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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 31ST MARCH, 2016

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 31st March, 2016 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2016

	Note	2016 HK\$'000	2015 HK\$'000
Revenues	3	470,018	1,008,613
Cost of sales		(278,659)	(614,779)
Gross profit		191,359	393,834
Other income and net gain	5	77,956	39,911
Selling and marketing expenses		(28,990)	(46,896)
Administrative and other operating expenses		(141,972)	(129,035)
Change in fair value of investment properties		72,062	7,699
Operating profit	6	170,415	265,513
Finance costs	7	(15,712)	(1,727)
Share of results of associated companies		(1,818)	(774)
Share of result of a joint venture	8	64,320	–
Profit before taxation		217,205	263,012
Taxation	9	(129,126)	(171,867)
Profit for the year		88,079	91,145
Attributable to:			
Equity holders		85,006	94,491
Non-controlling interests		3,073	(3,346)
		88,079	91,145
		HK cents	HK cents (Restated)
Earnings per share (basic and diluted)	11	4.91	5.50

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March, 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit for the year	<u>88,079</u>	<u>91,145</u>
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss:		
Net exchange differences	(65,724)	(7,984)
Change in fair value of available-for-sale financial assets	<u>(60,190)</u>	<u>34,055</u>
Other comprehensive (loss)/income for the year	<u>(125,914)</u>	<u>26,071</u>
Total comprehensive (loss)/income for the year	<u><u>(37,835)</u></u>	<u><u>117,216</u></u>
Total comprehensive (loss)/income attributable to:		
Equity holders	(36,796)	120,481
Non-controlling interests	<u>(1,039)</u>	<u>(3,265)</u>
	<u><u>(37,835)</u></u>	<u><u>117,216</u></u>

CONSOLIDATED BALANCE SHEET

As at 31st March, 2016

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		69,981	83,024
Investment properties		539,103	251,656
Land use right		1,562	1,600
Properties for/under development		145,769	389,435
Associated companies		21,721	7,576
Joint venture		282,554	–
Available-for-sale financial assets		167,924	231,114
Loans and receivables		12,051	12,553
		<u>1,240,665</u>	<u>976,958</u>
Current assets			
Properties for sale		1,779,398	1,864,368
Inventories		47,586	47,900
Debtors and prepayments	13	276,478	301,887
Financial assets at fair value through profit or loss		226,253	23,778
Pledged bank balances		40,173	40,269
Cash and bank balances		565,494	871,107
		<u>2,935,382</u>	<u>3,149,309</u>
Current liabilities			
Creditors and accruals	14	144,413	268,025
Sales deposits received		363,709	56,419
Short-term bank borrowings		–	214,550
Current portion of long-term bank borrowings		406,671	389,589
Taxation payable		276,131	336,509
		<u>1,190,924</u>	<u>1,265,092</u>
Net current assets		<u>1,744,458</u>	<u>1,884,217</u>
Total assets less current liabilities		<u>2,985,123</u>	<u>2,861,175</u>
Equity			
Share capital		81,057	80,385
Reserves		2,428,425	2,524,315
Shareholders' funds		2,509,482	2,604,700
Non-controlling interests		(614)	55,242
Total equity		<u>2,508,868</u>	<u>2,659,942</u>
Non-current liabilities			
Long-term bank borrowings		302,002	18,885
Deferred taxation liabilities		161,729	172,073
Loans and payables with non-controlling interests		12,524	10,275
		<u>476,255</u>	<u>201,233</u>
		<u>2,985,123</u>	<u>2,861,175</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 31st March, 2016, the Company was a 56.0% owned subsidiary of Profit Stability Investments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Chuang's Consortium International Limited ("CCIL"), a limited liability company incorporated in Bermuda and listed on the Main Board of the Stock Exchange. The board of Directors (the "Board") regard CCIL as the ultimate holding company.

The principal activities of the Company and its subsidiaries (collectively as the "Group") are property development, investment and trading, hotel operation and management, manufacturing, sales and trading of goods and merchandises, including watch components and 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, available-for-sale financial assets and financial assets at fair value through profit or loss at fair values, and in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

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.

Effect of adopting amendments to standards

For the financial year ended 31st March, 2016, the Group adopted the following amendments to standards that are effective for the accounting periods beginning on or after 1st April, 2015 and relevant to the operations of the Group:

HKAS 19 (2011) (Amendment)	Employee Benefits: Defined Benefit Plans – Employee Contributions
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 Cycle

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

The following amendments to standards were early adopted by the Group from 1st April, 2015:

HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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The early adoption of HKFRS 10 and HKAS 28 (Amendments) did not have any impact to the Group in prior periods as the Group did not have any material associated companies or joint ventures. During the year ended 31st March, 2016, a subsidiary became a joint venture of the Group. The change itself involved accounting transfer of assets and did not constitute a business combination. No gain or loss was recognized by the Group as there was no change in substance and equity interest in the entity, and no consideration was involved.

New standards and amendments to standards that are not yet effective

The following new standards and amendments to standards have been published which are relevant to the Group's operations and are mandatory for the Group's accounting periods beginning on or after 1st April, 2016, but have not yet been early adopted by the Group:

HKAS 1 (Amendment)	Presentation of Financial Statements – Disclosure Initiative (effective from 1st January, 2016)
HKAS 7 (Amendment)	Cash Flow Statements – Disclosure Initiative (effective from 1st January, 2017)
HKAS 12 (Amendment)	Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses (effective from 1st January, 2017)
HKAS 16 and HKAS 38 (Amendments)	Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization (effective from 1st January, 2016)
HKAS 27 (Amendment)	Separate Financial Statements: Equity Method in Separate Financial Statements (effective from 1st January, 2016)
HKFRS 9	Financial Instruments (effective from 1st January, 2018)
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception (effective from 1st January, 2016)
HKFRS 11 (Amendment)	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (effective from 1st January, 2016)
HKFRS 14	Regulatory Deferral Accounts (effective from 1st January, 2016)
HKFRS 15	Revenue from Contracts with Customers (effective from 1st January, 2018)
HKFRS 16	Leases (effective from 1st January, 2019)
HKFRSs (Amendment)	Annual Improvements to HKFRSs 2012–2014 Cycle (effective from 1st January, 2016)

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

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year ended 31st March, 2016 and as a result, there are changes to the presentation and disclosures of certain information in the consolidated financial statements.

3. REVENUES

Revenues recognized during the year are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Sales of properties	440,543	993,778
Rental income and management fees	19,120	11,698
Sales of goods and merchandises	932	2,911
Fair value gain of financial assets at fair value through profit or loss	7,426	150
Interest income from financial assets at fair value through profit or loss	1,997	76
	470,018	1,008,613

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, sales of goods and merchandises, securities investment and trading and others (including hotel operation and management). The CODM assesses the performance of the operating segments based on the measure of segment result.

The segment information by business lines is as follows:

	Property development, investment and trading <i>HK\$'000</i>	Sales of goods and merchandises <i>HK\$'000</i>	Securities investment and trading <i>HK\$'000</i>	Others and corporate <i>HK\$'000</i>	2016 Total <i>HK\$'000</i>
Revenues	459,663	932	9,423	–	470,018
Other income and net gain/(loss)	69,675	(15)	(691)	8,987	77,956
Operating profit/(loss)	237,320	(1,663)	8,732	(73,974)	170,415
Finance costs	(15,712)	–	–	–	(15,712)
Share of results of associated companies	–	–	–	(1,818)	(1,818)
Share of result of a joint venture	64,320	–	–	–	64,320
Profit/(loss) before taxation	285,928	(1,663)	8,732	(75,792)	217,205
Taxation	(129,126)	–	–	–	(129,126)
Profit/(loss) for the year	156,802	(1,663)	8,732	(75,792)	88,079
Segment assets	3,127,218	51,089	226,253	467,212	3,871,772
Associated companies	–	–	–	21,721	21,721
Joint venture	282,554	–	–	–	282,554
Total assets	3,409,772	51,089	226,253	488,933	4,176,047
Total liabilities	1,651,421	569	–	15,189	1,667,179
Other segment items are as follows:					
Capital expenditure	482,102	–	–	618	482,720
Depreciation	1,367	25	–	10,189	11,581
Amortization of land use rights					
– charged to the consolidated income statement	32	–	–	–	32
– capitalized into properties	4,000	–	–	–	4,000
Provision for impairment of properties for sale	2,263	–	–	–	2,263
Provision for impairment of inventories	–	521	–	–	521
Provision for impairment of trade debtors	–	235	–	–	235

	Property development, investment and trading <i>HK\$'000</i>	Sales of goods and merchandises <i>HK\$'000</i>	Securities investment and trading <i>HK\$'000</i>	Others and corporate <i>HK\$'000</i>	2015 Total <i>HK\$'000</i>
Revenues	1,005,476	2,911	226	–	1,008,613
Other income and net gain/(loss)	<u>17,181</u>	<u>512</u>	<u>(69)</u>	<u>22,287</u>	<u>39,911</u>
Operating profit/(loss)	321,956	(1,771)	157	(54,829)	265,513
Finance costs	(1,727)	–	–	–	(1,727)
Share of result of an associated company	<u>–</u>	<u>–</u>	<u>–</u>	<u>(774)</u>	<u>(774)</u>
Profit/(loss) before taxation	320,229	(1,771)	157	(55,603)	263,012
Taxation	<u>(171,867)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(171,867)</u>
Profit/(loss) for the year	<u>148,362</u>	<u>(1,771)</u>	<u>157</u>	<u>(55,603)</u>	<u>91,145</u>
Segment assets	3,101,749	50,321	24,053	942,568	4,118,691
Associated company	<u>–</u>	<u>–</u>	<u>–</u>	<u>7,576</u>	<u>7,576</u>
Total assets	<u>3,101,749</u>	<u>50,321</u>	<u>24,053</u>	<u>950,144</u>	<u>4,126,267</u>
Total liabilities	<u>1,452,675</u>	<u>945</u>	<u>–</u>	<u>12,705</u>	<u>1,466,325</u>
Other segment items are as follows:					
Capital expenditure	765,122	85	–	2,067	767,274
Depreciation	2,061	26	–	9,939	12,026
Amortization of land use rights					
– charged to the consolidated income statement	32	–	–	–	32
– capitalized into properties	<u>4,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,000</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	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Hong Kong	9,426	1,675	12,278	434,976
The People's Republic of China (the "PRC")	459,663	1,005,514	470,442	293,896
Other countries	929	1,424	–	38,402
	<u>470,018</u>	<u>1,008,613</u>	<u>482,720</u>	<u>767,274</u>
	Non-current assets (Note)		Total assets	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Hong Kong	73,510	68,959	1,160,548	912,511
The PRC	987,180	664,332	2,979,366	3,176,342
Other countries	–	–	36,133	37,414
	<u>1,060,690</u>	<u>733,291</u>	<u>4,176,047</u>	<u>4,126,267</u>

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

5. **OTHER INCOME AND NET GAIN**

	2016 HK\$'000	2015 HK\$'000
Interest income from bank deposits	9,535	20,765
Dividend income from available-for-sale financial assets	8,640	3,784
Write-back of provision for indemnity (Note)	58,546	–
Fair value gain on transfer of properties from properties for sale to investment properties	2,741	4,283
Gain on disposal of an investment property	–	11,252
Net gain on disposal of property, plant and equipment	484	419
Net exchange loss	(2,190)	(599)
Sundries	200	7
	<u>77,956</u>	<u>39,911</u>

Note: On 27th May, 2013, a wholly-owned subsidiary (the "Vendor") of the Group entered into an agreement with an independent third party (the "Purchaser") to dispose of its investment in a wholly-owned subsidiary at a consideration of HK\$1. The Vendor also executed an indemnity deed amounting to RMB48.8 million (equivalent to approximately HK\$58.5 million) in favour of the Purchaser for a period of two years from the date of completion of the disposal on 15th August, 2013. Details of transaction were set out in the announcement of the Company on 27th May, 2013. The write-back of provision for indemnity was related to this as the indemnity was expired during the year ended 31st March, 2016.

6. OPERATING PROFIT

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Operating profit is stated after charging:		
Amortization of land use right	32	32
Cost of properties sold	265,820	605,047
Cost of inventories sold	633	2,157
Depreciation	11,581	12,026
Provision for impairment of properties for sale	2,263	–
Provision for impairment of inventories	521	–
Provision for impairment of trade debtors	235	–
Staff costs, including Directors' emoluments		
Wages and salaries	56,582	52,300
Retirement benefit costs	3,124	2,961
	<u> </u>	<u> </u>

7. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest expenses		
Bank borrowings wholly repayable within five years	25,604	25,978
Amounts capitalized into properties under development	(9,892)	(24,251)
	<u> </u>	<u> </u>
	<u>15,712</u>	<u>1,727</u>

The above analysis shows the finance costs in accordance with the agreed scheduled repayment dates set out in the agreements. The capitalization rates applied to funds borrowed for the development of properties range from 2.00% to 8.08% (2015: 2.08% to 7.20%) per annum.

8. SHARE OF RESULT OF A JOINT VENTURE

Share of result of a joint venture of HK\$64,320,000 (2015: Nil) is the share of fair value gain (net of the related deferred taxation) on transfer of properties from properties under development to investment properties during the year ended 31st March, 2016.

9. TAXATION

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current taxation		
PRC corporate income tax	44,781	61,796
PRC land appreciation tax	80,437	118,153
Deferred taxation	3,908	(8,082)
	<u> </u>	<u> </u>
	<u>129,126</u>	<u>171,867</u>

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits for the year (2015: Nil). PRC corporate income tax has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the PRC. PRC land appreciation tax is levied at the progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development expenditures.

There is no taxation charge/credit of associated companies for the year ended 31st March, 2016 (2015: taxation charge of HK\$91,000 was included in the consolidated income statement as share of results of associated companies). Share of taxation charge of the joint venture for the year ended 31st March, 2016 of HK\$21,440,000 (2015: Nil) is included in the consolidated income statement as share of result of a joint venture.

10. DIVIDENDS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interim dividend of 1.0 HK cent (2015: 1.0 HK cent) per share	16,211	16,077
Proposed final dividend of 2.0 HK cents (2015: final scrip dividend with a cash option of 3.0 HK cents) per share	48,634	48,231
	<u>64,845</u>	<u>64,308</u>

On 27th June, 2016, the Board proposed a final dividend of 2.0 HK cents (2015: final scrip dividend with a cash option of 3.0 HK cents) per share amounting to HK\$48,634,000 (2015: HK\$48,231,000). The amount of HK\$48,634,000 is calculated based on 2,431,715,316 issued shares as at 27th June, 2016. This 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 31st March, 2017 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\$85,006,000 (2015: HK\$94,491,000) and the weighted average number of 1,732,100,698 (2015: 1,718,861,481, as restated) shares in issue during the year. The weighted average number of shares used in the calculation of earnings per share have been adjusted for the bonus element of the rights issue following the completion of the rights issue on 3rd May, 2016 (Note 18) and the prior year comparative had also been restated for such effect.

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

12. CAPITAL EXPENDITURE

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

For the year ended 31st March, 2016, the Group incurred acquisition and development costs on property, plant and equipment of HK\$1,213,000 (2015: HK\$2,349,000) and property projects, properties and investment properties (including the aforesaid one) of HK\$481,507,000 (2015: HK\$764,925,000) respectively.

13. DEBTORS AND PREPAYMENTS

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Below 30 days	7,193	20,614
31 to 60 days	21	2
61 to 90 days	–	11
Over 90 days	1,230	783
	<u>8,444</u>	<u>21,410</u>

Debtors and prepayments include net deposits of HK\$212,356,000 (2015: HK\$221,090,000) for property projects and acquisition of land use rights after the accumulated provision for impairment of HK\$11,272,000 (2015: HK\$11,272,000) as at 31st March, 2016.

14. CREDITORS AND ACCRUALS

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Below 30 days	–	232
31 to 60 days	–	2
Over 60 days	138	66
	<u>138</u>	<u>300</u>

Creditors and accruals include the construction cost payables and accruals of HK\$74,687,000 (2015: HK\$127,937,000) for the property projects of the Group.

15. FINANCIAL GUARANTEES

As at 31st March, 2016, the subsidiaries had provided guarantees of HK\$1,079,858,000 (2015: HK\$795,441,000) to banks for mortgage loans made by the banks to the purchasers of properties sold by the subsidiaries in the PRC.

16. COMMITMENTS

As at 31st March, 2016, the Group had commitments contracted but not provided for in respect of property projects and property, plant and equipment of HK\$262,343,000 (2015: HK\$263,069,000) and available-for-sale financial assets of HK\$47,964,000 (2015: HK\$49,964,000) respectively.

17. PLEDGE OF ASSETS

As at 31st March, 2016, the Group had pledged certain assets including investment properties, properties for sale and bank deposits, with an aggregate carrying value of HK\$849,154,000 (2015: HK\$561,212,000), to secure banking and financial guarantee facilities granted to the subsidiaries.

18. EVENT AFTER THE REPORTING PERIOD

On 17th March, 2016, the Company announced the proposal to raise approximately HK\$227.0 million, before expenses, by way of a rights issue of 810,571,772 shares at a subscription price of HK\$0.28 per rights share on the basis of one rights share for every two ordinary shares. The rights issue was subsequently completed on 3rd May, 2016. Details of the rights issue were set out in the announcements of the Company dated 17th March, 2016 and 28th April, 2016, and the prospectus of the Company dated 7th April, 2016, respectively.

FINANCIAL REVIEW

Revenues of the Group for the year ended 31st March, 2016 decreased by 53% to HK\$470.0 million (2015: HK\$1,008.6 million), comprising the following factors:

- decrease by 56% in sales of development properties in the People's Republic of China (the "PRC") to approximately HK\$440.5 million (2015: HK\$993.8 million)
- rental and management fee income increased by about 58% to HK\$19.1 million (2015: HK\$11.7 million), contributed by the new leases of Guangzhou office units and Changan factory during the year under review
- securities investment and trading income increased to about HK\$9.4 million (2015: HK\$0.2 million), and was derived from high yield bonds with face value of US\$27 million
- income from sales and trading business dropped to HK\$1 million (2015: HK\$2.9 million)

During the year under review, gross profit decreased by 51% to HK\$191.4 million (2015: HK\$393.8 million) and was generally in line with the drop in sales of properties in the PRC. Gross profit margin during the year rose to about 41% when compared with 39% in the previous financial year. The increase in gross profit margin was due to higher profit margin derived from rental income and securities trading income.

Other income and net gain was HK\$78.0 million (2015: HK\$39.9 million). The increase was mainly related to the gain on reversal of tax indemnity from disposal of a subsidiary as announced in May 2013. A breakdown of other income and net gain is shown in note 5 on page 8 of this report.

During the year under review, the Group recorded a gain on change in fair value of investment properties in the PRC of HK\$72.1 million (2015: HK\$7.7 million), comprising completed investment properties in Dongguan, Guangzhou, Chengdu and investment properties under construction in Anshan. Furthermore, share of result of a joint venture of HK\$64.3 million (2015: Nil) was related to the change in fair value of the investment properties owned by a joint venture.

On the costs side, selling and marketing expenses decreased by 38% to HK\$29.0 million (2015: HK\$46.9 million). Administrative and other operating expenses increased by 10.1% to HK\$142.0 million (2015: HK\$129.0 million) in view of increase in business activities as well as rising operating costs.

Finance costs increased to HK\$15.7 million (2015: HK\$1.7 million) as interests on borrowings were not capitalized when the construction of the related property development projects was completed. Share of loss of associated companies was HK\$1.8 million (2015: HK\$0.8 million). Furthermore, taxation decreased by 25% to HK\$129.1 million (2015: HK\$171.9 million) and was mainly due to the decrease in sales of properties in the PRC.

Taking into account the above, profit attributable to equity holders of the Company for the year ended 31st March, 2016 decreased by about 10% to HK\$85.0 million (2015: HK\$94.5 million). Earnings per share was 4.91 HK cents (2015: 5.50 HK cents).

DIVIDENDS

After taking into account the working capital requirements for the Group's projects and business development, the board of Directors (the "Board") has 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 (2015: 3.0 HK cents) per share for the year ended 31st March, 2016. The final dividend, if approved, will be paid on or before 14th October, 2016 to the shareholders whose names appear on the Company's register of members on 13th September, 2016.

An interim dividend of 1.0 HK cent (2015: 1.0 HK cent) per share has been paid in respect of the current financial year. Total dividends for the year will amount to 3.0 HK cents (2015: 4.0 HK cents) per share. Total dividend payments for the year will be HK\$64.8 million (2015: HK\$64.3 million).

BUSINESS REVIEW

Investment/Hotel Properties

A. *Investment Properties*

The Group holds the following portfolio of investment properties in the PRC with an aggregate gross floor area ("GFA") of approximately 87,557 *sq. m.*, of which approximately 60% were completed properties and approximately 40% were under construction. Book value of these investment properties as at 31st March, 2016 amounted to approximately HK\$539 million. Rental and related income during the year was about HK\$11 million.

1. Chengdu Digital Plaza Level 6 at Wuhou District (武侯區), Chengdu, having a GFA of 4,255 *sq. m.*, is subject to a new lease expiring in 2019.
2. Chuang's New City at Dongguan has two completed commercial properties with aggregate GFA of about 12,435 *sq. m.*. About 7,935 *sq. m.* of these properties are subject to various leases expiring from 2016 to 2025. The remaining 4,500 *sq. m.* of these commercial properties were not leased out as at 31st March, 2016 and are recorded in the financial statements as "Properties for sale". Additional investment properties under construction at Chuang's New City have a total GFA of about 5,173 *sq. m.*.
3. The Group acquired the industrial property located at Changan, Dongguan, with a GFA of about 39,081 *sq. m.* at RMB101.6 million (equivalent to approximately HK\$123.4 million) during the year under review. The property was leased for a term of eight years at an annual rental of about RMB6.4 million.

4. Chuang's Le Papillon at Guangzhou has two completed commercial properties with aggregate GFA of 1,181 *sq. m.*. One of the commercial properties with GFA of 601 *sq. m.* is subject to an eight-year tenancy expiring in 2023, while the other property with GFA of 580 *sq. m.* was not leased out as at 31st March, 2016 and is therefore recorded in the financial statements as "Properties for sale".
5. The Group holds five office units at R&F Yingkai Square (富力盈凱廣場), which is located in the CBD of Zhujiang New Town (珠江新城) in Guangzhou. It has a total GFA of 896 *sq. m.* and is subject to a new lease expiring in 2018.
6. Chuang's Mid-town at Tie Dong Qu (鐵東區) in Anshan has investment properties under construction of 29,616 *sq. m.*. It is a 6-level commercial podium located at the city centre of Anshan. Marketing has commenced on pre-leasing of the commercial podium.

The Group will continue to increase its investment property portfolio for rental purpose, which will bring recurrent and steady cash inflow, in order to weather the slowdown of property sales as a result of reducing GFA under development in the PRC.

B. Hotel Properties

1. The Xiamen Mingjia Hotel (廈門名家酒店) is developed by the Group and is located in the beautiful scenery of the south coast of Siming District, covering an area of about 27,600 *sq. m.*, and just five minutes walk from the nearby beach. The project provides 30 villas with an aggregate GFA of about 8,300 *sq. m.* and a 6-storey hotel building with 100 guest-rooms (total GFA of 9,700 *sq. m.*).

As the construction works and interior renovation works of the hotel have been completed, this hotel project has currently entered into the operation stage. In view of the local partner of this project is affiliated with the Xiamen Travel Bureau (廈門旅遊局), the Group has decided to jointly control this project with the local partner in order to capitalize on its expertise in Xiamen. In addition, the management has decided to lease out the 30 villas and the hotel which will generate steady recurring income stream. Marketing for leasing is in progress.

Book value of this joint venture (in which the Group owns an effective 59.5% interest) as at 31st March 2016 amounted to approximately HK\$283 million.

2. The Group owns an effective interest of 54% of a property development project in Changsha. As at 31st March, 2016, the Group's total investment costs amounted to about HK\$80 million. Unsold properties (total residential GFA of 18,400 *sq. m.* and commercial GFA of 11,600 *sq. m.*) of this project have a total book costs of about HK\$114 million. Within the commercial area, the Group is planning for a hotel with 117 guest-rooms. The Group will liaise with the local government authorities in renewing the operating license of the joint venture company which has expired since 2012.

C. Property Development

The PRC property market is boosted by supportive policies including successive interest rate cuts, promoting urbanization and inventory de-stocking measures. During the year, the Group explored various investment opportunities mainly focusing on first tier cities including Shenzhen, Guangzhou, Xiamen and in Hong Kong. As for the existing portfolio of development projects, an update of their progress is as follows:

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

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

All the high-rise blocks of Phases I and II of Chuang's Le Papillon have largely been sold out and properties are handed over to buyers. At present, marketing of the 22 villas (Block P) for leasing has been launched. As of to-date, unsold residential properties of this project excluding Block P amounted to about RMB26 million.

The Group intended to kick off Phase III of Chuang's Le Papillon with a total GFA of about 54,000 *sq. m.*. However, the approval process from the relevant authorities is lengthy and is progressing slow. Preparatory construction works have commenced, and superstructure works will commence once the approvals from the relevant authorities for Phase III are obtained. As for the future plan of the remaining development, the Group will adopt a medium to long term planning approach while awaiting for land quota to be allocated.

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

Chuang's New City has a total GFA of about 520,000 *sq. m.* and is divided into different phases. Phase I and II (Block 1 to 14) of Imperial Garden have an aggregate GFA of about 150,300 *sq. m.*. It provides 1,239 residential flats, a modern commercial shopping complex and 184 carparking spaces. It is well equipped with ancillary facilities such as club house, kindergarten and sports arena. Occupancy of Phase I and II were handed over to buyers in previous financial years. As of to-date, unsold residential properties of Imperial Garden (Phase I and II) amounted to about RMB48 million.

Phase III of Imperial Garden (comprising Blocks 29 to 31) has a total GFA of approximately 40,000 *sq. m.* and has been completely pre-sold at about RMB298 million (equivalent to approximately HK\$352 million). During the year under review, these sales cannot be recorded as revenues because properties are not yet ready to handover to buyers. It is expected that occupancy will be handed over to buyers before the end of December 2016.

Phase IV of Imperial Garden (comprising Blocks 15 to 20) has a total GFA of about 83,000 *sq. m.*. Foundation works for Phase IV have been completed. The Group will decide on the appropriate time to carry out the superstructure works in order for presales of Phase IV to be launched in the first half of 2017. Development plan for the remaining GFA of about 234,000 *sq. m.* will be carried out by phases in the next few years.

Subject to the prevailing market conditions, the Group will also consider other option which may be available, such as the possibility of disposing of its entire interests in this project with total GFA of about 317,000 *sq. m.* in its existing state. This option will allow the Group to unlock the stored value in this project and to accelerate the return in this investment.

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

Situated right next to the Anshan rail station, this site is located at the core city centre of Tie Dong Qu (鐵東區) near the bustling pedestrian street. The development will provide integrated community with residential, shopping areas, specialty business activities, SOHO and office space with a total GFA of about 100,000 *sq. m.*

The development consists of a 6-level commercial podium providing an aggregate GFA of about 29,616 *sq. m.*. Above the podium will be a twin tower (Block AB and C) with 27 and 33-storey respectively, offering total GFA of about 63,000 *sq. m.* as residential and service apartments. Superstructure works of the commercial podium and the twin tower have topped off in November 2015. Internal and external finishing works are in satisfactory progress.

The residential property market in Anshan is relatively weak, thus the selling price and pace of property sales will not be as strong as the Group's two projects in the Guangdong Province. However, in view of the prime location of Chuang's Mid-town which is adjacent to the train station in city centre, the Group will emphasize on brand building, quality and the market niche of the project. Discussions to lease the entire Block A is in progress, whereas marketing to lease out the commercial podium and Block C has also been launched.

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

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

*Tuen Mun, New Territories, Hong Kong
Yip Wong Road, Tuen Mun Town Lot No. 514 (100% owned)*

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

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

Other property project in the PRC

The Group holds a 51% development interest in a project in Wuhou District, Chengdu. As at 31st March, 2016, the Group's total investment costs in this Project was about RMB146.8 million (equivalent to approximately HK\$173.2 million). In view of the unresolved problems that hindered the development since 2007, the Group decided to proceed with legal proceeding as one of the exit strategies to this project. On 31st May, 2016, the Group received notification from the Sichuan Court that the claims lodged by the Group have been accepted. The aggregate amounts demanded by the Group is approximately RMB435 million (equivalent to approximately HK\$513 million), which comprise: (i) payment of an amount representing the Group's 51% share in the market value of the project; (ii) payment of an amount representing the Group's 51% share of the rental income within the projects together with interest accrued thereon up to 31st May, 2016; and (iii) repayment of the advances by the Group's in relation to the project together with interest accrued thereon up to 31st May, 2016. Further announcement(s) about the legal proceeding will be made by the Company as and when appropriate.

Sales and revenues recognition for PRC projects

The Group has contracted sales of about RMB340 million (equivalent to approximately HK\$401 million). Amongst this, contracted sales relating to completed properties amounted to about RMB42 million (equivalent to approximately HK\$49 million) whereas contracted sales related to properties under construction amounted to about RMB298 million (equivalent to approximately HK\$352 million), which are entirely related to Blocks 29 to 31 of Imperial Garden at Dongguan. Contracted sales will only be recognized as revenues of the Group when they are completed and properties are handed over to buyers.

At present, the Group's projects in Guangzhou and Dongguan have unsold completed residential properties for sale of about RMB74 million (equivalent to approximately HK\$87 million) and carparks of about RMB175 million (equivalent to approximately HK\$207 million). For the financial year ending 31st March, 2017, the Group will determine the strategy for the Dongguan project and if the Phase IV development is to proceed, presales of Blocks 15 to 20 of Imperial Garden at Dongguan will be launched in the first half of 2017, with sales value of about RMB993 million (equivalent to approximately HK\$1,172 million).

D. Securities Investment and Trading

During the year under review, the Group engaged in investment and trading in securities in order to broaden the income stream. The investment is expanded to a portfolio of high yield bonds with face value of about US\$27 million, and the market value of these bonds as at 31st March, 2016 was about HK\$226.3 million.

FINANCIAL POSITION

Net asset value

As at 31st March, 2016, the net asset value attributable to equity holders of the Company was HK\$2,509.5 million. Net asset value per share amounted to HK\$1.55, which is calculated based on the historical cost of the Group's land bank, before taking into account the appreciated value. The net asset value as at 31st March, 2016 decreased from the last corresponding year after taking into account the change in exchange rate and the change in fair value of the available-for-sale financial assets for the year.

Financial resources

As at 31st March, 2016, the Group's cash and bank balances (including pledged bank balances) amounted to HK\$605.7 million (2015: HK\$911.4 million). As at the same date, bank borrowings of the Group amounted to HK\$708.7 million (2015: HK\$623.0 million). The debt to equity ratio (calculated as a percentage of bank borrowings over net asset value attributable to equity holders of the Company) was 28.2% (2015: 23.9%).

Approximately 44.3% of the Group's cash and bank balances were in Hong Kong dollar and United States dollar, with the remaining 55.7% in Renminbi. Approximately 66.1% of the Group's bank borrowings were in Hong Kong dollar with the remaining 33.9% in Renminbi.

Based on the agreed scheduled repayment dates in the loan agreements and ignoring the effect of any repayment on demand clause, approximately 44.0% of the Group's bank borrowings were repayable within the first year, 2.4% were repayable within the second year and the balance of 53.6% were repayable within the third to fifth years.

Subsequent to the balance sheet date on 3rd May, 2016, the Group completed a rights issue in the proportion of one rights share for every two shares held. The net proceeds of the rights issue, after deducting expenses, amounted to about HK\$222.5 million which will be applied within 18 months after completion of the rights issue as to (i) approximately HK\$170 million for further expansion of the Group's business venture; and (ii) the remaining approximately HK\$52.5 million as general working capital of the Group.

Foreign exchange risk

The Group conducts its property business operations in the PRC, with the income and the major cost items being denominated in Renminbi. Therefore, it is expected that any fluctuation of Renminbi's exchange rate 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 Renminbi. The Group would closely monitor this risk exposure from time to time.

PROSPECTS

Despite the slow-down of the PRC economy, the real estate sector in the PRC shall be benefitted from supportive measures including urbanization as well as two-child policy in the long term. The real estate market will become more fragmented with the first tier cities in the PRC remaining to be robust and strong.

The Group will consolidate its development strategy to focus on property development in first tier cities as well to further diversify to other businesses with steady income. In particular, the Group will broaden its investment properties portfolio, by leasing out the existing Xiamen hotel project and the Anshan project. For future expansion plan, the Group will identify opportunities for acquisition of investment properties at prime location, which will provide sustainable and stable income. Geographically, the Group will seek for opportunities not only in Hong Kong and the PRC but also to expand to other developed countries. Furthermore, the Group will proactively explore business innovations to achieve long-term sustainable development, and will focus on those ventures that require similar skill-sets of land acquisition, land planning and utilization.

CLOSING OF REGISTER

The AGM is scheduled on Wednesday, 31st August, 2016. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 25th August, 2016 to Wednesday, 31st August, 2016, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 24th August, 2016.

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 Tuesday, 13th September, 2016. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 7th September, 2016 to Tuesday, 13th September, 2016, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 6th September, 2016.

STAFF

The Group puts emphasis on training and cultivating elite talent. We are committed to providing a dynamic and enthusiastic working atmosphere and increase hiring talents of all fields. As at 31st March, 2016, the Group employed 287 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, an Independent Non-Executive Director had not attended the 2015 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Except as mentioned hereof, the Company has complied throughout the year ended 31st March, 2016 with the code provisions set out in the CG Code.

An audit committee has been established by the Company to review and supervise the Company's financial reporting process 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 31st March, 2016. 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.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in this preliminary announcement of the Group's results for the year ended 31st March, 2016 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 31st March, 2016 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
Managing Director

Hong Kong, 27th June, 2016

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