167 *sq. m.* for commercial, retail and office usage. The property was built by the Group as administration and sales office for our development project in Dongguan. The property was retained by the Group when the Dongguan development project was disposed in 2016. The Group plans to lease out the property for recurring rental income.

(iii) *Office Property in Fenchurch Street, London, UK (100% owned)*

10 Fenchurch Street is a freehold property in the City of London, the UK. It is an 11-storey commercial building providing 77,652 *sq. ft.* of office and retail usage. The property is fully leased out to multi tenants and is earning annual rental income of approximately GBP3.9 million (equivalent to approximately HK\$40.6 million). The rental income will be further enhanced after the rent review on existing tenancies. As at 30th September, 2017, the valuation of this property has increased to GBP95.0 million (equivalent to approximately HK\$993.7 million), representing an increase of about 20.3% over the Group's original investment cost. The Group will appraise the relevant market condition and devise appropriate exit strategy.

Apart from the above investment properties, the Group will further identify investment opportunities on investment properties with steady income.

2. Hotel Property

The Group owns 59.5% interests in the Xiamen Mingjia (廈門侶家) which comprises a 6-storey hotel building with 100 guest-rooms (gross area of 9,780 *sq. m.*) and 30 villas (aggregate GFA of about 9,376 *sq. m.*). The hotel building is leased to 廈門鷺江賓館 (Xiamen Lujiang Harbourview Hotel) at an initial rental of RMB9.0 million per annum and is operated as 廈門鷺江•侶家酒店 (Lujiang Mega Hotel). Furthermore, 7 villas have been leased to independent third parties, each for a term of 10 years, at an aggregate rental of RMB5.5 million per annum. Discussions on leasing of another 21 villas are in progress. On the basis that the 30 villas are fully leased out, gross annual rental income will amount to about RMB19.0 million.

The Group is actively identifying opportunities to increase investments in hotel and resorts. In November 2017, the Group participated in a government auction of hotel project with developable GFA of about 50,000 *sq. m.* in Quangang, Quanzhou (泉州市泉港區). However, the Group was not successful in the auction as the bid exceeded the Group's upper limit, with the winning price being 90% higher than the initial bid price. Furthermore, the non-wholly-owned subsidiary of the Group in Changsha has commercial properties with GFA of over 10,000 *sq. m.* and the Group will explore means to develop such commercial properties into hotel and serviced apartments.

B. Property Development

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

Chuang's Le Papillon is an integrated residential and commercial community and its development is implemented by 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 properties, club houses and 1,497 carparking spaces.

The residential properties of Phase I and II have largely been sold out. Currently, there are 10 units of unsold residential and commercial properties of about RMB48.0 million (equivalent to approximately HK\$56.8 million) and unsold carparks of about RMB119.8 million (equivalent to approximately HK\$141.7 million). The Group plans to lease the 22 villas (Block P) with GFA of approximately 6,987 *sq. m.* to benefit from asset appreciation in future. Marketing for the leasing of the 22 villas are in progress.

For the remaining development (Phase III), the Group owns a land of over 92,000 *sq. m.* and its GFA was about 166,000 *sq. m.*. Land quota for development of about 114,300 *sq. m.* has been obtained. The Group will closely follow-up with the relevant PRC authorities for the land quota of the remaining 51,700 *sq. m.*. The Group will commence preparatory works on the development, and will also explore other options (including disposal) to accelerate capital return on investment in this project.

2. *Changan, Dongguan, Guangdong (100% owned)*

The Group owns a site area of about 20,000 *sq. m.* in city centre of Changan (長安), Dongguan, on which an industrial building with GFA of about 39,081 *sq. m.* was erected. The property is currently leased to an independent third party until 2023, at gross rental income of about RMB6.4 million per annum. With the rezoning of this site to “residential usage”, the Group will closely monitor the requisite procedures and strategize on the optimal timing for the usage conversion application. On the basis of 3.5 times plot ratio, the project will have a developable GFA of about 70,000 *sq. m.* and will be a prime land bank for future development.

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

Adjacent to Chuang’s Mid-town, the Group holds the second site 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. To capitalize on the rising prices of land, the Group will identify suitable options, including disposal, to accelerate capital return on this investment.

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

The site has an area of about 26,135 *sq. ft.* and has a developable GFA of 116,897 *sq. ft.* for residential purpose and 25,102 *sq. ft.* for commercial purpose with 47 carparking spaces. 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. Foundation works are completed, and superstructure works have commenced. Soft marketing will be launched shortly and presales are planned to commence in the first quarter of 2018.

5. *Other property projects in the PRC*

The Group owns an effective 69% interests in a property development project in Changsha. As at 30th September, 2017, the Group’s total investment costs amounted to about HK\$64.9 million, including shareholder’s loan of about HK\$43.3 million. With the grant of court orders, public auctions were conducted during the period under review to orderly dispose of the unsold properties of the PRC project company so as to repay the shareholder’s loan owed to the Group. In November 2017, further public auctions were successfully held to facilitate the repayment of shareholder’s loan. Upon receipt of the proceeds from court proceedings and auctions, the Group’s total investment costs will be reduced to about HK\$25.2 million, including shareholder’s loan of about HK\$3.6 million. The Group will consider all rightful actions (including lawsuit against the minority shareholders and winding up of the PRC project company) in order to protect the Group’s investment in this project.

The Group holds a 51% development interest in a project in Wuhou District, Chengdu. As at 30th September, 2017, the Group's total investment costs in this project was about RMB146.8 million (equivalent to approximately HK\$171.7 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 RMB435.0 million (equivalent to approximately HK\$508.9 million). Further announcement(s) about the legal proceeding will be made by the Company as and when appropriate.

6. *Fortune Wealth, Sihui, Guangdong (85.5% owned)*

The Fortune Wealth Memorial Park operates a cemetery in Sihui with a site area of approximately 518 mu agreed by the local government authorities. At present, land use rights certificates of approximately 146.8 mu of land have been obtained. The local government has recently confirmed that land quota for about 23.4 mu is allocated to Fortune Wealth and the relevant procedures for the grant of land will be carried out in the coming few months. In addition, Fortune Wealth will liaise with the local authorities for land resumption in respect of the remaining 347.8 mu. For the area encompassing the land resumption, about 150 mu will be designated for road access and greenbelts. As for the balance of 197.8 mu, Fortune Wealth shall intensively follow-up with the local authorities to allocate land quota for the grant of land use rights.

On the sale aspects, Fortune Wealth has full license for sale not only in the PRC, but also includes overseas Chinese as well as residents of Hong Kong, Macau and Taiwan. As at 30th September, 2017, about 3,840 grave plots and 538 niches were available for sale. Fortune Wealth will review its sales and marketing strategy and will take more proactive steps in its brand building and customer services.

C. Securities Investments

1. *Investments in CNT Group Limited (“CNT”) and CPM Group Limited (“CPM”)*

As at the date hereof, the Group owns (a) 364,689,655 shares in CNT, representing about 19.2% interests in CNT; and (b) 6,392,203 shares in CPM, representing about 0.6% interests in CPM, both companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). CNT and its subsidiaries are principally engaged in the property business, and through its 75% owned subsidiary, CPM, is principally engaged in the manufacture and sale of paint products under its own brand names with focus on the PRC market.

With reference to the respective closing share prices of CNT and CPM as at 30th September, 2017 of HK\$0.42 (31st March, 2017: HK\$0.6) and HK\$0.58 (31st March, 2017: Nil), the aggregate book value of the Group’s investments in CNT and CPM decreased to HK\$156.7 million (31st March, 2017: HK\$215.1 million). The loss in book value is accounted for as “Reserve” in the financial statements.

On 22nd June, 2017, the Company announced that a wholly-owned subsidiary of the Group, Chinaculture.com Limited (“Chinaculture”), has filed a petition against CNT and Prime Surplus Limited (the “Petition”). Despite the issuance of the Petition, the spin-off was completed and dealings in the shares of CPM on the Stock Exchange commenced on 10th July, 2017. On 22nd November, 2017, the Company announced that an application to stay the Petition was made by Chinaculture, pending the determination of an Originating Summons filed by Chinaculture on 15th November, 2017 to commence and continue a derivative action on behalf of CNT against certain directors of CNT (the “Intended Derivative Action”). Further announcement(s) about the Petition and/or the Intended Derivative Action will be made by the Company as and when appropriate. The Group will take the necessary actions in order to protect and safeguard the shareholders’ value of the Group in such investments.

2. Investments in high yield bonds

The Group holds the following portfolio of high yield bonds, as at 30th September, 2017 with an annualized average yield of 7%:

Stock code	Bond issuer	Face value of bonds held <i>US\$'000</i>	Market value as at 30th September, 2017 <i>HK\$'000</i>	Percentage of market value to the Group's total assets as at 30th September, 2017	Fair value gain/(loss) for the period ended 30th September, 2017 <i>HK\$'000</i>	Interest income for the period ended 30th September, 2017 <i>HK\$'000</i>
3333	China Evergrande Group			3.3%		
	(a) 7.5%	10,743	85,146		1,305	–
	(b) 8.25%	11,600	94,197		(3,956)	3,736
	(c) 8.75% (2025)	4,714	38,207		1,418	–
	(d) 8.75% (2018)	–	disposed		–	227
	(e) 12%	–	disposed		–	4,806
2007	Country Garden Holdings Company Limited			2.8%		
	(a) 5.625%	14,000	116,917		2,270	3,064
	(b) 7.5%	8,000	66,541		(629)	2,338
813	Shimao Property Holdings Limited (8.375%)	19,000	166,020	2.5%	(880)	6,208
1813	KWG Property Holding Limited (6%)	5,000	40,724	0.6%	156	1,169
3383	Agile Group Holdings Limited (5.125%)	10,000	81,119	1.2%	1,971	–
N/A	Qinghai Provincial Investment Group Co., Limited (6.3%)	2,000	15,832	0.2%	213	–
		85,057	704,703	10.6%	1,868	21,548

Brief description of principal business of the respective bond issuers are as follows:

Name of company	Principal business
China Evergrande Group	Property development, property investment, property management, property construction, hotel operations, finance business, internet business and health industry business
Country Garden Holdings Company Limited	Property development, construction, fitting and decoration, property investment, property management and hotel operation
Shimao Property Holdings Limited	Property development, property investment and hotel operation
KWG Property Holding Limited	Property development, property investment, hotel operation and property management
Agile Group Holdings Limited	Property development, property investment, hotel operation and property management
Qinghai Provincial Investment Group Co., Limited	Aluminum production, electricity generation, the mining and sale of coal, and other ancillary businesses (including property development and property management)

Slight fair value gain was recorded by the Group principally as a result of the increase in bond prices as at 30th September, 2017 as compared to that of 31st March, 2017. In general, bond prices and interest rates will carry an inverse relationship, i.e. if interest rates rise, the price of bonds tends to fall. Also, for the second half of the financial year ending 31st March, 2018, one of the bonds held by the Group will be callable by bond issuer at a price below the market value as at 30th September, 2017. If all the above happen, the high interest income will be offset by the effects of increase in interest rates and early redemption. The Group intends to continue investing in high yield bonds, which is a great tool to generate steady income stream, and will monitor the performance of the portfolio from time to time.

FINANCIAL REVIEW

Financial resources

During the period under review, the Group maintained strong financial position. As at 30th September, 2017, the Group's cash, bank balances and investments held for trading amounted to HK\$1,779.1 million (31st March, 2017: HK\$1,849.8 million). As at the same date, bank borrowings of the Group amounted to HK\$1,452.9 million (31st March, 2017: HK\$1,406.2 million). As the Group maintained net cash of over HK\$326.2 million (31st March, 2017: HK\$443.6 million), calculation to debt ratio is non-applicable. Approximately 91.2% of the Group's cash, bank balances and investments held for trading were in Hong Kong dollar and United States dollar, 8.5% in Renminbi and the balance of 0.3% were in other currencies. Approximately 58.7% of the Group's bank borrowings were in Hong Kong dollar, 37.0% were in British Pound Sterling and the remaining 4.3% were in Renminbi.

Based on the agreed scheduled repayment dates in the loan agreements and ignoring the effect of any repayment on demand clause, approximately 13.4% of the Group's bank borrowings were repayable within the first year, 21.8% were repayable within the second year and the balance of 64.8% 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, 2017, the net asset value attributable to equity holders of the Company increased to HK\$4,091.6 million. During the period, the Company made on-market repurchases of 18,310,000 shares at HK\$10.8 million. Taking this into account, net asset value per share amounted to HK\$1.74, which is calculated based on the historical cost of the Group's land bank.

PROSPECTS

From the promotion of the One Belt One Road initiatives to the development of the Guangdong-Hong Kong-Macao Bay Area, the Group is excited about the macro economic momentum that these policies will bring along. The Group will actively capitalize on the national policies of the PRC government and will expand business scope along the regions promoted under these policies.

The Group will adhere to its strategy of focusing on property development in first tier cities as well as to further diversify to other businesses or properties with steady income. Geographically, the Group will seek for opportunities not only in Hong Kong, the PRC and the UK but will also expand to other developed countries. 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.

CLOSING OF REGISTER

The register of members of the Company will be closed from Friday, 22nd December, 2017 to Friday, 29th December, 2017, 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, 21st December, 2017.

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, 2017, the Group employed 194 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, 2017 and up to the date of this report, the Company repurchased a total of 18,310,000 shares on the Stock Exchange at an aggregate cash consideration of approximately HK\$10,823,100 (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\$	
April 2017	9,990,000	0.55	0.53	5,388,000
September 2017	8,320,000	0.67	0.63	5,435,100
Total	18,310,000			10,823,100

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, 2017 and up to the date of this report.

CORPORATE GOVERNANCE

Due to other commitments, an Independent Non-Executive Director had not attended the 2017 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, 2017 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, 2017 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, 2017 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
Albert Chuang Ka Pun
Managing Director

Hong Kong, 27th November, 2017

As at the date of this announcement, Miss Ann Li Mee Sum, Mr. Albert Chuang Ka Pun, Mr. Chong Ka Fung and Mr. Sunny Pang Chun Kit 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.