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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)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2019

RESULTS

The board of Directors (the "Board") of Chuang's China Investments Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively as the "Group") for the year ended 31 March 2019 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2019

	Note	**2019** *HK$'000*	2018 *HK$'000*
Revenues	*3*	**199,816**	174,284
Cost of sales		**(60,481)**	(48,103)
Gross profit		**139,335**	126,181
Other income and net (loss)/gain	*5A*	**(1,606)**	27,516
Fair value gain on transfer of properties from properties for sale to investment properties	*5B*	**6,349**	232,664
Selling and marketing expenses		**(37,520)**	(8,568)
Administrative and other operating expenses		**(163,574)**	(158,986)
Change in fair value of investment properties		**363,780**	170,830
Operating profit	*6*	**306,764**	389,637
Finance costs	*7*	**(54,279)**	(31,421)
Share of results of associated companies		**(1,999)**	(2,199)
Share of result of a joint venture	*8*	**24,019**	10,335
Profit before taxation		**274,505**	366,352
Taxation	*9*	**(106,993)**	(87,914)
Profit for the year		**167,512**	278,438
Attributable to:			
Equity holders		**167,842**	279,882
Non-controlling interests		**(330)**	(1,444)
		167,512	278,438
		HK cents	*HK cents*
Earnings per share (basic and diluted)	*11*	**7.15**	11.89

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	2019 *HK$'000*	2018 *HK$'000*
Profit for the year	**167,512**	278,438
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss:		
Net exchange differences	**(191,474)**	254,685
Share of exchange reserve of a joint venture	**(10,043)**	10,556
Realization of exchange reserves upon disposal of subsidiaries	**–**	(4,183)
Change in fair value of available-for-sale financial assets	**–**	(64,126)
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	**(201,517)**	196,832
Items that may not be reclassified subsequently to profit and loss:		
Change in fair value of financial assets at fair value through other comprehensive income	**(40,244)**	–
Fair value gain on transfer of property from property, plant and equipment and land use right to investment property, net of deferred tax	**–**	11,876
Total other comprehensive (loss)/income that may not be reclassified subsequently to profit and loss	**(40,244)**	11,876
Total other comprehensive (loss)/income for the year	**(241,761)**	208,708
Total comprehensive (loss)/income for the year	**(74,249)**	487,146
Total comprehensive (loss)/income attributable to:		
Equity holders	**(66,901)**	472,509
Non-controlling interests	**(7,348)**	14,637
	(74,249)	487,146

CONSOLIDATED BALANCE SHEET
As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**44,681**	47,561
Investment properties		**2,733,601**	2,460,046
Land use rights		**1,721**	1,909
Properties for/under development		**146,494**	155,038
Cemetery assets		**299,418**	577,671
Associated companies		**15,723**	17,594
Joint venture		**366,587**	355,798
Financial assets at fair value through other comprehensive income		**131,570**	–
Available-for-sale financial assets		**–**	234,659
Loans and receivables and other deposits		**207,690**	12,447
		3,947,485	3,862,723
Current assets			
Properties for sale		**1,287,349**	1,139,136
Cemetery assets		**782,306**	557,770
Inventories		**51,865**	51,865
Debtors and prepayments	*12*	**83,318**	280,495
Financial assets at fair value through profit or loss		**679,694**	686,897
Cash and bank balances		**919,502**	523,248
		3,804,034	3,239,411
Current liabilities			
Creditors and accruals	*13*	**210,625**	181,138
Sales deposits received		**343,153**	4,490
Short-term bank borrowings		**216,955**	121,000
Current portion of long-term bank borrowings		**878,203**	345,176
Taxation payable		**219,656**	259,344
		1,868,592	911,148
Net current assets		**1,935,442**	2,328,263
Total assets less current liabilities		**5,882,927**	6,190,986
Equity			
Share capital		**117,442**	117,442
Reserves		**4,135,431**	4,284,853
Shareholders' funds		**4,252,873**	4,402,295
Non-controlling interests		**114,090**	121,127
Total equity		**4,366,963**	4,523,422
Non-current liabilities			
Long-term bank borrowings		**986,178**	1,166,282
Deferred taxation liabilities		**468,181**	407,100
Loans and payables with non-controlling interests		**24,879**	29,905
Other non-current liabilities		**36,726**	64,277
		1,515,964	1,667,564
		5,882,927	6,190,986

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 31 March 2019, 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 consolidated financial statements have 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 all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. The significant accounting policies adopted for the preparation of the consolidated financial statements have been consistently applied to all the years presented, unless otherwise stated.

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

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

For the financial year ended 31 March 2019, 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 consolidated financial statements.

(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 3 (Amendment)	Definition of a Business (effective from 1 January 2020)
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)
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting (effective from 1 January 2020)

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 31 March 2019, the Group had operating lease commitments of about HK$4.5 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, and the impact to the Group's results and financial position is insignificant. 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. 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 consolidated financial statements.

(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 accountings. 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 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 of HKFRS 9, comparative figures have not been restated.

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

	Available-for-sale financial assets *HK$'000*	**Financial assets at fair value through other comprehensive income** *HK$'000*	**Financial assets at fair value through profit or loss** *HK$'000*
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 consolidated balance sheet as at 31 March 2019 are as follows:

	As at 31 March 2019		
	Without the adoption of HKFRS 9 *HK$'000*	**Effect of the adoption of HKFRS 9** *HK$'000*	**As reported** *HK$'000*
Available-for-sale financial assets	**191,202**	**(191,202)**	**–**
Financial assets at fair value through other comprehensive income	**–**	**131,570**	**131,570**
Financial assets at fair value through profit or loss	**620,062**	**59,632**	**679,694**

The adoption of HKFRS 9 has no material impact on the consolidated income statement and consolidated statement of comprehensive income. It also has no impact on the 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. REVENUES

Revenues recognized during the year are as follows:

	2019	2018
	HK$'000	*HK$'000*
Sales of properties	**71,469**	59,170
Rental income and management fees	**71,087**	52,111
Sales of cemetery assets	**14,383**	16,038
Sales of goods and merchandises	**–**	2,211
Interest income from financial assets at fair value through profit or loss	**42,877**	44,754
	199,816	174,284

Comparative figures have been reclassified to conform with current year's presentation: a reclassification of net realized gain and net fair value loss of financial assets at fair value through profit or loss of HK$5,758,000 and HK$11,215,000 respectively from "Revenues and net (loss)/gain" to "Other income and net (loss)/gain" (Note 5A) to reflect the current assessment on the performance of the respective investments from the management of the Group.

4. 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 (Note 3)	Others and corporate HK$'000	2019 Total HK$'000
Revenues	142,556	14,383	–	42,877	–	199,816
Other income and net gain/ (loss)	595	155	120	(12,904)	10,428	(1,606)
Operating profit/(loss)	397,548	(3,275)	(246)	29,099	(116,362)	306,764
Finance costs	(54,274)	–	–	(5)	–	(54,279)
Share of results of associated companies	–	–	–	–	(1,999)	(1,999)
Share of result of a joint venture	24,019	–	–	–	–	24,019
Profit/(loss) before taxation	367,293	(3,275)	(246)	29,094	(118,361)	274,505
Taxation (charge)/credit	(107,986)	1,102	–	(109)	–	(106,993)
Profit/(loss) for the year	259,307	(2,173)	(246)	28,985	(118,361)	167,512
Segment assets	4,823,700	1,117,226	52,476	679,987	695,820	7,369,209
Associated companies	–	–	–	–	15,723	15,723
Joint venture	366,587	–	–	–	–	366,587
Total assets	5,190,287	1,117,226	52,476	679,987	711,543	7,751,519
Total liabilities	3,072,899	276,235	50	17,134	18,238	3,384,556
Other segment items are as follows:						
Capital expenditure	273,911	16,689	–	–	–	290,600
Depreciation	4,450	801	105	–	10,153	15,509
Amortization of land use rights	–	59	–	–	–	59
Reversal of provision for impairment of properties for sale	(997)	–	–	–	–	(997)
Reversal of provision for impairment of trade debtors	–	(1,885)	–	–	–	(1,885)
Fair value gain on transfer of properties from properties for sale to investment properties	(6,349)	–	–	–	–	(6,349)
Change in fair value of investment properties	(363,780)	–	–	–	–	(363,780)

	Property development, investment and trading HK$'000	Cemetery HK$'000	Sales of goods and merchandises HK$'000	Securities investment and trading HK$'000 (Note 3)	Others and corporate HK$'000	2018 Total HK$'000
Revenues	111,281	16,038	2,211	44,754	–	174,284
Other income and net gain/(loss)	18,442	(1,819)	120	(6,183)	16,956	27,516
Operating profit/(loss)	453,596	(4,765)	(128)	38,072	(97,138)	389,637
Finance costs	(29,175)	(2,246)	–	–	–	(31,421)
Share of results of associated companies	–	–	–	–	(2,199)	(2,199)
Share of result of a joint venture	10,335	–	–	–	–	10,335
Profit/(loss) before taxation	434,756	(7,011)	(128)	38,072	(99,337)	366,352
Taxation (charge)/credit	(89,615)	1,701	–	–	–	(87,914)
Profit/(loss) for the year	345,141	(5,310)	(128)	38,072	(99,337)	278,438
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	355,798	–	–	–	–	355,798
Total assets	4,486,759	1,184,871	52,584	687,526	690,394	7,102,134
Total liabilities	2,233,591	323,846	100	85	21,090	2,578,712
Other segment items are as follows:						
Capital expenditure	524,986	288	–	–	635	525,909
Depreciation	618	813	113	–	10,224	11,768
Amortization of land use rights	16	60	–	–	–	76
Gain on settlement of deferred consideration *(Note 5A(b))*	(17,197)	–	–	–	–	(17,197)
Fair value gain on transfer of properties from properties for sale to investment properties	(232,664)	–	–	–	–	(232,664)
Change in fair value of investment properties	(170,830)	–	–	–	–	(170,830)

(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**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**42,877**	46,154	**223,926**	69,233
The People's Republic of China (the "PRC")	**95,767**	85,356	**65,346**	105,470
United Kingdom	**42,710**	39,031	**–**	–
Malaysia	**18,462**	2,932	**1,328**	351,206
Other countries	**–**	811	**–**	–
	199,816	174,284	**290,600**	525,909

	Non-current assets *(Note)*		**Total assets**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**46,820**	49,932	**2,428,642**	1,892,361
The PRC	**2,155,425**	2,127,292	**3,868,095**	3,714,095
United Kingdom	**1,063,920**	1,082,655	**1,075,077**	1,097,221
Malaysia	**342,060**	355,738	**345,173**	362,190
Other countries	**–**	–	**34,532**	36,267
	3,608,225	3,615,617	**7,751,519**	7,102,134

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

5A. OTHER INCOME AND NET (LOSS)/GAIN

	2019	2018
	HK$'000	*HK$'000*
Interest income from bank deposits	**6,449**	8,939
Dividend income from financial assets at fair value through other comprehensive income	**4,924**	–
Dividend income from available-for-sale financial assets	**–**	5,058
Gain on disposal of available-for-sale financial assets	**–**	166
Net realized (loss)/gain of financial assets at fair value through profit or loss *(Note 3)*	**(2,980)**	5,758
Net fair value loss of financial assets at fair value through profit or loss *(Note 3)*	**(10,488)**	(11,215)
Negative goodwill on acquisition of subsidiaries, net of transaction costs *(Note a)*	**–**	875
Gain on settlement of deferred consideration *(Note b)*	**–**	17,197
Net gain on disposal of property, plant and equipment	**3**	–
Net exchange (loss)/gain	**(477)**	530
Sundries	**963**	208
	(1,606)	27,516

Notes:

(a) On 7 December 2017, the Company entered into a sale and purchase agreement with CCIL to acquire the entire equity interests in the companies that hold an investment property in Malaysia at a net consideration of approximately MYR92 million (equivalent to approximately HK$185 million) (the "Malaysia Acquisition"). The Malaysia Acquisition was announced by the Company on 7 December 2017 and published in the circular on 11 January 2018 respectively. The transaction was completed on 5 February 2018. A negative goodwill of HK$0.9 million (after netting of transaction costs of HK$3 million) was recognized upon completion of the transaction.

(b) On 21 January 2017, the Company entered into a sale and purchase agreement with Midas International Holdings Limited (now changed its name to Magnus Concordia Group Limited) ("Midas"), a listed subsidiary of CCIL at that time, to acquire its equity interests in the companies that hold and operate a cemetery located in Sihui, the PRC, at a consideration of RMB398 million (equivalent to approximately HK$449 million) (the "Cemetery Acquisition"). The Cemetery Acquisition was announced by the Company on 22 January 2017 and published in the circular on 8 March 2017 respectively.

In accordance with the terms and conditions of the sale and purchase agreement of the Cemetery Acquisition, on 8 March 2018, the Group had settled the deferred consideration of RMB100 million (equivalent to approximately HK$124 million) through the disposal of its wholly-owned subsidiaries (which held 18 residential units of properties for sale at Changsha, the PRC of RMB46.1 million (equivalent to approximately HK$57.2 million), cash and bank balances of RMB54.0 million (equivalent to approximately HK$66.9 million) and current liabilities of RMB0.1 million (equivalent to approximately HK$0.1 million)) to Midas (the "Changsha Disposal"). The Changsha Disposal was announced by the Company on 8 March 2018. The Group shall indemnify Midas with the maximum amount of RMB6.8 million (equivalent to approximately HK$7.9 million) for certain PRC tax liabilities arising from the subsequent sales of these properties by Midas for a period of three years from the date of completion of the Changsha Disposal on 8 March 2018. A gain on settlement of deferred consideration, together with the tax indemnity and the related PRC withholding corporate income tax arising from the Changsha Disposal were recorded in this note and "Taxation" (note 9) respectively.

5B. FAIR VALUE GAIN ON TRANSFER OF PROPERTIES FROM PROPERTIES FOR SALE TO INVESTMENT PROPERTIES

During the year ended 31 March 2019, upon the change of intended use and as a result of the early adoption of HKAS 40 (Amendment) in 2018, the Group has transferred certain properties in the PRC from properties for sale to investment properties at aggregate fair value of RMB22.7 million (equivalent to approximately HK$26.5 million) (2018: RMB489.7 million, equivalent to approximately HK$595.8 million). Fair value gain on transfer of these properties of HK$6.3 million (2018: HK$232.7 million) and the related deferred taxation of HK$1.6 million (2018: HK$58.2 million) (note 9) were recorded respectively.

6. OPERATING PROFIT

	2019	2018
	HK$'000	*HK$'000*
Operating profit is stated after crediting:		
Reversal of provision for impairment of properties for sale	**997**	–
Reversal of provision for impairment of trade debtors	**1,885**	–
and after charging:		
Amortization of land use rights	**59**	76
Cost of properties sold	**43,686**	35,654
Cost of cemetery assets sold	**6,169**	7,373
Cost of inventories sold	**–**	1,688
Depreciation	**15,509**	11,768
Staff costs, including Directors' emoluments		
Wages and salaries	**51,669**	49,739
Retirement benefit costs	**3,154**	2,972

7. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest expenses of		
Bank borrowings	**68,430**	42,331
Deferred consideration of the Cemetery Acquisition	**–**	2,247
	68,430	44,578
Amounts capitalized into		
Investment properties	**(2,604)**	(1,631)
Properties under development	**(11,547)**	(11,526)
	(14,151)	(13,157)
	54,279	31,421

The capitalization rates applied to funds borrowed for the development of properties range from 3.63% to 8.08% (2018: 2.67% to 8.08%) per annum.

8. SHARE OF RESULT OF A JOINT VENTURE

Share of result of a joint venture of HK$24,019,000 (2018: HK$10,335,000) in the consolidated income statement included the share of fair value gain of the investment properties (net of the related deferred taxation) of joint venture of HK$7,953,000 (2018: HK$5,873,000). Rental income received by the joint venture from the non-wholly-owned subsidiary of the joint venture partner for the year ended 31 March 2019 amounted to approximately HK$12,213,000 (2018: HK$10,870,000) and was included in the "Share of result of a joint venture" in the consolidated income statement.

9. TAXATION

	2019	2018
	HK$'000	*HK$'000*
Current taxation		
PRC corporate income tax	**5,546**	3,480
PRC withholding corporate income tax *(Note 5A(b))*	**–**	1,883
PRC land appreciation tax	**19,974**	10,263
Others *(Note 5A(b))*	**–**	8,426
Overseas profit tax	**503**	112
Deferred taxation	**80,970**	63,750
	106,993	87,914

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits for the year (2018: Nil). PRC corporate income tax and overseas profits tax have been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the PRC and the countries in which the Group operates respectively. PRC withholding corporate income tax includes the relevant tax on the disposal of subsidiaries arising from the Changsha Disposal as mentioned in note 5A(b). 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 year ended 31 March 2019 (2018: Nil). Share of deferred taxation charge of the joint venture for the year ended 31 March 2019 of HK$2,651,000 (2018: HK$1,958,000) is included in the consolidated income statement as "Share of result of a joint venture".

10. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Interim dividend of 1.5 HK cents (2018: 1.5 HK cents) per share	**35,233**	35,233
Proposed final dividend of 2.0 HK cents (2018: 2.0 HK cents) per share	**46,977**	46,977
	82,210	82,210

On 25 June 2019, the Board proposed a final dividend of 2.0 HK cents (2018: 2.0 HK cents) per share amounting to HK$46,977,000 (2018: HK$46,977,000). The amount is calculated based on 2,348,835,316 issued shares as at 25 June 2019. The proposed dividend is not reflected as a dividend payable in the consolidated financial statements, but will be reflected and accounted for as an appropriation of reserves in the year ending 31 March 2020 upon the approval by the shareholders.

11. EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit attributable to equity holders of HK$167,842,000 (2018: HK$279,882,000) and the weighted average number of 2,348,835,316 (2018: 2,353,113,042) shares in issue during the year.

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

12. 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 trade debtors of the Group is as follows:

	2019	2018
	HK$'000	*HK$'000*
Below 30 days	**2,863**	3,322
31 to 60 days	**121**	168
61 to 90 days	**143**	73
Over 90 days	**9,014**	9,182
	12,141	12,745

Debtors and prepayments include net deposits of HK$10,181,000 (2018: HK$214,844,000) for acquisition of property projects, properties and land use rights after the accumulated provision for impairment of HK$11,272,000 (2018: HK$11,272,000) as at 31 March 2019.

13. CREDITORS AND ACCRUALS

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

	2019	2018
	HK$'000	*HK$'000*
Below 30 days	**854**	506
31 to 60 days	**48**	64
Over 60 days	**52**	488
	954	1,058

Creditors and accruals include the construction cost payables and accruals of HK$110,455,000 (2018: HK$89,143,000) for the property and cemetery projects of the Group.

14. FINANCIAL GUARANTEES

As at 31 March 2019, the subsidiaries had provided guarantees of HK$71,626,000 (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.

15. COMMITMENTS

As at 31 March 2019, the Group had commitments contracted but not provided for in respect of property projects and properties of HK$480,019,000 (2018: HK$668,771,000).

16. PLEDGE OF ASSETS

As at 31 March 2019, 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$2,239,845,000 (2018: HK$2,734,224,000), to secure banking facilities granted to the subsidiaries.

17. 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, management fee and license fee for the year ended 31 March 2019 amounted to approximately HK$4,065,000 (2018: N/A).

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS REVIEW

Up to the date hereof, the Group achieved contracted sales of property development in Hong Kong not yet recognized as revenues amounted to about HK$1,571.1 million. Additionally, the Group's revenues for the year ended 31 March 2019 increased by 14.6% to HK$199.8 million (2018: HK$174.3 million) as attributable by the following factors:

- rental and management fee income increased by about 36.5% to HK$71.1 million (2018: HK$52.1 million), mainly due to increase in rental income recorded for the investment properties in Malaysia and in the United Kingdom (the "UK"), based on the Group's strategy to strengthen its property investment portfolio;

- sales of development properties increased by 20.6% to approximately HK$71.4 million (2018: HK$59.2 million) due to increase in sales of carparks in Guangzhou, the People's Republic of China (the "PRC");

- revenues from securities investment and trading slightly decreased to about HK$42.9 million (2018: HK$44.8 million), as a result of decrease in the portfolio of bonds investment held by the Group comparing to the last corresponding year; and

- sales of cemetery assets in the PRC decreased by 10.0% to about HK$14.4 million (2018: HK$16.0 million) mainly due to the decrease in number of grave plots sold during the year.

Profit attributable to equity holders of the Company for the year ended 31 March 2019 amounted to HK$167.8 million (2018: HK$279.9 million). Earnings per share was 7.15 HK cents (2018: 11.89 HK cents).

During the year under review, gross profit increased by 10.4% to HK$139.3 million (2018: HK$126.2 million) as a result of increase in revenues. The overall gross profit margin decreased slightly from 72% to 70% which was mainly due to the decrease in proportion of revenues generated from securities investment and trading business which has a higher profit margin. The gross profit margin for each revenue segment is as follows:

	3/2019	3/2018
Rental and management fee income	**84%**	93%
Sales of development properties in the PRC	**40%**	40%
Revenues from securities investment and trading	**100%**	100%
Cemetery assets income	**57%**	54%

Other income and net loss was about HK$1.6 million for the current year (2018: net gain of HK$27.5 million) which mainly comprised interest income, dividend income and the fair value loss of bonds investments. The decrease during the year was principally due to realized fair value loss from disposal of bond investments, and the absence of last year's one-off gain on settlement of deferred consideration through disposal of the wholly-owned subsidiaries as announced on 8 March 2018. A breakdown of other income and net loss is shown in note 5A to the consolidated financial statements of this report.

Fair value gain on transfer of properties from properties for sale to investment properties for the current year amounted to HK$6.3 million (2018: HK$232.7 million) which represented the fair value gain on reclassification of certain residential and commercial properties in Dongguan and Guangzhou respectively (2018: 22 villas in Guangzhou and the residential twin-tower in Anshan).

The Group recorded gain on change in fair value of investment properties of HK$363.8 million (2018: HK$170.8 million), mainly reflecting the development progress towards completion of the investment properties in Anshan and the improvement in property prices of the Group's investment properties in the PRC and in the UK during the year. Share of result of a joint venture of HK$24.0 million (2018: HK$10.3 million) was mainly due to the increase in profit and the change in fair value of its investment properties in Xiamen.

On the costs side, selling and marketing expenses increased to HK$37.5 million (2018: HK$8.6 million) principally due to the marketing of the pre-sale of The Esplanade in Tuen Mun, Hong Kong. Administrative and other operating expenses increased slightly by 2.9% to HK$163.6 million (2018: HK$159.0 million) as a result of the general increase in overhead and increase in activities of the Group.

Finance costs increased to HK$54.3 million (2018: HK$31.4 million) during the year due to the increase in bank borrowings and the increase in interest rates. Taxation increased to HK$107.0 million (2018: HK$87.9 million) mainly due to the increase in sales of properties recognized by the Group during the year and the deferred taxation provision arising from the increase of taxation rate in Malaysia as well as change in fair value of the Group's investment properties.

DIVIDENDS

After taking into account the working capital requirements for the Group's projects and business development, the Board resolved to recommend for the shareholders' approval at the forthcoming annual general meeting of the Company (the "AGM") the payment of a final dividend of 2.0 HK cents (2018: 2.0 HK cents) per share for the year ended 31 March 2019. The final dividend, if approved, will be paid on or before 31 October 2019 to the shareholders whose names appear on the Company's register of members on 11 October 2019.

An interim dividend of 1.5 HK cents (2018: 1.5 HK cents) per share has been paid in respect of the current financial year. Total dividends for the year will amount to 3.5 HK cents (2018: 3.5 HK cents) per share. Total dividend payments for the year will be HK$82.2 million (2018: HK$82.2 million).

BUSINESS REVIEW

During the year under review, both global political and economic conditions were complex and uncertain. Against this macro backdrop, the Group will continue to identify opportunities for disposal of the investments in the UK and in Guangzhou. With the rebound of the property market in Hong Kong in the first quarter of 2019, the Group's pre-sales of the property development in Hong Kong met with positive responses. Both the property investment business and the securities and bond investment segment of the Group continued to provide steady and recurring income, despite much volatility in the securities and bond market. The following is the summary of the Group's major business updates.

A. Investment Properties

The Group holds the following portfolio of investment properties 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.*. Application for occupation permit has been submitted recently and is expected to be obtained in coming months.

   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 years. The tenancy is expected to commence in the second half of 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.

   As at 31 March 2019, this project was recorded in the Group's financial statements based on valuation of about HK$690.3 million. On a full completion basis, market value of this project amounted to approximately RMB722 million (equivalent to approximately HK$843 million), comprising RMB287 million for the commercial podium and RMB435 million for the twin tower. Based on an estimated rental income of about RMB25 million per annum, Chuang's Mid-town will generate a rental yield of 3.5% based on market value.

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

   The Group developed 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 31 March 2019, the properties were recorded based on valuation of RMB447.8 million (comprising RMB185.7 million for the hotel and RMB262.1 million for the 30 villas). The valuation attributable to the Group was about RMB266.4 million (equivalent to approximately HK$311.0 million), whereas the total investment costs of the Group are about HK$194 million.

The hotel building and 30 villas are fully leased. The hotel building together with 3 villas are leased to 廈門佲家鷺江酒店 and is operated as "鷺江•佲家酒店" (Mega Lujiang Hotel). The remaining 27 villas are leased to independent third parties, of which 21 villas is operated as "亞朵S酒店" (Atour S Hotel). On the basis of the aggregate rental income of about RMB25.9 million per annum, the rental yield is approximately 5.8% 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 holds 22 villas (GFA of approximately 6,987 *sq. m.*) for rental purpose. As at 31 March 2019, the 22 villas were recorded at valuation of RMB246.4 million (equivalent to approximately HK$287.6 million). Marketing is in progress for leasing of the 22 villas.

   In addition, the Group also holds a commercial property (with GFA of approximately 809 *sq. m.*) in Guangzhou. It was leased to an independent third party during the year, and generates steady rental income at rental yield of about 3.7% based on the valuation of RMB8.9 million (equivalent to approximately HK$10.4 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. As at 31 March 2019, valuation of the property was RMB36.4 million (equivalent to approximately HK$42.5 million). Marketing for leasing the property for recurring rental income is in progress.

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 31 March 2019, the property was recorded at valuation of GBP104.0 million (equivalent to approximately HK$1,063.9 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$41.8 million), representing a rental yield of approximately 4% based on valuation. Although investors adopted the "wait-and-see" attitude under the overhang of the Brexit, the Group is confident that potential investors will be attracted by the prime location of 10 Fenchurch Street, and the Group will adopt appropriate strategy to dispose of this investment.

6. *Wisma Chuang (previously known as Central Plaza), Jalan Sultan Ismail, Kuala Lumpur, Malaysia (100% owned)*

   Wisma Chuang 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 31 March 2019, the valuation of this property was MYR177.5 million (equivalent to approximately HK$341.3 million), which represents an average value of approximately MYR910 (equivalent to approximately HK$1,750) per *sq. ft.* of net lettable retail and office area.

   Wisma Chuang is leased to multi tenants with an occupancy rate of approximately 70%, and annual rental income is approximately MYR6.8 million (equivalent to approximately HK$13.0 million), representing a rental yield of approximately 3.8% 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 identify suitable opportunities to expand on investment properties portfolio to enhance the Group's recurring and steady income.

B. Property Development

1. *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 117,089 *sq. ft.* for residential purpose and 25,813 *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. Exterior works and interior works are in progress. It is expected that occupation permit will be obtained in the fourth quarter of 2019, and the handover to end-buyers on or before July 2020.

   The Esplanade comprises a two-storey commercial podium, a clubhouse and a 20-storey residential building, totalling 371 residential flats, which provides 233 studio, 97 one-bedroom, 39 two-bedrooms and 2 three-bedrooms. The estimated total sales proceeds of the residential properties will amount to about HK$1,714.6 million.

   Pre-sales of the residential properties were progressing satisfactorily. Up-to-date, a total of 352 units have been pre-sold at aggregate amount of about HK$1,571.1 million. These contracted sales will be recognized as revenues in the Group's financial statement when the properties are handed-over to end-buyers. Up to the date hereof, aggregate deposits amounted to HK$461.4 million have been received, and additional deposits of HK$990.8 million are expected to be received before the end of September 2019, whereas the remaining balance of HK$118.9 million will be received between October 2019 and completion of the sales. The Group intends to hold the commercial properties with total GFA of 25,813 *sq. ft.* for investment purpose.

2. *A property development site, Hong Kong (100% owned)*

Subsequent to the year-end date, the Group acquired a property site at a consideration of about HK$455.0 million. The property has a site area of about 4,320 *sq. ft.* and has a developable GFA of about 39,767 *sq. ft.*. It is expected that completion of the acquisition will be in July 2019.

3. *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 year under review, four residential duplex and 269 carparks were sold. Currently, there remains 2 duplex of about RMB10 million (equivalent to approximately HK$11 million) and 572 carparks of about RMB72 million (equivalent to approximately HK$84 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, while other options (including disposal) will be explored to accelerate capital return on investment in this project.

4. *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 RMB6.8 million per annum. As at 31 March 2019, the property was recorded at valuation of RMB223.4 million (equivalent to approximately HK$260.8 million). On the basis of the annual rental income, the rental yield is approximately 3.0% based on valuation.

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. The Group will also consider disposal of the property when suitable opportunities arise.

5. *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.

6. *Changsha, Hunan (69% owned)*

The Group owns an effective 69% interests in a property development project in Changsha and the total investment costs was about HK$25.2 million (including shareholder's loan of about HK$3.6 million) as at 31 March 2019. The business license of the PRC project subsidiary has expired since 2012, and thus normal operation has halted. The Group has made keen efforts to reactivate the business license but was opposed by the minority shareholders. During the year under review, the Group has obtained ruling by the court of first instance for the grant of the winding up of the PRC project company. However, an appeal for such ruling was made by the minority shareholder and is now awaiting for the hearing dates to be affixed by the appeal court. 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. The Complaint was heard in Hunan Province Higher People's Court in January 2019 and was adjourned awaiting for further court hearing dates to be fixed. Based on the legal advices, the Complaint was not supported by sufficient facts and/or legal basis, and 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.

7. *Chengdu, Sichuan (51% owned)*

The Group holds a 51% development interest in a project in Wuhou District, Chengdu. As at 31 March 2019, the Group's total investment costs in this project was about RMB146.8 million (equivalent to approximately HK$171.4 million). The Group has launched legal proceedings since May 2016, seeking for court ruling to unwind this joint venture project. The court has conducted several hearings on the case, while judgement has yet to be handed down. As announced on 1 June 2018, the claims under the legal proceedings launched by the Group was increased to approximately RMB559 million (equivalent to approximately HK$653 million). Further announcement(s) about the legal proceeding will be made by the Company as and when appropriate.

8. *Fortune Wealth, Sihui, Guangdong (86% 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 31 March 2019, the book cost of this project (including non-controlling interests) was about RMB926.6 million (equivalent to approximately HK$1,081.7 million), whereas the market valuation was about RMB941.3 million (equivalent to approximately HK$1,098.9 million) as at 31 March 2019.

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 31 March 2019, about 3,643 grave plots and 537 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 about 19.2% interests in CNT and about 0.6% interests in CPM, both of them 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 31 March 2019 of HK$0.32 (31 March 2018: HK$0.43) and HK$0.5 (31 March 2018: HK$0.52), the aggregate book value of the Group's investments in CNT and CPM decreased to about HK$119.9 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 12 February 2019, the Court has directed for the substantive trial of the derivative action against certain directors of CNT to be re-fixed to 9 November 2020 to 11 December 2020. 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 31 March 2019 with an annualized average yield of about 7%:

Stock code	**Bond issuer**	**Face value of bonds held as at 31 March 2019** *US$'000*	**Market value as at 31 March 2019** *HK$'000*	**Percentage of market value to the Group's total assets as at 31 March 2019**	**Interest income for the year ended 31 March 2019** *HK$'000*	**Fair value (loss)/gain for the year ended 31 March 2019** *HK$'000*
1638	Kaisa Group Holdings Limited (8.5%, due 2022)	4,400	32,775	0.4%	2,932	(583)
1813	KWG Group Holdings Limited (6%, due 2022)	5,000	39,579	0.5%	2,353	567
2007	Country Garden Holdings Company Limited (5.625%, due 2026)	14,000	111,096	1.4%	6,170	(1,987)
2777	Easy Tactic Limited, a wholly-owned subsidiary of Guangzhou R&F Properties Co., Ltd (5.75%, due 2022)	1,000	7,769	0.1%	225	597
3333	China Evergrande Group			2.7%		
	(a) 7.5%, due 2023	10,743	81,303		6,316	(3,117)
	(b) 8.25%, due 2022	11,600	89,651		7,493	(4,241)
	(c) 8.75%, due 2025	4,714	35,845		3,233	(2,074)
3380	Logan Property Holdings Company Limited			0.7%		
	(a) 6.875%, due 2021	4,000	32,771		1,077	1,503
	(b) 8.75%, due 2020	2,000	16,827		–	(127)
3383	Agile Group Holdings Limited (5.125%, due 2022)	10,000	77,394	1.0%	4,021	(881)
600606	Greenland Global Investment Limited, a wholly-owned subsidiary of Greenland Holdings Corporation Limited (5.25%, due 2021)	4,300	33,635	0.4%	1,771	22
N/A	Guangxi Financial Investment Group Co., Limited (5.75%, due 2021)	8,000	61,417	0.8%	3,578	(1,005)
	Bonds redeemed/disposed of during the year	–	–	–	3,708	–
		79,757	**620,062**	**8.0%**	**42,877**	**(11,326)**

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

Name of company	Principal business
Kaisa Group Holdings Limited	Property development, property investment, property management, 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
Guangzhou R&F Properties Co., Ltd	Development and sale of properties, property investment, hotel operations and other property development related services
China Evergrande Group	Property development, property investment, property management, hotel operations, finance business, internet business and health industry business
Logan Property Holdings Company Limited	Property development, property investment, construction and decoration and primary land development
Agile Group Holdings Limited	Property development, property investment, hotel operation, property management and environmental protection
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 31 March 2019 when compared to that of 31 March 2018 as nearly all the bonds held by the Group were traded below par as at 31 March 2019. 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 new bonds issued for refinancing in the PRC property sector and the weaker sentiments as a result of the trade war had 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 year. The Group will closely monitor the performance of the bond portfolio in light of the monetary environment.

FINANCIAL REVIEW

Net asset value

As at 31 March 2019, the net asset value attributable to equity holders of the Company amounted to HK$4,252.9 million. Net asset value per share amounted to HK$1.81, which is calculated based on the historical cost of the Group's land bank. During the year under review, the net asset value was adversely affected by (i) the depreciation in Renminbi and other currencies resulting in a reduction of about HK$194.5 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$40.2 million.

Financial resources

As at 31 March 2019, the Group's cash, bank balances and investments held for trading amounted to HK$1,599.2 million (2018: HK$1,210.1 million). As at the same date, bank borrowings of the Group amounted to HK$2,081.3 million (2018: HK$1,632.5 million). Accordingly, the Group's net debt was about HK$482.1 million (2018: HK$422.4 million) and the net debt to equity ratio was 11.3% (2018: 9.6%), 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.

Approximately 85.9% of the Group's cash, bank balances and investments held for trading were in Hong Kong dollar and United States dollar, 11.7% were in Renminbi and the balance of 2.4% were in other currencies. Approximately 69.0% of the Group's bank borrowings were in Hong Kong dollar, 24.3% were in British Pound Sterling, and the remaining of 6.7% were in Malaysia Ringgit.

Based on the agreed scheduled repayment dates in the loan agreements and ignoring the effect of any repayment on demand clause, approximately 38.8% of the Group's bank borrowings were repayable within the first year, 6.2% were repayable within the second year and the balance of 55.0% were repayable within the third to fifth years.

Foreign exchange risk

As disclosed in the "Business Review" section of this report, besides Hong Kong, the Group also conducts its businesses in the PRC, Malaysia and the UK, 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

Apart from seeking new opportunities to replenish land bank for property development, the Group will also identify suitable investments to expand our investment property portfolio, in order to enhance steady and recurring rental income. As for geographical coverage, the Group will identify opportunities not only in Hong Kong but also on cities in the PRC with focus on the Guangdong-Hong Kong-Macao Greater Bay Area and will actively diversify to overseas countries especially along the Belt and Road Initiatives. The Group will diversify to other businesses with steady income, expand the Group's sources of revenue, enhance the Group's profitability, and maximize return for its shareholders.

CLOSING OF REGISTER

The AGM is scheduled on Friday, 27 September 2019. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 24 September 2019 to Friday, 27 September 2019, both dates inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Progressive Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 23 September 2019.

The proposed final dividend is subject to the approval of the shareholders of the Company at the AGM. The record date for entitlement to the proposed final dividend is Friday, 11 October 2019. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, 8 October 2019 to Friday, 11 October 2019, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Progressive Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 4 October 2019.

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 31 March 2019, the Group employed 170 staff. The Group provides its staff with other benefits including discretionary bonus, contributory provident fund, share options and medical insurance. Staff training is also provided as and when required.

DEALING IN THE COMPANY'S SECURITIES

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

CORPORATE GOVERNANCE

Due to other commitments, one Non-Executive Director and one Independent Non-Executive Director had not attended the 2018 annual general meeting of the Company as required by Code A.6.7 of the code provisions set out in the Appendix 14 – 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 year ended 31 March 2019 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 and reviewed the consolidated results of the Group for the year ended 31 March 2019. The current members of the audit committee are Mr. Abraham Shek Lai Him, Mr. David Chu Yu Lin, Mr. Andrew Fan Chun Wah and Dr. Eddy Li Sau Hung, 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.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in this preliminary announcement of the Group's results for the year ended 31 March 2019 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The annual report of the Company for the year ended 31 March 2019 containing all applicable information required by Paragraph 45 of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

By order of the Board of
Chuang's China Investments Limited
Albert Chuang Ka Pun
Chairman

Hong Kong, 25 June 2019

As at the date of this announcement, Mr. Albert Chuang Ka Pun, Miss Ann Li Mee Sum, Mr. Chong Ka Fung, Mr. Sunny Pang Chun Kit, Mr. Geoffrey Chuang Ka Kam and Mr. Neville Charles Kotewall are the Executive Directors of the Company, Mr. Dominic Lai is the Non-Executive Director of the Company, and Mr. Abraham Shek Lai Him, Mr. David Chu Yu Lin, Mr. Andrew Fan Chun Wah, Dr. Eddy Li Sau Hung and Dr. Ng Kit Chong are the Independent Non-Executive Directors of the Company.