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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 30 SEPTEMBER 2018

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 30 September 2018 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 September 2018

	Note	2018 HK\$'000	2017 HK\$'000
Revenues	5	126,864	82,948
Cost of sales		(51,134)	(22,983)
Gross profit		75,730	59,965
Other income and net (loss)/gain	7	(34,129)	15,169
Selling and marketing expenses		(10,636)	(4,419)
Administrative and other operating expenses		(96,128)	(79,069)
Change in fair value of investment properties		234,858	122,439
Operating profit	8	169,695	114,085
Finance costs	9	(20,863)	(14,395)
Share of results of associated companies		(1,075)	(842)
Share of result of a joint venture	10	11,555	2,862
Profit before taxation		159,312	101,710
Taxation	11	(65,247)	(4,932)
Profit for the period		94,065	96,778
Attributable to:			
Equity holders		94,266	96,425
Non-controlling interests		(201)	353
		94,065	96,778
		HK cents	HK cents
Earnings per share (basic and diluted)	13	4.01	4.09

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

For the six months ended 30 September 2018

	2018 HK\$'000	2017 HK\$'000
Profit for the period	94,065	96,778
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss:		
Net exchange differences	(262,609)	99,902
Share of exchange reserve of a joint venture	(17,918)	2,122
Change in fair value of available-for-sale financial assets	–	(67,530)
Realization of investment revaluation reserve upon disposal of available-for-sale financial assets	–	(100)
Total other comprehensive (loss)/income that may be reclassified subsequently to profit and loss	(280,527)	34,394
Item that may not be reclassified subsequently to profit and loss:		
Change in fair value of financial assets at fair value through other comprehensive income	(16,603)	–
Total other comprehensive (loss)/income for the period	(297,130)	34,394
Total comprehensive (loss)/income for the period	(203,065)	131,172
Total comprehensive (loss)/income attributable to:		
Equity holders	(191,203)	125,689
Non-controlling interests	(11,862)	5,483
	(203,065)	131,172

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)*As at 30 September 2018*

		30 September 2018	31 March 2018
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		40,572	47,561
Investment properties		2,527,888	2,460,046
Land use rights		1,699	1,909
Properties for/under development		143,045	155,038
Cemetery assets		487,337	577,671
Associated companies		16,519	17,594
Joint venture		344,962	355,798
Financial assets at fair value through other comprehensive income		154,925	–
Available-for-sale financial assets		–	234,659
Loans and receivables		11,444	12,447
		3,728,391	3,862,723
Current assets			
Properties for sale		1,151,346	1,139,136
Cemetery assets		568,969	557,770
Inventories		51,865	51,865
Debtors and prepayments	15	262,311	280,495
Financial assets at fair value through profit or loss		677,084	686,897
Cash and bank balances		864,859	523,248
		3,576,434	3,239,411
Current liabilities			
Creditors and accruals	16	224,019	185,628
Short-term bank borrowings	17	325,000	121,000
Current portion of long-term bank borrowings	17	537,278	345,176
Taxation payable		212,576	259,344
		1,298,873	911,148
Net current assets		2,277,561	2,328,263
Total assets less current liabilities		6,005,952	6,190,986

		30 September 2018	31 March 2018
	<i>Note</i>	HK\$'000	HK\$'000
Equity			
Share capital	18	117,442	117,442
Reserves		<u>4,046,362</u>	<u>4,284,853</u>
Shareholders' funds		4,163,804	4,402,295
Non-controlling interests		<u>109,576</u>	<u>121,127</u>
Total equity		<u>4,273,380</u>	<u>4,523,422</u>
Non-current liabilities			
Long-term bank borrowings	17	1,243,386	1,166,282
Deferred taxation liabilities		421,297	407,100
Loans and payables with non-controlling interests		32,067	29,905
Other non-current liabilities		<u>35,822</u>	<u>64,277</u>
		<u>1,732,572</u>	<u>1,667,564</u>
		<u>6,005,952</u>	<u>6,190,986</u>

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 30 September 2018, 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") 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, development and operation of cemetery, sales of goods and merchandises (including 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, financial assets at fair value through other comprehensive income 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 31 March 2018 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 31 March 2018, except as stated below.

(i) Effect of adopting new standards, amendments to standards and new interpretation

For the six months ended 30 September 2018, the Group adopted the following new standards, amendments to standards and new interpretation that are effective for the accounting periods beginning on or after 1 April 2018 and relevant to the operations of the Group:

HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendment)	Clarifications to HKFRS 15
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014–2016 Cycle
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 and HKFRS 15 are disclosed in Note 2(iii) below. The other amendments to standards and new interpretation did not have 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.

(ii) **New standards, amendments to standards and new interpretation that are not yet effective**

The following new standards, amendments to standards and new interpretation have been published which are relevant to the Group's operations and are mandatory for the Group's accounting periods beginning on or after 1 April 2019, but have not yet been early adopted by the Group:

HKAS 19 (Amendment)	Employee Benefits – Plan Amendment, Curtailment or Settlement (effective from 1 January 2019)
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures (effective from 1 January 2019)
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation (effective from 1 January 2019)
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (no mandatory effective date)
HKFRS 16	Leases (effective from 1 January 2019)
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015–2017 Cycle (effective from 1 January 2019)
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments (effective from 1 January 2019)

The Group will adopt the above new standards, amendments to standards and new interpretation as and when they become effective. The Group has commenced an assessment of the likely impact of adopting the above new standards, amendments to standards and new interpretation, in which the preliminary assessment of HKFRS 16 is detailed below. The Group will continue to assess the impact in more detail.

HKFRS 16 “Leases”

The new standard will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases.

At 30 September 2018, the Group had operating lease commitments of about HK\$6.6 million. Upon the adoption of HKFRS 16, the majority of operating lease commitments will be recognized in the consolidated balance sheet as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortized cost and the right-of-use asset will be depreciated on a straight-line basis during the lease term.

The Group conducted preliminary assessment and estimated that the adoption of HKFRS 16 would result in recognition of right-of-use assets and lease liabilities. The Group will continue to assess the impact in more detail.

The new standard is mandatory for financial years commencing on or after 1 April 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Apart from the above, according to the Group's preliminary assessment, there was no significant impact from the other new standards, amendments to standards and new interpretation on the Group's results of operations and financial position or any substantial changes in the Group's accounting policies and presentation of the condensed consolidated interim financial information.

(iii) Changes in accounting policies

HKFRS 9 replaces the provisions of HKAS 39 “Financial Instruments” that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 “Financial Instruments – Disclosures”.

HKFRS 15 replaces both the provisions of HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” and the related interpretations that related to the recognition, classification and measurement of revenue and costs.

The changes in accounting policies upon the adoption of HKFRS 9 “Financial Instruments” and HKFRS 15 “Revenue from Contracts with Customers” are set out below:

HKFRS 9 “Financial Instruments”

Classification, measurement and derecognition of financial assets

Management has assessed the business models and the contractual terms of the cash flows that apply to the financial assets held by the Group at the date of initial application of HKFRS 9 (1 April 2018) and has classified its financial instruments into the appropriate HKFRS 9 categories, which are those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and those to be measured at amortized cost.

In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

The main effects resulting from this reclassification on the Group’s condensed consolidated balance sheet as at 1 April 2018 by the application of HKFRS 9 are as follows:

	Available-for-sale financial assets <i>HK\$’000</i>	Financial assets at fair value through other comprehensive income <i>HK\$’000</i>	Financial assets at fair value through profit or loss <i>HK\$’000</i>
Opening balance – HKAS 39	234,659	–	686,897
Reclassifications	(234,659)	172,525	62,134
Opening balance – HKFRS 9	–	172,525	749,031

The main effects resulting from this reclassification on the Group’s condensed consolidated balance sheet as at 30 September 2018 are as follows:

	As at 30 September 2018		
	Without the adoption of HKFRS 9 <i>HK\$’000</i>	Effect of the adoption of HKFRS 9 <i>HK\$’000</i>	As reported <i>HK\$’000</i>
Available-for-sale financial assets	212,358	(212,358)	–
Financial assets at fair value through other comprehensive income	–	154,925	154,925
Financial assets at fair value through profit or loss	619,651	57,433	677,084

Since the reclassified investments did not have any investment revaluation reserve as at 1 April 2018, the adoption of HKFRS 9 has no impact on the condensed consolidated income statement and the condensed consolidated statement of comprehensive income. It also has no impact on the condensed consolidated cash flow statement.

Impairment of financial assets

The Group assessed on a forward looking basis for the expected credit losses associated with its financial assets carried at amortized cost. The results of the adopted new impairment model as at 1 April 2018 have not resulted in material impact on the carrying amount of the Group's financial assets.

HKFRS 15 “Revenue from Contracts with Customers”

In prior reporting periods, revenue from the sale of properties was recognized when significant risks and rewards of ownership of properties have been transferred to the customers.

Under HKFRS 15, revenue from pre-sales of properties under development is recognized when or as the control of the asset is transferred to the customer. Depending on the terms of the contracts and the laws that apply to the contracts, control of the properties under development may transfer over time or at a point in time. If properties have no alternative use to the Group contractually and the Group has an enforceable right to payment from the customers for performance completed to date, the Group satisfies the performance obligation over time and therefore, recognizes revenue over time by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the completed property.

The progress towards complete satisfaction of the performance obligation is measured based on the property development costs incurred as a percentage of total estimated costs for completion as allocated to the contract.

The timing of revenue recognition for certain development properties, which is previously based on whether significant risks and rewards of ownership of properties transfer, will be recognized at a later point in time when the underlying property is legally and/or physically transferred to the customer under the control transfer model. Revenue for certain pre-sale properties transactions may be recognized earlier over time during the construction.

The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property will be adjusted when significant financial component exists in that contract.

Sales deposits received in relation to advanced proceeds received from customers represent contract liabilities under HKFRS 15.

The Group has elected to use a modified retrospective approach on all the uncompleted contracts as at 1 April 2018, which the cumulative impact of the adoption is recognized as an adjustment to the retained profits as at 1 April 2018 and that the comparatives are not restated. The adoption of HKFRS 15 has no material impact on the retained profits as at 1 April 2018 and therefore, no adjustment was made.

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 31 March 2018. There has been no material change in the Group's financial risk management policies since the year ended 31 March 2018.

(b) Liquidity risk

Compared to the year ended 31 March 2018, 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 30 September 2018, 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 except for those as disclosed in note 2(iii) above regarding the adoption of HKFRS 9.

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 31 March 2018. In addition, the adoption of HKFRS 15 requires significant judgment in the recognition of sales of properties, while the adoption of HKFRS 9 requires significant judgment when applying the business model test for classification and measurement or assumption made in incorporating forward-looking information into expected credit loss calculations.

5. REVENUES

Revenues recognized during the period are as follows:

	2018 HK\$'000	2017 HK\$'000
Sales of properties	60,961	27,938
Rental income and management fees	36,288	23,138
Sales of cemetery assets	8,355	8,114
Sales of goods and merchandises	–	2,210
Interest income from financial assets at fair value through profit or loss	21,260	21,548
	126,864	82,948

Comparative figures have been reclassified to conform with current period's presentation: a reclassification of net realized gain and net fair value gain of financial assets at fair value through profit or loss of HK\$6,869,000 and HK\$1,868,000 respectively from "Revenues and net gain" to "Other income and net gain" (note 7) to reflect the current assessment on the performance of the respective investments from the management of the Group.

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 <i>HK\$'000</i>	Cemetery <i>HK\$'000</i>	Sales of goods and merchandises <i>HK\$'000</i>	Securities investment and trading <i>HK\$'000</i> (Note 5)	Others and corporate <i>HK\$'000</i>	Total <i>HK\$'000</i>
2018						
Revenues	97,249	8,355	–	21,260	–	126,864
Other income and net gain/(loss)	<u>167</u>	<u>53</u>	<u>60</u>	<u>(40,713)</u>	<u>6,304</u>	<u>(34,129)</u>
Operating profit/(loss)	259,937	(1,901)	85	(19,471)	(68,955)	169,695
Finance costs	(20,863)	–	–	–	–	(20,863)
Share of results of associated companies	–	–	–	–	(1,075)	(1,075)
Share of result of a joint venture	<u>11,555</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>11,555</u>
Profit/(loss) before taxation	250,629	(1,901)	85	(19,471)	(70,030)	159,312
Taxation (charge)/credit	<u>(65,909)</u>	<u>662</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(65,247)</u>
Profit/(loss) for the period	<u>184,720</u>	<u>(1,239)</u>	<u>85</u>	<u>(19,471)</u>	<u>(70,030)</u>	<u>94,065</u>
As at 30 September 2018						
Segment assets	4,196,439	1,092,650	52,239	688,908	913,108	6,943,344
Associated companies	–	–	–	–	16,519	16,519
Joint venture	<u>344,962</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>344,962</u>
Total assets	<u>4,541,401</u>	<u>1,092,650</u>	<u>52,239</u>	<u>688,908</u>	<u>929,627</u>	<u>7,304,825</u>
Total liabilities	<u>2,691,996</u>	<u>272,864</u>	<u>100</u>	<u>85</u>	<u>66,400</u>	<u>3,031,445</u>
2018						
Other segment items are as follows:						
Capital expenditure	100,116	16,904	–	–	–	117,020
Depreciation	234	406	52	–	5,105	5,797
Amortization of land use rights	–	30	–	–	–	30
Change in fair value of investment properties	<u>(234,858)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(234,858)</u>

	Property development, investment and trading <i>HK\$'000</i>	Cemetery <i>HK\$'000</i>	Sales of goods and merchandises <i>HK\$'000</i>	Securities investment and trading <i>HK\$'000</i> (Note 5)	Others and corporate <i>HK\$'000</i>	Total <i>HK\$'000</i>
2017						
Revenues	51,076	8,114	2,210	21,548	–	82,948
Other income and net gain/(loss)	<u>1,506</u>	<u>(4,090)</u>	<u>60</u>	<u>8,737</u>	<u>8,956</u>	<u>15,169</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 31 March 2018						
Segment assets	4,130,961	1,184,871	52,584	687,526	672,800	6,728,742
Associated companies	–	–	–	–	17,594	17,594
Joint venture	<u>355,798</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>355,798</u>
Total assets	<u>4,486,759</u>	<u>1,184,871</u>	<u>52,584</u>	<u>687,526</u>	<u>690,394</u>	<u>7,102,134</u>
Total liabilities	<u>2,233,591</u>	<u>323,846</u>	<u>100</u>	<u>85</u>	<u>21,090</u>	<u>2,578,712</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	16	29	–	–	–	45
Change in fair value of investment properties	<u>(122,439)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(122,439)</u>

(b) Geographical segment information

The business of the Group operates in different geographical areas. Revenues 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		Capital expenditure	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Hong Kong	21,260	22,948	69,292	24,636
The People's Republic of China (the "PRC")	74,388	40,276	47,632	51,280
United Kingdom	22,347	18,913	–	–
Malaysia	8,869	–	96	–
Other countries	–	811	–	–
	<u>126,864</u>	<u>82,948</u>	<u>117,020</u>	<u>75,916</u>
	Non-current assets (Note)		Total assets	
	30 September 2018 HK\$'000	31 March 2018 HK\$'000	30 September 2018 HK\$'000	31 March 2018 HK\$'000
Hong Kong	43,702	49,932	2,210,579	1,892,361
The PRC	2,125,603	2,127,292	3,651,406	3,714,095
United Kingdom	1,061,320	1,082,655	1,073,717	1,097,221
Malaysia	331,397	355,738	335,005	362,190
Other countries	–	–	34,118	36,267
	<u>3,562,022</u>	<u>3,615,617</u>	<u>7,304,825</u>	<u>7,102,134</u>

Note: Non-current assets in geographical segment represent non-current assets other than financial assets at fair value through other comprehensive income (31 March 2018: available-for-sale financial assets) and loans and receivables.

7. OTHER INCOME AND NET (LOSS)/GAIN

	2018 HK\$'000	2017 HK\$'000
Interest income from bank deposits	1,562	4,844
Dividend income from financial assets at fair value through other comprehensive income	4,941	–
Dividend income from available-for-sale financial assets	–	5,022
Gain on disposal of available-for-sale financial assets	–	166
Net realized (loss)/gain of financial assets at fair value through profit or loss (<i>note 5</i>)	(1,556)	6,869
Net fair value (loss)/gain of financial assets at fair value through profit or loss (<i>note 5</i>)	(39,157)	1,868
Net gain on disposal of property, plant and equipment	3	–
Net exchange loss	(18)	(3,660)
Sundries	96	60
	<u>(34,129)</u>	<u>15,169</u>

8. OPERATING PROFIT

	2018 HK\$'000	2017 HK\$'000
Operating profit is stated after charging:		
Amortization of land use rights	30	45
Cost of properties sold	41,284	16,962
Cost of cemetery assets sold	3,868	3,665
Cost of inventories sold	–	1,559
Depreciation	5,797	5,973
Staff costs, including Directors' emoluments		
Wages and salaries	30,295	26,341
Retirement benefit costs	1,629	1,504
	<u>1,629</u>	<u>1,504</u>

9. FINANCE COSTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest expenses of		
Bank borrowings	28,619	19,591
Deferred consideration	—	1,173
	<u>28,619</u>	<u>20,764</u>
Amounts capitalized into		
Investment properties	(2,410)	(843)
Properties under development	(5,346)	(5,526)
	<u>(7,756)</u>	<u>(6,369)</u>
	<u><u>20,863</u></u>	<u><u>14,395</u></u>

The capitalization rates applied to funds borrowed for the development of properties range from 4.70% to 8.08% (2017: 2.17% to 8.08%) per annum.

10. SHARE OF RESULT OF A JOINT VENTURE

Share of result of a joint venture of HK\$11,555,000 (2017: HK\$2,862,000) in the condensed consolidated income statement is the share of result of the joint venture for the period ended 30 September 2018, which also included the share of fair value gain of the investment properties (net of the related deferred taxation) of joint venture of HK\$3,880,000 (2017: HK\$27,000). Rental income received by the joint venture from the non-wholly-owned subsidiary of the joint venture partner for the period ended 30 September 2018 amounted to approximately HK\$6,345,000 (2017: HK\$5,312,000) and was included in the “Share of result of a joint venture” in the condensed consolidated income statement.

11. TAXATION

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current taxation		
PRC corporate income tax	4,178	645
PRC land appreciation tax	16,621	4,821
Overseas profits tax	200	—
Deferred taxation	<u>44,248</u>	<u>(534)</u>
	<u><u>65,247</u></u>	<u><u>4,932</u></u>

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits for the period (2017: Nil). PRC corporate income tax and overseas profits tax have been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the PRC and the countries in which the Group operates respectively. 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 30 September 2018 (2017 Nil). Share of deferred taxation charge of the joint venture for the six months ended 30 September 2018 of HK\$1,293,000 (2017: HK\$9,000) is included in the condensed consolidated income statement as “Share of result of a joint venture”.

12. INTERIM DIVIDEND

	2018 HK\$'000	2017 <i>HK\$'000</i>
Interim dividend of 1.5 HK cents (2017: 1.5 HK cents) per share	35,233	35,233

On 27 November 2018, the Board declared an interim dividend of 1.5 HK cents (2017: 1.5 HK cents) per share amounting to HK\$35,233,000 (2017: HK\$35,233,000). The amount of HK\$35,233,000 is calculated based on 2,348,835,316 issued shares as at 27 November 2018. 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 31 March 2019.

13. EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit attributable to equity holders of HK\$94,266,000 (2017: HK\$96,425,000) and the weighted average number of 2,348,835,316 (2017: 2,357,367,393) shares in issue during the period.

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 30 September 2018, the Group incurred acquisition and development costs on property, plant and equipment of HK\$61,000 (2017: HK\$661,000), and property projects, properties, investment properties and cemetery assets of HK\$116,959,000 (2017: HK\$75,255,000).

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.

Trade debtors of the Group mainly represent the receivables from sales of properties and cemetery assets as well as rental income and management fees from investment properties. The aging analysis of the trade debtors of the Group is as follows:

	30 September 2018 HK\$'000	31 March 2018 <i>HK\$'000</i>
Below 30 days	3,403	3,322
31 to 60 days	828	168
61 to 90 days	9	73
Over 90 days	5,957	9,182
	10,197	12,745

Debtors and prepayments include net deposits of HK\$199,844,000 (31 March 2018: HK\$214,844,000) for property projects and acquisition of land use rights after the accumulated provision for impairment of HK\$11,272,000 (31 March 2018: HK\$11,272,000) as at 30 September 2018.

16. CREDITORS AND ACCRUALS

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

	30 September 2018 HK\$'000	31 March 2018 HK\$'000
Below 30 days	1,402	506
31 to 60 days	96	64
Over 60 days	40	488
	<u>1,538</u>	<u>1,058</u>

Creditors and accruals include the construction cost payables and accruals of HK\$92,212,000 (31 March 2018: HK\$89,143,000) for the property and cemetery projects of the Group, contract liabilities of HK\$5,764,000 (31 March 2018: HK\$4,490,000) for advanced proceeds received from customers for sales of properties of the Group, and dividend payable of the Company of HK\$46,977,000 (31 March 2018: Nil).

17. BORROWINGS

	30 September 2018 HK\$'000	31 March 2018 HK\$'000
Short-term bank borrowings	325,000	121,000
Long-term bank borrowings	<u>1,780,664</u>	<u>1,511,458</u>
Total bank borrowings	<u>2,105,664</u>	<u>1,632,458</u>

The total bank borrowings are analyzed as follows:

	30 September 2018 HK\$'000	31 March 2018 HK\$'000
Unsecured bank borrowings		
Short-term bank borrowing	200,000	–
Long-term bank borrowings	<u>601,000</u>	<u>188,000</u>
	<u>801,000</u>	<u>188,000</u>
Secured bank borrowings		
Short-term bank borrowing	125,000	121,000
Long-term bank borrowings	<u>1,179,664</u>	<u>1,323,458</u>
	<u>1,304,664</u>	<u>1,444,458</u>
Total bank borrowings	<u>2,105,664</u>	<u>1,632,458</u>

The long-term bank borrowings are analyzed as follows:

	30 September 2018 HK\$'000	31 March 2018 HK\$'000
Long-term bank borrowings	<u>1,780,664</u>	<u>1,511,458</u>
Current portion included in current liabilities		
Portion due within one year	(237,278)	(226,176)
Portion due after one year which contains a repayment on demand clause	<u>(300,000)</u>	<u>(119,000)</u>
	<u>(537,278)</u>	<u>(345,176)</u>
	<u><u>1,243,386</u></u>	<u><u>1,166,282</u></u>

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

	30 September 2018 HK\$'000	31 March 2018 HK\$'000
Within the first year	562,278	347,176
Within the second year	436,520	468,354
Within the third to fifth years	<u>1,106,866</u>	<u>816,928</u>
	<u><u>2,105,664</u></u>	<u><u>1,632,458</u></u>

As at 30 September 2018, 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\$2,568,988,000 (31 March 2018: HK\$2,734,224,000), to secure banking facilities granted to the subsidiaries. Bank borrowings of HK\$1,480,664,000 (31 March 2018: HK\$1,478,933,000) and HK\$500,000,000 (31 March 2018: HK\$153,525,000) were guaranteed by the Company and CCIL respectively as at 30 September 2018.

18. SHARE CAPITAL

	30 September 2018 HK\$'000	31 March 2018 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 31 March 2018 and 30 September 2018	<u>2,348,835,316</u>	<u>117,442</u>

19. FINANCIAL GUARANTEES

As at 30 September 2018, the subsidiaries had provided guarantees of HK\$154,926,000 (31 March 2018: HK\$315,827,000) 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 30 September 2018, the Group had commitments contracted but not provided for in respect of property projects and property, plant and equipment of HK\$606,259,000 (31 March 2018: HK\$668,771,000).

21. RELATED PARTY TRANSACTION

On 7 May 2018, a wholly-owned subsidiary of the Company entered into a tenancy agreement with a wholly-owned subsidiary of CCIL for the lease of one basement floor at its investment property in Hong Kong for a term of two years from 7 May 2018 to 6 May 2020. The premises are used as a sales office and show flat of the property project of the Group. Details of the transaction were announced by the Company on 7 May 2018. Total rental and management fee for the period ended 30 September 2018 amounted to approximately HK\$1,709,000 (2017: N/A).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS REVIEW

Profit attributable to equity holders of the Company for the six months ended 30 September 2018 amounted to HK\$94.3 million (2017: HK\$96.4 million). Earnings per share was 4.01 HK cents (2017: 4.09 HK cents). A review of the results is set out below.

Revenues of the Group for the six months ended 30 September 2018 was approximately HK\$126.9 million (2017: HK\$82.9 million), increased by approximately 53.1% compared to that of the last corresponding period as a result of the increase in sales of properties and rental income. During the period, revenues comprised sales of properties in the People's Republic of China (the "PRC") of HK\$60.9 million (2017: HK\$28.0 million), rental and management fee income of HK\$36.3 million (2017: HK\$23.1 million), cemetery assets income of HK\$8.4 million (2017: HK\$8.1 million), and securities investment and trading income of HK\$21.3 million (2017: HK\$21.5 million).

During the period under review, gross profit increased by 26.2% to HK\$75.7 million (2017: HK\$60.0 million) mainly as a result of the increase in revenues. Other income and net loss recorded a loss of HK\$34.1 million (2017: gain of HK\$15.2 million) and was attributable substantially to the unrealized fair value loss of bonds investments recorded during the period. A breakdown of other income and net loss is shown in note 7 on page 14 of this report. For the period under review, the Group recorded a gain on change in fair value of investment properties of HK\$234.9 million (2017: HK\$122.4 million), mainly derived from the investment properties in Anshan, Changan and the United Kingdom ("UK").

During the period under review, the Group's selling and marketing expenses increased to HK\$10.6 million (2017: HK\$4.4 million) principally due to the marketing of The Esplanade in Hong Kong. Administrative and other operating expenses increased by 21.5% to HK\$96.1 million (2017: HK\$79.1 million) as a result of general increase in overhead and increase in activities of the Group. Finance costs increased to HK\$20.9 million (2017: HK\$14.4 million) during the period as a result of the increase in bank borrowings as well as the higher interest rates prevailing during the period.

Share of loss of associated companies amounted to HK\$1.1 million (2017: HK\$0.8 million). Share of result of a joint venture was HK\$11.6 million (2017: HK\$2.9 million) was mainly due to the increase in profit of the joint venture and the change in fair value of its investment properties. Taxation increased to HK\$65.2 million (2017: HK\$4.9 million) and was mainly due to the increase in sales of properties in the PRC recognized by the Group during the period and the deferred taxation arising from the change in fair value of investment properties.

INTERIM DIVIDEND

The Board has resolved to pay an interim dividend of 1.5 HK cents (2017: 1.5 HK cents) per share payable on or before Thursday, 17 January 2019 to the shareholders whose names appear on the Company's register of members on Friday, 28 December 2018.

BUSINESS REVIEW

A. Investment Properties

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

1. *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. Internal fitting works are in progress. Occupancy permit is targeted to be obtained in the financial year ending 31 March 2019.

The Group has entered into an agreement to lease the entire commercial podium to a furniture and home finishing retailer as anchor tenant for a period of 15-year. The tenancy is expected to commence in 2019. As for the twin tower, the Group has appointed international real estate agencies as leasing agents to carry out marketing campaign as serviced apartments and office.

The Group's total investments in this project is estimated to be about HK\$448 million at completion. As at 30 September 2018, the properties had aggregate market value of approximately RMB648 million (equivalent to approximately HK\$738 million) on completed basis, comprising RMB242 million for the commercial podium and RMB406 million for the twin tower. On an estimated rental income of about RMB25 million per annum, Chuang's Mid-town will generate a rental yield of 4% based on market value.

2. *Hotel and resort villas in Xiamen, Fujian (59.5% owned)*

The Group has completed the development of 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.*) in Siming District, Xiamen. As at 30 September 2018, the properties were recorded in the financial statements at valuation of RMB437.1 million (comprising RMB179.1 million for the hotel and RMB258.0 million for the 30 villas). The valuation attributable to the Group was about RMB260.1 million (equivalent to approximately HK\$296.2 million), whereas the total investment costs of the Group are about HK\$189 million.

The hotel building and 30 villas are fully leased. The hotel building together with three villas are leased to 廈門佻家鷺江酒店 as "鷺江•佻家酒店" (Mega Lujiang Hotel). Furthermore, 27 villas have been leased to independent third parties. On the basis of the aggregate rental income of about RMB25.9 million per annum, its rental yield is approximately 6% based on valuation.

3. *22 villas and commercial property in Chuang's Le Papillon, Guangzhou, Guangdong (100% owned)*

Within the Group's property development in Guangzhou, the Group retains 22 villas (GFA of approximately 6,987 *sq. m.*) and a commercial property (with GFA of approximately 809 *sq. m.*) for long term investment. Marketing is in progress for leasing of the 22 villas. As at 30 September 2018, valuation of the 22 villas was RMB246.4 million (equivalent to approximately HK\$280.6 million), and valuation of the commercial property was RMB8.0 million (equivalent to approximately HK\$9.1 million).

4. *Commercial Property in Shatian, Dongguan, Guangdong (100% owned)*

The Group holds a 4-storey commercial building in Shatian, Dongguan, providing a total GFA of about 4,167 *sq. m.* for commercial, retail and office usage. Marketing work is in progress to lease out the property for recurring rental income. As at 30 September 2018, valuation of the property was RMB26.4 million (equivalent to approximately HK\$30.1 million).

5. *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. As at 30 September 2018, the valuation of this property increased to GBP104.0 million (equivalent to approximately HK\$1,061.3 million), representing an increase of about 31.6% over the Group's original investment cost.

The property is fully leased to multi tenants with annual rental income of approximately GBP4.1 million (equivalent to approximately HK\$41.6 million), representing a rental yield of approximately 4% based on valuation. The Group will appraise the market condition and identify opportunities to dispose of this investment and realize the appreciation in value.

6. *Central Plaza, Jalan Sultan Ismail, Kuala Lumpur, Malaysia (100% owned)*

Central Plaza is located within the prime city centre, situated right next to the landmark shopping complex, Pavilion KL, the heart of central business district and prestigious shopping area of Kuala Lumpur. It is built on a freehold land and is a 29-storey high rise office building having retail and office spaces of approximately 254,000 *sq. ft.* (on total net lettable area basis is approximately 195,000 *sq. ft.*) and 298 carparking spaces. As at 30 September 2018, the valuation of this property was MYR175 million (equivalent to approximately HK\$331.1 million), which represents an average value of approximately MYR897 (equivalent to approximately HK\$1,697) per *sq. ft.* of net lettable retail and office area.

Central Plaza is leased to multi tenants with an occupancy rate of approximately 72%. Its annual rental income is approximately MYR10.0 million (equivalent to approximately HK\$18.8 million), representing a rental yield of approximately 6% based on valuation. The Group will continue to review the tenant mix of this property in order to further enhance its rental yield and occupancy rate.

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

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. The Group has completed the development of Phase I and II, having 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 flats of Phase I and II have largely been sold. During the period under review, four residential duplex and 237 carparks were sold. Currently, there remains 2 duplex of about RMB10 million (equivalent to approximately HK\$11 million) and 602 carparks of about RMB75 million (equivalent to approximately HK\$85 million) available for sale.

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 RMB6.6 million per annum. This site has been rezoned to "residential usage", and the location of this property in Changan is strategical to benefit from the Guangdong-Hong Kong-Macao Greater Bay Area. The Group will monitor the requisite procedures and strategize on the optimal timing for usage conversion application of the site. 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. The Group will identify suitable options, including disposal, to accelerate capital return on this investment.

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

The Esplanade has a site area of about 26,135 *sq. ft.* and has a developable GFA of 116,898 *sq. ft.* for residential purpose and 25,090 *sq. ft.* for commercial purpose with 47 carparking spaces. It 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. Foundation works have been completed and superstructure works are in progress up to the 11th level. The project is expected to be completed in the third quarter of 2020.

The Esplanade provides a two-storey commercial facilities, one-storey clubhouse and a 20-storey residential building, totalling 371 residential flats, comprising 233 studio, 97 one-bedroom, 39 two-bedrooms and 2 three-bedrooms. Based on existing selling prices, the expected total sales proceeds will amount to about HK\$1,650 million. Pre-sale has commenced in October 2018 and a total of 236 units has been launched to the market for sale. Currently, 89 flats have been presold at aggregate amount of about HK\$372.2 million.

5. *Other property projects in the PRC*

The Group owns an effective 69% interests in a property development project in Changsha and the total investment costs was about HK\$24.6 million (including shareholder's loan of about HK\$3.5 million) as at 30 September 2018. The business license of the PRC project subsidiary has expired since 2012, therefore normal operation has halted. The Group has made keen efforts to reactivate the business license but was opposed by the minority shareholders. The Group has initiated a lawsuit to seek court approval for the winding up of the PRC project company, in order to protect the Group's investment in this project. As announced on 9 November 2018, the Company received an official civil complaint (the "Complaint") from the minority shareholder of the PRC project company against the Company and an executive director of the Company. Based on the legal advices, the Complaint was not supported by sufficient facts and/or legal basis. It is expected that the Complaint will be heard in Hunan Province Higher People's Court in January 2019. The legal advisers of the Company advised that the Company has sufficient grounds to vigorously contest the Complaint. The legal advisers of the Company further advised that the Company could consider taking counterclaim against the aforesaid minority shareholder in respect of the use of false instruments in the Complaint, thus causing the Company's suffering losses and damages. Further announcement(s) about the legal proceeding will be made by the Company as and when appropriate.

The Group holds a 51% development interest in a project in Wuhou District, Chengdu. As at 30 September 2018, the Group's total investment costs in this project was about RMB146.8 million (equivalent to approximately HK\$167.2 million). As announced on 1 June 2018, the claims under the legal proceedings launched by the Group have been increased to approximately RMB559 million (equivalent to approximately HK\$636.5 million). Further announcement(s) about the legal proceeding will be made by the Company as and when appropriate.

Over a number of years in the past, the Group acquired three courtyard houses in Beijing in the aggregate amount of about RMB12 million (equivalent to approximately HK\$14 million). Despite repeated requests made by the Group, the agent handling the acquisitions has failed to properly register the properties title to the Group. The legal proceedings instituted by the Group to protect our interests have recently been completed and are now awaiting for court judgment.

6. *Fortune Wealth, Sihui, Guangdong (86.0% 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. As at 30 September 2018, the book cost of this project (including non-controlling interests) was about RMB927.6 million (equivalent to approximately HK\$1,056.3 million), whereas the market valuation was about RMB944.3 million (equivalent to approximately HK\$1,075.3 million) as at 31 March 2018.

As at the date of this report, land use rights of approximately 248.2 mu of land had been obtained. Fortune Wealth will liaise with the local authorities for land resumption in respect of the remaining 269.8 mu. For the area encompassing the land resumption, about 150 mu will be designated for road access and greenbelts. As for the balance of 119.8 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 30 September 2018, about 3,694 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 30 September 2018 of HK\$0.385 (31 March 2018: HK\$0.43) and HK\$0.49 (31 March 2018: HK\$0.52), the aggregate book value of the Group’s investments in CNT and CPM decreased to about HK\$143.5 million (31 March 2018: HK\$160.1 million). The loss in book value is accounted for as “Reserve” in the financial statements.

As announced by the Company on 25 April 2018, the Court has directed for the substantive trial of the derivative action against certain directors of CNT to be re-fixed to 14 May 2019 to 6 June 2019. Further announcement(s) about this derivative action will be made by the Company as and when appropriate.

2. Investments in high yield bonds

The Group holds the following portfolio of high yield bonds, as at 30 September 2018 with an annualized average yield of about 7%:

Stock code	Bond issuer	Face value of bonds held as at 30 September 2018 <i>US\$'000</i>	Market value as at 30 September 2018 <i>HK\$'000</i>	Percentage of market value to the Group's total assets as at 30 September 2018	Interest income for the period ended 30 September 2018 <i>HK\$'000</i>	Fair value (loss)/gain for the period ended 30 September 2018 <i>HK\$'000</i>
813	Shimao Property Holdings Limited (8.375%, due 2022)	5,200	43,327	0.6%	1,883	(1,048)
1638	Kaisa Group Holdings Limited (8.5%, due 2022)	4,400	29,161	0.4%	1,468	(4,197)
1813	KWG Group Holdings Limited (6%, due 2022)	5,000	36,710	0.5%	1,177	(2,302)
2007	Country Garden Holdings Company Limited (5.625%, due 2026)	14,000	107,319	1.5%	3,090	(5,765)
2777	Easy Tactic Limited, a wholly-owned subsidiary of Guangzhou R&F Properties Co., Limited (5.75%, due 2022)	1,000	7,225	0.1%	–	53
3333	China Evergrande Group (a) 7.5%, due 2023 (b) 8.25%, due 2022 (c) 8.75%, due 2025	10,743 11,600 4,714	78,930 90,309 34,075	2.8%	3,162 3,738 1,618	(5,489) (3,583) (3,845)
3380	Logan Property Holdings Company Limited (6.875%, due 2021)	4,000	31,688	0.4%	–	420
3383	Agile Group Holdings Limited (5.125%, due 2022)	10,000	72,803	1.0%	2,011	(5,472)

Stock code	Bond issuer	Face value of bonds held as at 30 September 2018 <i>US\$'000</i>	Market value as at 30 September 2018 <i>HK\$'000</i>	Percentage of market value to the Group's total assets as at 30 September 2018	Interest income for the period ended 30 September 2018 <i>HK\$'000</i>	Fair value (loss)/gain for the period ended 30 September 2018 <i>HK\$'000</i>
N/A	Greenland Global Investment Limited, a wholly-owned subsidiary of Greenland Holdings Corporation Limited (5.25%, due 2021)	4,300	32,145	0.4%	886	(1,467)
N/A	Guangxi Financial Investment Group Co., Limited (5.75%, due 2021)	8,000	55,959	0.8%	1,775	(6,462)
	Bonds disposed of during the period	–	–	–	452	–
		<u>82,957</u>	<u>619,651</u>	<u>8.5%</u>	<u>21,260</u>	<u>(39,157)</u>

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

Name of company	Principal business
Shimao Property Holdings Limited	Property development, property investment and hotel operation
Kaisa Group Holdings Limited	Property development, property investment, property management and hotel and catering operations
KWG Group Holdings Limited	Property development, property investment, hotel operation and property management
Country Garden Holdings Company Limited	Property development, construction, property investment, property management and hotel operation

Name of company	Principal business
Guangzhou R&F Properties Co., Limited	Development and sale of properties, property investment, hotel operations and other property development related services
China Evergrande Group	Property development, property investment, property management, property construction, hotel operations, finance business, internet business and health industry business
Logan Property Holdings Company Limited	Property development, property investment and property construction
Agile Group Holdings Limited	Property development, property investment, hotel operation and property management
Greenland Holdings Corporation Limited	Property development, property investment, construction and hotel operation
Guangxi Financial Investment Group Co., Limited	Provision of micro and small loans, credit guarantees, property insurance, financing leasing and others

Unrealized fair value loss was recorded by the Group principally as a result of the drop in bond prices as at 30 September 2018 when compared to that of 31 March 2018 as nearly all the bonds held by the Group were traded below par as at 30 September 2018. In the event that the Group holds the bonds up to their respective maturity dates and the bonds are being redeemed at par, the unrealized fair value loss would almost be unnecessary. In recent months, the adjustments in the PRC property sector and the expectation on rise in interest rates asserted downward pressure on the prices of the bonds held by the Group. These factors have therefore offset the high interest income generated during the period. The Group will closely monitor the performance of the bond portfolio in light of the monetary environment.

FINANCIAL REVIEW

Net asset value

As at 30 September 2018, the net asset value attributable to equity holders of the Company amounted to HK\$4,163.8 million. Net asset value per share amounted to HK\$1.77, which is calculated based on the historical cost of the Group's land bank. During the period under review, the net asset value was adversely affected by (i) the depreciation in Renminbi resulting in a reduction of about HK\$268.9 million in the exchange reserve, and (ii) the fair value loss of financial assets at fair value through other comprehensive income amounted to about HK\$16.6 million.

Financial resources

As at 30 September 2018, the Group's cash, bank balances and investments held for trading amounted to HK\$1,541.9 million (31 March 2018: HK\$1,210.1 million). As at the same date, bank borrowings of the Group amounted to HK\$2,105.7 million (31 March 2018: HK\$1,632.5 million). The Group's net debt to equity ratio, expressed as a percentage of bank borrowings net of cash, bank balances and investments held for trading over net assets attributable to equity holders of the Company, was 13.5% (31 March 2018: 9.6%).

Approximately 84.2% of the Group's cash, bank balances and investments held for trading were in Hong Kong dollar and United States dollar, 14.3% in Renminbi and the balance of 1.5% were in other currencies. Approximately 66.6% of the Group's bank borrowings were in Hong Kong dollar, 24.3% were in British Pound Sterling, 6.7% were in Malaysian Ringgit and the remaining 2.4% 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 26.7% of the Group's bank borrowings were repayable within the first year, 20.7% were repayable within the second year and the balance of 52.6% 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.

PROSPECTS

Looking forward, the Group remains cautiously optimistic about the property market in the PRC. Under the weaker market sentiments, the Group's business plan to identify disposal opportunities for our PRC projects may be temporarily stalled, but will take proactive strategy when suitable opportunities arise. Despite the challenges ahead, the Group believes the property market in the PRC is well supported by strong underlying fundamentals. The Group will keep monitoring new investment opportunities and further diversify to other businesses with steady income in the PRC and overseas.

The Company is pleased that MSCI has added the Company as one of the constituent securities of MSCI Micro Cap Hong Kong Index. 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

For the purpose of determining entitlements to the interim dividend, the register of members of the Company will be closed from Friday, 21 December 2018 to Friday, 28 December 2018, 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, 20 December 2018.

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 30 September 2018, the Group employed 175 staff. The Group provides its staff with other benefits including discretionary bonus, contributory provident fund, share options and medical insurance. Staff training is also provided as and when required.

DEALING IN THE COMPANY'S SECURITIES

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

CORPORATE GOVERNANCE

Due to other commitments, an Independent Non-Executive Director and a Non-Executive Director had not attended the 2018 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 30 September 2018 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 30 September 2018 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 30 September 2018 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, 27 November 2018

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. Geoffrey Chuang Ka Kam are the Executive Directors of the Company, Mr. Dominic Lai is a Non-Executive Director of the Company, and Mr. Abraham Shek Lai Him, Mr. David Chu Yu Lin, Mr. Andrew Fan Chun Wah and Dr. Eddy Li Sau Hung are the Independent Non-Executive Directors of the Company.