



CHUANG'S CONSORTIUM INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 367

INTERIM REPORT 2018

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CORPORATE INFORMATION

Directors

Alan Chuang Shaw Swee (*Chairman*)
Albert Chuang Ka Pun (*Vice Chairman*)
Chong Ka Fung (*Joint Managing Director*)
Richard Hung Ting Ho (*Joint Managing Director*)
Candy Kotewall Chuang Ka Wai
Wong Chung Wai
Chan Chun Man
Abraham Shek Lai Him, G.B.S., J.P.*
Fong Shing Kwong*
Yau Chi Ming*
David Chu Yu Lin, S.B.S., J.P.*
Tony Tse Wai Chuen, B.B.S.*

** Independent Non-Executive Directors*

Audit Committee

Abraham Shek Lai Him, G.B.S., J.P.#
Fong Shing Kwong
Yau Chi Ming

**Nomination Committee/
Remuneration Committee**

Abraham Shek Lai Him, G.B.S., J.P.#
Fong Shing Kwong
David Chu Yu Lin, S.B.S., J.P.

**Corporate Governance
Committee**

Albert Chuang Ka Pun#
Chong Ka Fung
Candy Kotewall Chuang Ka Wai
Chan Chun Man

Company Secretary

Lee Wai Ching

Auditor

PricewaterhouseCoopers
22nd Floor, Prince's Building
10 Chater Road
Central, Hong Kong

Registrars

Bermuda:
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong:
Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Chairman of the relevant committee

CORPORATE INFORMATION *(Continued)*

Principal Bankers	The Hongkong and Shanghai Banking Corporation Limited HSBC Bank (China) Company Limited Hang Seng Bank Limited Hang Seng Bank (China) Limited Bank of China (Hong Kong) Limited China Construction Bank (Asia) Corporation Ltd. CIMB Bank Berhad
Registered Office	Clarendon House, 2 Church Street Hamilton HM 11, Bermuda
Principal Office in Hong Kong	25th Floor, Alexandra House 18 Chater Road, Central, Hong Kong Telephone: (852) 2522 2013 Facsimile: (852) 2810 6213 Email address: chuangs@chuangs.com.hk Website: www.chuang-consortium.com
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Malaysia Office	16th Floor, Central Plaza 34 Jalan Sultan Ismail, 50250 Kuala Lumpur Malaysia
Vietnam Office	Room 704, 7th Floor Capital Place Building 6 Thai Van Lung Street, District 1 Ho Chi Minh City, Vietnam
Mongolia Office	8th Floor, Eastern Section Landmark Tower, Chinggis Avenue-13 1st Khoroo, Sukhbaatar District Ulaanbaatar 14251 Mongolia
Stock Code	367

MANAGEMENT DISCUSSION ON RESULTS

The board of Directors (the “Board”) of Chuang’s Consortium International Limited (the “Company”) presents the interim report including the condensed consolidated interim financial information of the Company and its subsidiaries (collectively as the “Group”) for the six months ended 30th September, 2017. The condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity for the six months ended 30th September, 2017, and the condensed consolidated balance sheet as at 30th September, 2017 along with the notes thereon, are set out on pages 36 to 64 of this report.

FINANCIAL REVIEW

Profit attributable to equity holders of the Company for the six months ended 30th September, 2017 amounted to HK\$496.4 million (2016: HK\$402.5 million), representing an increase of approximately 23.3% compared to that of the last corresponding period. Earnings per share was 29.60 HK cents (2016: 23.88 HK cents). A review of the results is set out below.

For the six months ended 30th September, 2017, revenues and net gain of the Group amounted to HK\$427.5 million (2016: HK\$763.2 million), representing a decrease of 44.0% compared to that of the last corresponding period. This was mainly due to the decrease in property sales recognized by the Group during the period as a result of slowdown in flow of property development projects available for sales. Revenues and net gain of the Group comprised revenues from sales of properties of HK\$46.9 million (2016: HK\$418.9 million), revenues from rental and other income of investment properties of HK\$103.1 million (2016: HK\$91.3 million), revenues from hotel operation of HK\$35.9 million (2016: HK\$41.8 million), revenues from cemetery business of HK\$8.1 million (2016: HK\$9.5 million), revenues from sales of goods and merchandises of HK\$139.0 million (2016: HK\$143.0 million), revenues from money lending business of HK\$3.9 million (2016: HK\$3.9 million), and revenues and net gain from securities investment and trading business of HK\$90.6 million (2016: HK\$54.8 million).

MANAGEMENT DISCUSSION ON RESULTS *(Continued)*

FINANCIAL REVIEW *(Continued)*

As a result of the decrease in revenues and net gain, gross profit during the period decreased to HK\$252.8 million (2016: HK\$335.5 million), representing a decrease of 24.6% compared to that of the last corresponding period. Gross profit margin, however, increased to 59.1% (2016: 44.0%) mainly due to the improvement in hotel operation business, the contribution from the United Kingdom investment property which was acquired in November 2016 and the increase in revenues and net gain from securities investment and trading business. Other income and net gain increased to HK\$253.2 million (2016: HK\$37.0 million) mainly due to the increase of fair value gain on transfer of properties from properties for sales to investment properties, details of which were set out in the announcement of the Company dated 6th July, 2017. A breakdown of other income and net gain is shown in note 7 on page 52 of this report. Furthermore, the Group also recorded an overall upward revaluation surplus of HK\$389.8 million (2016: HK\$425.2 million) for its investment properties, mainly reflecting the continued improvement in property prices of our investment properties portfolio, of which HK\$37.5 million was related to No. 15 Gough Hill Road, The Peak.

On the costs side, selling and marketing expenses dropped to HK\$24.8 million (2016: HK\$47.9 million) due to the decrease in property sales. Administrative and other operating expenses increased slightly to HK\$240.4 million (2016: HK\$235.0 million) mainly due to a general increase in overheads and increase in activities of the Group. Finance costs increased to HK\$57.4 million (2016: HK\$41.3 million) due to the increased level of bank borrowings of the Group. Share of results of associated companies and joint ventures decreased to HK\$3.6 million (2016: HK\$28.5 million) mainly due to the absence of change in fair value of the investment properties owned by a joint venture. Taxation decreased to HK\$38.8 million (2016: HK\$58.2 million) mainly due to the drop in sales of properties recognized by the Group during the period.

INTERIM DIVIDEND

As regards payment of dividend, it is the policy of the Group to pay a recurrent and stable dividend to its shareholders. After taking into account the need to maintain sufficient financial resources for the working capital of the Group's projects and businesses, the Board has resolved to pay an interim dividend of 3.0 HK cents (2016: 3.0 HK cents) per share on or before Friday, 19th January, 2018 to the shareholders whose names appear on the Company's register of members on Friday, 29th December, 2017.

MANAGEMENT DISCUSSION ON RESULTS *(Continued)*

BUSINESS REVIEW

(A) Investments in Commercial Properties

(i) ***Chuang's Tower, Nos. 30–32 Connaught Road Central, Hong Kong (100% owned)***

The property is a commercial/office building and is strategically located at the heart of Central District and close to the exits of both the Central Station of the Mass Transit Railway and the Hong Kong Station of the Airport Express Line. The property has a site area of about 3,692 *sq. ft.* and a total gross floor area (“GFA”) of about 55,367 *sq. ft.*. During the period, rental and other income from this property amounted to about HK\$22.5 million. The entire lift system has been overhauled with new lifts being installed and further renovation works on the main lobby and other parts of the property will be carried out in order to improve its esthetics.

(ii) ***Chuang's London Plaza, No. 219 Nathan Road, Tsim Sha Tsui, Kowloon (100% owned)***

Strategically located at the heart of shopping centres in Tsim Sha Tsui, Kowloon, and near the exit of the Mass Transit Railway, the property is a shopping and entertainment complex. The property has a site area of about 9,145 *sq. ft.* and a total GFA of about 103,070 *sq. ft.*. During the period, rental and other income from this property amounted to about HK\$29.3 million. The Group is exploring plans and strategies to renovate and upgrade the property with a view to further improve the rental yield and thus its capital value. Subject to the prevailing market conditions and the aforesaid business plan, the Group will also consider other options which may be available, such as the possibility of disposing the whole property either before or after the renovation or upgrading works (if any).

MANAGEMENT DISCUSSION ON RESULTS *(Continued)*

BUSINESS REVIEW *(Continued)*

(A) Investments in Commercial Properties *(Continued)*

(iii) ***Posco Building, No. 165 Un Chau Street, Sham Shui Po, Kowloon (100% owned)***

During the period under review, the Group completed the acquisition of Posco Building at a cash consideration of HK\$301.2 million. The property is located in between the Cheung Sha Wan (approximately 0.4 kilometre) and the Sham Shui Po (approximately 0.5 kilometre) Mass Transit Railway Stations, enjoying the convenience of good transportation network. The property is for commercial (G/F to 3/F and 12/F) and industrial (4/F to 11/F) use and has a total GFA of about 47,258 *sq. ft.*. The monthly rental is about HK\$510,000, and the total rental and other income from this property for the period under review since its acquisition on 31st July, 2017 amounted to about HK\$1.1 million. Application had been made to the Town Planning Board to seek permission to convert the industrial use portion of the property to office use and it was confirmed that office use is permitted. Further studies on other technical aspects of the conversion are in progress. The Group believes that the rental yield and capital value of the property will be further enhanced after such conversion.

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

In Malaysia, the Group owns Central Plaza which is located at the heart of central business district and prestigious shopping area of Kuala Lumpur. The property has a total GFA of about 382,000 *sq. ft.* of retail, office and carparking spaces. During the period, rental and other income from this property amounted to HK\$9.4 million. The Group will continue to review the tenant mix of this property in order to further enhance its rental yield and occupancy rate.

(v) ***International Finance Centre, Sukhbaatar District, Ulaanbaatar, Mongolia (100% owned)***

The project has a site area of about 3,272 *sq. m.* and is located within the central business district. It is planned that a 26-storey retail/office building with GFA of about 40,000 *sq. m.* will be developed. Detailed building plans have been approved. Superstructure works have been completed up to the 6th level and it is expected that the superstructure works will be completed within next year.

MANAGEMENT DISCUSSION ON RESULTS *(Continued)*

BUSINESS REVIEW *(Continued)*

(B) Investments in Residential Properties, Serviced Apartments and Hotels

(i) No. 15 Gough Hill Road, The Peak, Hong Kong (100% owned)

The redevelopment of No. 15 Gough Hill Road, The Peak, into a single house with unique architectural design has been progressing satisfactorily. Superstructure works have been topped off and external stone cladding works are in progress. Occupation permit is expected to be issued in the first quarter of 2018 which will be followed immediately by internal decoration works.

On 9th June, 2016, the Group entered into a sale and purchase agreement with an independent third party for the disposal of the property holding subsidiary that holds this property for a consideration of HK\$2.1 billion (subject to adjustment). The consideration will be satisfied as to approximately 80% by cash and as to approximately 20% by the transfer of a commercial property located in Luohu District, Shenzhen, the People's Republic of China (the "PRC") to the Group. A cash deposit and part payment of HK\$315.0 million had been received by the Group. According to the current construction progress, further part payments of HK\$735.0 million in cash together with the transfer of the Shenzhen property to the Group are expected to take place before the end of the financial year 2018, and the disposal is expected to be completed in the financial year 2019 whereby the Group will receive a final cash payment of HK\$630.0 million. The disposal, upon completion, is expected to generate a further net gain of about HK\$660.0 million to the Group. Details of the disposal were set out in the circular of the Company dated 20th July, 2016.

(ii) House A, No. 37 Island Road, Deep Water Bay, Hong Kong (100% owned)

Located at Deep Water Bay, a prestigious residential area, the property enjoys a glamorous sea-view. To capitalize the opportunity on the rising trend of the prestigious residential market, the Group will explore other options (including disposal) to accelerate capital return on investment in this property.

MANAGEMENT DISCUSSION ON RESULTS *(Continued)*

BUSINESS REVIEW *(Continued)*

(B) Investments in Residential Properties, Serviced Apartments and Hotels *(Continued)*

(iii) Villa 28 and Villa 30, Po Shan Road, Hong Kong (50% owned)

The Group owns a 50% interest in the project and is the project manager of the development. The property, with a site area of about 10,000 *sq. ft.*, is located in a prestigious mid-level area that enjoys a glamorous sea-view. Building plans have been approved to develop the property into two semi-detached residences with GFA of about 40,662 *sq. ft.*. Meanwhile, the study of the feasibility to develop the property into a single residence is still in progress. Site formation and foundation works have been commenced and are expected to be completed by the end of 2018.

(iv) Nos. 16–20 Gage Street, Central, Hong Kong

The Group has successfully acquired full ownership of No. 20 Gage Street, and about 83% and 81% ownership of No. 16 and No. 18 Gage Street respectively. The Group will take steps to acquire the remaining units of No. 16 and No. 18 Gage Street either by private treaty or by compulsory acquisition. This project has a total site area of about 3,600 *sq. ft.* and it is currently planned that a commercial/residential building with GFA of about 36,000 *sq. ft.* will be developed. With the prime location at Central together with the recent high transaction prices recorded nearby, the Group is optimistic about the prospect of this project.

(v) Parkes Residence, No. 101 Parkes Street, Kowloon, Hong Kong (100% owned)

The property is close to the Jordan Station of the Mass Transit Railway and had been developed into a 25-storey commercial/residential building comprising 114 fully furnished studio units with clubhouse facilities and shopping units at the podium levels (G/F to 2/F). During the period under review, sales of 3 residential units with net sales value of HK\$19.0 million were completed. As to the remaining 18 residential units, the Group has operated them as serviced apartments and leased out most of them in order to generate additional income. Rental income from the serviced apartments during the period amounted to approximately HK\$1.8 million.

MANAGEMENT DISCUSSION ON RESULTS *(Continued)*

BUSINESS REVIEW *(Continued)*

(B) Investments in Residential Properties, Serviced Apartments and Hotels *(Continued)*

(v) *Parkes Residence, No. 101 Parkes Street, Kowloon, Hong Kong (100% owned)* *(Continued)*

In August 2017, the Group completed the disposal of the subsidiary that holds the 3 shopping units of this property to Midas International Holdings Limited (“Midas”) and a net cash proceed (after deducting the bank borrowing and other net liabilities) of about HK\$158.1 million was received at completion. Details of the transaction were set out in the announcement of the Company dated 6th July, 2017.

(vi) *sáv Residence, Xinyi District, Taipei City, Taiwan (100% owned)*

In Taiwan, the Group owns *sáv Residence* which is located nearby the city centre of Taipei City. The property is a residential complex developed by the Group and comprises a fully furnished villa and 6 serviced apartments (of which 2 are duplex) with a total GFA of about 20,600 *sq. ft.*. During the period, rental income from the serviced apartments amounted to approximately HK\$1.0 million. As the internal decoration works of the villa have just been completed with marketing work for leasing in progress, the Group believes that rental income from this property will be further increased upon the leasing of the villa.

(vii) *sáv Residence, Sukhbaatar District, Ulaanbaatar, Mongolia (to be 100% owned)*

The project is located in the city centre within the embassy district and has a site area of about 3,600 *sq. m.*. It is planned that a serviced apartment of about 158 units with clubhouse facilities and a ground floor shop with a total GFA of about 19,000 *sq. m.* and 48 carparking spaces will be developed. Superstructure works have been topped off and internal and external finishing works are in progress. The project is expected to be completed in 2018. Marketing works will commence soon.

During the period under review, the Group had entered into an agreement with the joint venture partner of this project to acquire its 47% interest in this project for a consideration of US\$3.8 million. Completion of the acquisition is expected to take place by the end of 2017 and, upon completion, this project will be wholly-owned by the Group.

MANAGEMENT DISCUSSION ON RESULTS *(Continued)*

BUSINESS REVIEW *(Continued)*

(B) Investments in Residential Properties, Serviced Apartments and Hotels *(Continued)*

(viii) Greenview Garden, Thu Duc District, Ho Chi Minh City, Vietnam ***(100% owned)***

The project covers a site area of about 20,300 *sq. m.* and it is planned that a commercial/residential complex with GFA of about 94,000 *sq. m.* will be developed on the site. The site is currently vacant and construction permit has been obtained. The Group is currently considering the disposal of this project to accelerate return on investment in this project.

(ix) Hotel sáv, No. 83 Wuhu Street, Hunghom, Kowloon (100% owned)

Hotel sáv is located at the heart of Hunghom and is located in between the Ho Man Tin (approximately 0.4 kilometre) and the Whampoa (approximately 0.3 kilometre) Mass Transit Railway Stations. It comprises 388 rooms together with shopping units at the ground floor level. Total revenues from the hotel operation during the period amounted to HK\$35.9 million (2016: HK\$41.8 million), representing a decrease of 14% compared to that of the last corresponding period. Total revenues from the hotel operation comprised room revenues of HK\$34.6 million (2016: HK\$35.0 million) and food and beverage income of HK\$1.3 million (2016: HK\$6.8 million). The drop in revenues is mainly due to the decrease of revenues from food and beverage operation which had not been profitable. As such, the Group had in October 2016 ceased the operation of one of the two restaurants located on the first floor and leased out the premises to a third party in order to generate additional income. Subsequent to the period under review, the Group had also ceased the operation of the remaining restaurant and entered into an agreement to lease the premises to a third party. Rental income from the shopping units located at the ground floor and first floor for the period amounted to about HK\$3.4 million.

MANAGEMENT DISCUSSION ON RESULTS *(Continued)*

BUSINESS REVIEW *(Continued)*

(B) Investments in Residential Properties, Serviced Apartments and Hotels *(Continued)*

(ix) *Hotel sáv, No. 83 Wuhu Street, Hunghom, Kowloon (100% owned)* *(Continued)*

As for the room revenues, following the opening of the Ho Man Tin and the Whampoa Mass Transit Railway Stations, the Group had changed its operation strategy and put more effort in marketing to its higher margin customer segments in order to raise the room rates of the hotel and strengthen the hotel brand. As a result, the average room rate of the hotel during the period improved by about 20% from that of the last corresponding period to about HK\$684 whereas the average occupancy rate dropped from 87% in the last corresponding period to about 73% in the current period. Despite the drop in the occupancy rate, the Group had deployed various cost reduction measures while maintaining efficiency and service standard so as to mitigate the impact. With all these measures, the Group achieved a better result for its hotel operation with an earning before interest, tax, depreciation and amortization amounted to about HK\$9.2 million for this period compared to a loss before interest, tax, depreciation and amortization of about HK\$0.2 million in the last corresponding period. With the above strategies and the recovery of the tourism industry, the Group believes that the operating results of the hotel will be further improved in the medium to long term.

(x) *Pacific Cebu Resort, Cebu, Philippines (40% owned)*

Pacific Cebu Resort, which is 40% owned by the Group, is a resort established in 1992 with 136 rooms and abundant diving facilities. It is located at Lapu-Lapu City, Mactan Island in Cebu of Philippines occupying a site area of about 64,987 sq. m.. During the period under review, with the completion of the renovation works to upgrade the villas and rooms together with the facilities, the average room rate of the hotel during the period improved by about 10% from that of the last corresponding period to about US\$65 whereas the average occupancy rate was about 70% which was similar to that of the last corresponding period. Profit of the resort for the period amounted to about HK\$3.9 million, and the Group's share of 40% was about HK\$1.6 million.

MANAGEMENT DISCUSSION ON RESULTS *(Continued)*

BUSINESS REVIEW *(Continued)*

(C) **Chuang's China Investments Limited** (“Chuang's China”, stock code: 298) (60.7% owned)

Chuang's China and its subsidiaries (the “Chuang's China Group”) are principally engaged in, inter alia, property development and investment. For the six months ended 30th September, 2017, the Chuang's China Group recorded profit attributable to equity holders of HK\$96.4 million (2016: HK\$87.7 million) and revenues and net gain of HK\$91.7 million (2016: HK\$432.2 million) (which comprised revenues from sales of properties in the PRC of HK\$28.0 million (2016: HK\$391.8 million), revenues from rental and other income of investment properties of HK\$23.1 million (2016: HK\$10.5 million), revenues from cemetery business of HK\$8.1 million (2016: Nil), revenues from sales and trading business of HK\$2.2 million (2016: HK\$0.8 million), and revenues and net gain from securities investment and trading business of HK\$30.3 million (2016: HK\$29.1 million)).

(i) Investment Properties and Hotel Property

The Chuang's China Group holds the following portfolio of investment properties and hotel property in the PRC and the United Kingdom (“UK”) for steady recurring rental income.

(a) Investment Properties

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

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

MANAGEMENT DISCUSSION ON RESULTS *(Continued)*

BUSINESS REVIEW *(Continued)*

(C) **Chuang's China** *(Continued)*

(i) **Investment Properties and Hotel Property** *(Continued)*

(a) **Investment Properties** *(Continued)*

- (2) Commercial Property in Shatian, Dongguan (100% owned by Chuang's China)

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

- (3) Office Property in Fenchurch Street, London, UK (100% owned by Chuang's China)

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

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

MANAGEMENT DISCUSSION ON RESULTS *(Continued)*

BUSINESS REVIEW *(Continued)*

(C) **Chuang's China** *(Continued)*

(i) **Investment Properties and Hotel Property** *(Continued)*

(b) **Hotel Property**

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

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

(ii) **Property Development**

(a) **Chuang's Le Papillon, Guangzhou, Guangdong** *(100% owned by Chuang's China)*

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

MANAGEMENT DISCUSSION ON RESULTS *(Continued)*

BUSINESS REVIEW *(Continued)*

(C) **Chuang's China** *(Continued)*

(ii) Property Development (Continued)

(a) Chuang's Le Papillon, Guangzhou, Guangdong (100% owned by Chuang's China) (Continued)

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

For the remaining development (Phase III), the Chuang's China 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 Chuang's China Group will closely follow-up with the relevant PRC authorities for the land quota of the remaining 51,700 *sq. m.* The Chuang's China Group will commence preparatory works on the development, and will also explore other options (including disposal) to accelerate capital return on investment in this project.

(b) Changan, Dongguan, Guangdong (100% owned by Chuang's China)

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

MANAGEMENT DISCUSSION ON RESULTS *(Continued)*

BUSINESS REVIEW *(Continued)*

(C) **Chuang's China** *(Continued)*

(ii) **Property Development** *(Continued)*

- (c) *Chuang's Plaza, Anshan, Liaoning (100% owned by Chuang's China)*

Adjacent to Chuang's Mid-town, the Chuang's China Group holds the second site located in the prime city centre of Tie Dong Qu (鐵東區). With a developable GFA of 390,000 *sq. m.*, the site will provide a mega integrated development including office towers, retail, food and beverage and entertainment facilities together with residential blocks. To capitalize on the rising prices of land, the Chuang's China Group will identify suitable options, including disposal, to accelerate capital return on this investment.

- (d) *Yip Wong Road, Tuen Mun, New Territories, Hong Kong (100% owned by Chuang's China)*

The site has an area of about 26,135 *sq. ft.* and has a developable GFA of 116,897 *sq. ft.* for residential purpose and 25,102 *sq. ft.* for commercial purpose with 47 carparking spaces. The site is located along the riverside recreation park, overlooking Tuen Mun River. Along the promenade right in front of the site, it is within leisure walking distance to the nearby landmark commercial mall.

Building plans of the development project have been approved. Foundation works are completed, and superstructure works have commenced. Soft marketing will be launched shortly and presales are planned to commence in the first quarter of 2018.

- (e) *Other property projects in the PRC*

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

MANAGEMENT DISCUSSION ON RESULTS *(Continued)*

BUSINESS REVIEW *(Continued)*

(C) **Chuang's China** *(Continued)*

(ii) Property Development (Continued)

(e) Other property projects in the PRC (Continued)

The Chuang's China Group holds a 51% development interest in a project in Wuhou District, Chengdu. As at 30th September, 2017, the Chuang's China Group's total investment costs in this project was about RMB146.8 million (equivalent to approximately HK\$171.7 million). The Chuang's China Group has launched legal proceedings in May 2016 in order to recoup the investment in this project. The aggregate amounts demanded by the Chuang's China Group is approximately RMB435.0 million (equivalent to approximately HK\$508.9 million). Further announcement(s) about the legal proceeding will be made by the Company as and when appropriate.

(f) Fortune Wealth, Sihui, Guangdong (85.5% owned by Chuang's China)

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

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

MANAGEMENT DISCUSSION ON RESULTS *(Continued)*

BUSINESS REVIEW *(Continued)*

(C) **Chuang's China** *(Continued)*

(iii) Investments

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

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

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

MANAGEMENT DISCUSSION ON RESULTS *(Continued)*

BUSINESS REVIEW *(Continued)*

(D) Midas (stock code: 1172) (60.8% owned)

Midas and its subsidiaries (the “Midas Group”) are principally engaged in, inter alia, the printing business and property business. For the six months ended 30th September, 2017, the Midas Group recorded profit attributable to equity holders of HK\$3.2 million (2016: HK\$9.5 million) and revenues and net gain of HK\$116.5 million (2016: HK\$122.5 million) (which comprised revenues from printing business of HK\$109.6 million (2016: HK\$113.8 million), revenues from rental of investment property business of HK\$4.0 million (2016: HK\$0.5 million), and revenues and net gain from securities investment and trading business of HK\$2.9 million (2016: HK\$8.2 million)).

On 1st September, 2017, the Group entered into a memorandum of understanding (the “MOU”) with an independent third party (the “Potential Purchaser”), which was later amended and supplemented by the supplemental memorandum of understanding on 1st November, 2017, for the possible disposal by the Group of its entire 60.8% interest in Midas (the “Possible Disposal”). Pursuant to the MOU, an earnest money of HK\$80 million was paid by the Potential Purchaser in consideration of the grant of an exclusivity period up to 31st December, 2017 during which the Group will only discuss the Possible Disposal with the Potential Purchaser. In the event that no definitive agreement in relation to the Possible Disposal is entered into on or before 31st December, 2017 (which is not due to the occurrence of an event which has a material adverse effect on Midas or due to the termination of the Possible Disposal unilaterally by the Group), the earnest money of HK\$80 million will be forfeited to the benefit of the Group in accordance with the terms as set out in the MOU. Details of the terms of the MOU were set out in the announcements of the Company dated 1st September, 2017, 3rd October, 2017 and 1st November, 2017, respectively. Further announcement(s) in relation to the Possible Disposal will be made by the Company as and when appropriate.

(i) *Printing Business*

During the period under review, revenues of the printing business amounted to HK\$109.6 million (2016: HK\$113.8 million), representing a slight decrease of 3.7% as compared to that of the last corresponding period. In order to strengthen its revenues, the Midas Group will continue to strive to increase its market share by exploring the market opportunity in various printing segments and strengthen partnerships with major customers. With its design team, the Midas Group will widen its product variety which in turn will attract new business.

MANAGEMENT DISCUSSION ON RESULTS *(Continued)*

BUSINESS REVIEW *(Continued)*

(D) Midas *(Continued)*

(i) *Printing Business (Continued)*

In the cost aspects, throughout the period, the Midas Group had deepened the Enterprise Resource Planning (ERP) System to further integrate its production, purchasing and financial functions. With the advent of technology and automation improvement, the Midas Group had further streamlined its operation and was able to reduce its reliance on labour force, which mitigated the impact of rising wages. In addition, successful control on inventory and capital expenditure was adopted to monitor effective use of resources. All these measures contributed to enhancement of efficiency and reduction in production costs, and, as a result, the printing business achieved a profit contribution for the period of about HK\$0.7 million to the Midas Group.

(ii) *Property Business*

The Midas Group had been investing in properties in Hong Kong and the PRC as long term investments. In line with this business strategy, the Midas Group continued to acquire further investment properties with a view to strengthen its properties portfolio so as to further enhance its recurrent income. The Midas Group now holds the following portfolio of investment properties for rental purpose, which brings steady revenue and cash inflow to the Midas Group.

(a) *Investment Properties in Hong Kong:*

- (1) Shop D, Ground Floor, Wuhu Residence, No. 111 Wuhu Street, Hunghom, Kowloon with a GFA of 1,588 *sq. ft.*. The property is subject to a tenancy agreement expiring in August 2018.
- (2) Shop B, Ground Floor, Wuhu Residence, No. 111 Wuhu Street, Hunghom, Kowloon with a GFA of 1,247 *sq. ft.*. The property is subject to a tenancy agreement expiring in February 2019.
- (3) Shops 3 and 4, Parkes Residence, No. 101 Parkes Street, Kowloon with total GFA of 1,516 *sq. ft.*. The property is subject to a tenancy agreement expiring in February 2019.

MANAGEMENT DISCUSSION ON RESULTS *(Continued)*

BUSINESS REVIEW *(Continued)*

(D) Midas *(Continued)*

(ii) *Property Business (Continued)*

(a) *Investment Properties in Hong Kong (Continued):*

- (4) Shop 5, Parkes Residence, No. 101 Parkes Street, Kowloon with a GFA of 574 *sq. ft.*. The property was vacant during the period under review. The property is subject to a rental guarantee of not less than HK\$2.16 million for a period of 18 months from 24th August, 2017. Any shortfall between the actual rental received and the guaranteed rental will be received by the Midas Group within 14 days after the expiry of the guarantee period.

(b) *Investment Properties in the PRC:*

- (1) Chengdu Digital Plaza Level 6 at Chengdu, the PRC with a GFA of 4,255 *sq. m.*. The property is subject to a tenancy agreement expiring in September 2019.
- (2) Five office units at R&F Yingkai Square, Guangzhou, the PRC with total GFA of 895 *sq. m.*. The property is subject to a tenancy agreement expiring in May 2018.

As at 30th September, 2017, the Midas Group's investment properties had an aggregate book value of approximately HK\$501.7 million, and rental income during the period amounted to HK\$4.0 million (2016: HK\$0.5 million). The property portfolio is currently expected to generate an aggregate rental income of about HK\$12.3 million on an annualized basis.

(iii) *Information Technology Business*

Leveraging on the Midas Group's experience in the information technology business and the substantial growth potential in such business, the Midas Group will continue to explore investment opportunities, in particular, in the e-commerce, e-publishing and e-auction businesses, in order to generate additional sources of revenues to the Midas Group.

MANAGEMENT DISCUSSION ON RESULTS *(Continued)*

BUSINESS REVIEW *(Continued)*

(D) Midas *(Continued)*

(iv) Prospects of the Midas Group

The Midas Group projects an optimistic view of the operating environment for its printing business. Strong sales and marketing team of the Midas Group is capable to consolidate relationships with major customers and further expand the customer base in the future. Increased automation and production efficiencies can drive growth in core product lines. With a strong customer base and continued investments in infrastructure, the Midas Group believes that the prospects for the printing market are promising.

The Midas Group invests in a diversified properties and bonds portfolio with strong recurrent income base. The Midas Group will continue to monitor new investment opportunities, so as to further expand the Midas Group's sources of revenues and maximize the return to its shareholders.

(E) Other Businesses

(i) Sintex Nylon and Cotton Products (Pte) Limited (“Sintex”)

Sintex is engaged in the sales of home finishing products under its own brand names in Singapore and is 88.2% owned by the Group. During the period, Sintex recorded revenues of HK\$27.2 million (2016: HK\$28.4 million), and incurred a loss of HK\$1.8 million (2016: HK\$1.3 million). In order to restore the business to profitability, Sintex has taken steps to broaden its customer bases through internet sale and implement effective cost control.

(ii) Securities Investment and Trading

During the period, securities investment and trading business of the Group recorded revenues and net gain of HK\$90.6 million, comprising net realized gain on disposal of investments of HK\$23.3 million, dividend and interest income from investments of HK\$57.9 million, and net fair value gain on investments of HK\$9.4 million as a result of mark to market valuations as at the balance sheet date. As at 30th September, 2017, investments of the Group amounted to HK\$1,815.3 million (HK\$999.7 million were held by the wholly-owned subsidiaries of the Group, HK\$704.7 million were held by the Chuang's China Group, and HK\$110.9 million were held by the Midas Group and included in “Assets of disposal group classified as held for sale”), and comprised as to HK\$1,764.1 million for investments in high yield bonds and as to HK\$51.2 million for investments in securities listed on the Stock Exchange.

MANAGEMENT DISCUSSION ON RESULTS (Continued)

BUSINESS REVIEW (Continued)

(E) Other Businesses (Continued)

(ii) Securities Investment and Trading (Continued)

Set out below is further information of the investments of the Group as at 30th September, 2017:

(a) Bonds investments

Stock code	Bond issuer	Face value	Market	Percentage of	Fair value	Interest
		of bonds held as at 30th September, 2017 US\$'000	value as at 30th September, 2017 HK\$'000	to the Group's total assets as at 30th September, 2017	(loss)/gain for the period ended 30th September, 2017 HK\$'000	income for the period ended 30th September, 2017 HK\$'000
813	Shimao Property Holdings Limited (8.375%)	34,000	296,689	1.5%	(1,946)	11,195
1813	KWG Property Holding Limited (6%)	10,000	81,457	0.4%	313	2,338
2007	Country Garden Holdings Company Limited			2.6%		
	(a) 4.75%	10,000	79,137		2,689	1,855
	(b) 5.625%	34,000	283,942		5,514	7,442
	(c) 7.5%	18,000	149,490		(1,629)	5,310
2777	Easy Tactic Limited, a wholly-owned subsidiary of Guangzhou R&F Properties Co., Limited (5.75%)	50,000	399,612	2.0%	(3,188)	11,204
3333	China Evergrande Group			1.9%		
	(a) 7.5%	10,743	85,146		1,305	-
	(b) 8.25%	31,200	253,516		(6,392)	10,048
	(c) 8.75% (2025)	4,714	38,207		1,418	-
	(d) 8.75% (2018)	-	disposed		-	446
	(e) 12%	-	disposed		-	5,368
3383	Agile Group Holdings Limited (5.125%)	10,000	81,119	0.4%	1,971	-
N/A	Qinghai Provincial Investment Group Co., Limited (6.3%)	2,000	15,832	0.1%	213	-
		214,657	1,764,147	8.9%	268	55,206

MANAGEMENT DISCUSSION ON RESULTS (Continued)

BUSINESS REVIEW (Continued)

(E) Other Businesses (Continued)

(ii) Securities Investment and Trading (Continued)

(b) Securities investments

Stock code	Investee company	Number of shares held as at 30th September, 2017	Market value as at 30th September, 2017 HK\$'000	Percentage of market value to the Group's total assets as at 30th September, 2017	Fair value (loss)/gain for the period ended 30th September, 2017 HK\$'000	Dividend income for the period ended 30th September, 2017 HK\$'000
276	Mongolia Energy Corporation Limited	4,349,500	983	0.01%	(148)	-
1113	CK Asset Holdings Limited	750,000	48,487	0.24%	9,225	2,599
8439	Somerley Capital Holdings Limited	912,000	1,724	0.01%	18	-
	Securities disposed of during the period	-	-	-	-	128
			51,194	0.26%	9,095	2,727

(c) Brief description of principal business of the respective bond issuers and investee companies held as at 30th September, 2017

Name of company	Principal business
Shimao Property Holdings Limited	Property development, property investment and hotel operation
KWG Property Holding Limited	Property development, property investment, hotel operation and property management
Country Garden Holdings Company Limited	Property development, construction, fitting and decoration, property investment, property management and hotel operation
Guangzhou R&F Properties Co., Limited	Development and sale of properties, property investment, hotel operations and other property development related services

MANAGEMENT DISCUSSION ON RESULTS *(Continued)*

BUSINESS REVIEW *(Continued)*

(E) Other Businesses *(Continued)*

(ii) *Securities Investment and Trading (Continued)*

- (c) *Brief description of principal business of the respective bond issuers and investee companies held as at 30th September, 2017 (Continued)*

Name of company	Principal business
China Evergrande Group	Property development, property investment, property management, property construction, hotel operations, finance business, internet business and health industry business
Agile Group Holdings Limited	Property development, property investment, hotel operation and property management
Qinghai Provincial Investment Group Co., Limited	Aluminum production, electricity generation, the mining and sale of coal, and other ancillary businesses (including property development and property management)
Mongolia Energy Corporation Limited	Energy and related resources business
CK Asset Holdings Limited	Property development and investment, hotel and serviced suite operation, property and project management, aircraft leasing, and energy and infrastructure assets
Somerley Capital Holdings Limited	Provision of corporate finance advisory services

MANAGEMENT DISCUSSION ON RESULTS *(Continued)*

BUSINESS REVIEW *(Continued)*

(E) Other Businesses *(Continued)*

(ii) Securities Investment and Trading (Continued)

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

(iii) Money Lending Business

During the period, Chuang's Credit Limited, a wholly-owned subsidiary of the Group holding a money lender's licence, had advanced loans to customers. Revenues generated from this business during the period amounted to HK\$3.9 million. As at 30th September, 2017, outstanding amount of loans due from customers amounted to HK\$163.7 million, which were mainly relating to mortgage loans.

MANAGEMENT DISCUSSION ON RESULTS *(Continued)*

FINANCIAL POSITION

Net asset value

As at 30th September, 2017, net assets attributable to equity holders of the Company was HK\$10,302.6 million (31st March, 2017: HK\$9,788.4 million). Net asset value per share was HK\$6.14 (31st March, 2017: HK\$5.84), which is calculated based on the book costs of the Group's properties for sale before taking into account their appreciated values.

Financial resources

As at 30th September, 2017, the Group's cash, bank balances and investments held for trading amounted to HK\$3,837.2 million (31st March, 2017: HK\$4,798.1 million). Bank borrowings as at the same date amounted to HK\$6,128.5 million (31st March, 2017: HK\$6,184.6 million). The Group's net debt to equity ratio, expressed as a percentage of bank borrowings net of cash, bank balances and investments held for trading over net assets attributable to equity holders of the Company, was 22.2% (31st March, 2017: 14.2%).

Approximately 95.6% of the Group's cash, bank balances and investments held for trading were denominated in Hong Kong dollar and United States dollar, 4.0% were in Renminbi and the balance of 0.4% were in other currencies. Approximately 87.8% of the Group's bank borrowings were denominated in Hong Kong dollar, 1.0% were in Renminbi, 8.8% were in British Pound Sterling and the balance of 2.4% were in Malaysian Ringgit and other currencies.

Based on the agreed scheduled repayment dates in the loan agreements and ignoring the effect of any repayment on demand clause, approximately 10.9% of the Group's bank borrowings were repayable within the first year, 7.6% were repayable within the second year, 79.6% were repayable within the third to fifth years and the balance of 1.9% were repayable after the fifth year.

Foreign exchange risk

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

MANAGEMENT DISCUSSION ON RESULTS *(Continued)*

PROSPECTS

During the period under review, the Group has taken steps to replenish its land bank by acquiring Posco Building in Sham Shui Po and majority of the units at Nos. 16–20 Gage Street in Central for site amalgamation. Looking ahead, the Group will continue our mission (i) to take steps to further enhance rental yield and return of our investment/hotel properties and thus their capital values by constantly reviewing the portfolio mix and yield with reference to their market prices; (ii) to unlock the store value of our development projects by speeding up their development and sales in accordance with local market conditions; (iii) to identify new business opportunities including land acquisitions (through land auction or site amalgamation) and property investments; and (iv) to actively further review our group structure so that resources can be deployed in a more effective and efficient manner, all with a view to continue to create value for our shareholders.

OTHER INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September, 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors and chief executive of the Company would be taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

(a) Interests in the Company

Name of Director	Number of shares	Capacity	Percentage of shareholding
Mr. Alan Chuang Shaw Swee ("Mr. Alan Chuang")	949,893,404	<i>Note 1</i>	56.64
Mr. Albert Chuang Ka Pun ("Mr. Albert Chuang")	1,299,678	Beneficial owner	0.08

Note 1: Such interests comprised 742,285,332 shares in the Company owned by Evergain Holdings Limited ("Evergain"), a company beneficially owned by Mr. Alan Chuang, and the remaining interests arose as a result of Mr. Alan Chuang being a discretionary object of a discretionary trust, the trustee of which held 207,608,072 shares in the Company. Mr. Alan Chuang, Mr. Albert Chuang, Mr. Chong Ka Fung and Mrs. Candy Kotewall Chuang Ka Wai ("Ms. Candy Chuang") are directors of Evergain.

OTHER INFORMATION (Continued)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

(b) Interests in Chuang's China Investments Limited ("Chuang's China")

Name of Director	Number of shares	Capacity	Percentage of shareholding
Mr. Alan Chuang	1,426,074,923	Notes 2 & 5	60.71
Ms. Candy Chuang	1,255,004	Beneficial owner	0.05

(c) Interests in Midas International Holdings Limited ("Midas")

Name of Director	Number of shares	Capacity	Percentage of shareholding
Mr. Alan Chuang	2,013,573,887	Notes 3 & 5	60.82
Mr. Abraham Shek Lai Him ("Mr. Shek")	30,000	Beneficial owner	0.0009

(d) Interests in Treasure Auctioneer International Limited ("Treasure")

Name of Director	Number of shares	Capacity	Percentage of shareholding
Mr. Alan Chuang	800,000	Notes 4 & 5	80.0

Note 2: Such interests are held by Profit Stability Investments Limited, a wholly-owned subsidiary of the Company.

Note 3: Such interests are held by Gold Throne Finance Limited, a wholly-owned subsidiary of the Company.

Note 4: Such interests comprised 550,000 shares in Treasure owned by a corporation beneficially owned by Mr. Alan Chuang and 250,000 shares in Treasure beneficially owned by a wholly-owned subsidiary of Chuang's China. Chuang's China is a subsidiary of the Company.

Note 5: Mr. Alan Chuang is entitled to exercise or control the exercise of one third or more of the voting power in general meetings of the Company.

OTHER INFORMATION *(Continued)*

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Save as disclosed, during the period under review, none of the Directors and chief executive of the Company nor their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any securities of the Company, its specified undertaking or any of its associated corporations.

Other than as disclosed herein, as at 30th September, 2017, none of the Directors and chief executive of the Company had any interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

OTHER INFORMATION (Continued)

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Directors or chief executive of the Company and save as disclosed in the section headed “Directors’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above, as at 30th September, 2017, the interests and short positions of person in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of Part XV of the SFO, to be entered in the register referred to therein were as follows:

Name of Shareholder	Number of shares of the Company	Capacity	Percentage of shareholding
Evergain	742,285,332	Beneficial owner, <i>Note 1</i>	44.26
Mrs. Chong Ho Pik Yu	742,285,332	<i>Note 2</i>	44.26
Madam Chuang Shau Har (“Madam Chuang”)	208,353,709	<i>Note 3</i>	12.42
Mr. Lee Sai Wai (“Mr. Lee”)	208,353,709	<i>Note 4</i>	12.42

Note 1: Such interests have been mentioned in Note 1 to the section headed “Directors’ Interests and Short Positions in Shares, Underlying Shares and Debentures”.

Note 2: Such interests arose by attribution through her spouse, Mr. Alan Chuang, whose interests have been mentioned in Note 1 to the section headed “Directors’ Interests and Short Positions in Shares, Underlying Shares and Debentures”.

Note 3: Interests in 207,608,072 shares in the Company arose as a result of Madam Chuang being the trustee and a discretionary object of a discretionary trust which owned such shares in the Company. The remaining interests in 745,637 shares in the Company arose by attribution through her spouse, Mr. Lee.

Note 4: Interests in 207,608,072 shares in the Company arose by attribution through his spouse, Madam Chuang, whose interests have been mentioned in Note 3 above. The remaining interests in 745,637 shares in the Company are beneficially owned by Mr. Lee.

Save as disclosed above, as at 30th September, 2017, there was no other person who was recorded in the register of the Company as having interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which was required, pursuant to Section 336 of Part XV of the SFO, to be entered in the register referred to therein.

OTHER INFORMATION *(Continued)*

CORPORATE GOVERNANCE

Due to other commitments, an Independent Non-Executive Director had not attended the 2017 annual general meeting of the Company as required by Code A.6.7 of the Corporate Governance Code (the “CG Code”) of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). Except as mentioned hereof, the Company has complied throughout the six months ended 30th September, 2017 with the code provisions set out in the CG Code.

An audit committee has been established by the Company to review and supervise the Company’s financial reporting process, risk management and internal controls and review the relationship with the auditor. The audit committee has held meetings in accordance with the relevant requirements. The Group’s condensed consolidated interim financial information for the period ended 30th September, 2017 have been reviewed by the audit committee of the Company and by the Company’s independent auditor in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. The current members of the audit committee are Mr. Shek, Mr. Fong Shing Kwong and Mr. Yau Chi Ming, the Independent Non-Executive Directors of the Company.

The Company has also adopted 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.

DEALING IN THE COMPANY’S SECURITIES

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

CLOSING OF REGISTER

For the purpose of determining entitlements to the interim dividend, the register of members of the Company will be closed from Friday, 22nd December, 2017 to Friday, 29th December, 2017, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company’s share registrar in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, by no later than 4:30 p.m. on Thursday, 21st December, 2017.

OTHER INFORMATION (*Continued*)

SHARE OPTION SCHEMES

Pursuant to the ordinary resolutions passed in the annual general meeting of the Company held on 31st August, 2012, a share option scheme of the Company (the “Share Option Scheme”) had been adopted, and the share option scheme adopted by Chuang’s China on 31st August, 2012 (the “Chuang’s China Scheme”) and the share option scheme adopted by Midas on 29th August, 2012 (the “Midas Scheme”) had been approved respectively.

The purposes of the Share Option Scheme, the Chuang’s China Scheme and the Midas Scheme are to recognize the contribution of the eligible persons as defined in the respective schemes including, inter alia, any directors, employees or business consultants of the Company, Chuang’s China and Midas and their respective subsidiaries (the “Eligible Persons”) to the growth of the Group, the Chuang’s China group and the Midas group and to further motivate the Eligible Persons to continue to contribute to the respective group’s long-term prosperity. No options have been granted under the Share Option Scheme, the Chuang’s China Scheme and the Midas Scheme since their adoption or approval.

STAFF

The Group puts emphasis on training and cultivating elite talent. We are committed to providing a dynamic and enthusiastic working atmosphere and increase hiring talents of all fields. As at 30th September, 2017, the Group (excluding Chuang’s China, Midas and their subsidiaries) employed 327 staff, the Chuang’s China group employed 194 staff and the Midas group employed 599 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.

By order of the Board of
Chuang’s Consortium International Limited
Alan Chuang Shaw Swee
Chairman

Hong Kong, 29th November, 2017

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30th September, 2017

	Note	2017 HK\$'000	2016 HK\$'000
Revenues and net gain	5	427,514	763,209
Revenues		394,881	739,591
Net gain of financial assets at fair value through profit or loss		32,633	23,618
Cost of sales		(174,739)	(427,729)
Gross profit		252,775	335,480
Other income and net gain	7	253,194	36,995
Selling and marketing expenses		(24,774)	(47,859)
Administrative and other operating expenses		(240,400)	(235,004)
Change in fair value of investment properties		389,815	425,192
Operating profit	8	630,610	514,804
Finance costs	9	(57,432)	(41,256)
Share of results of associated companies		765	355
Share of results of joint ventures	10	2,825	28,139
Profit before taxation		576,768	502,042
Taxation	11	(38,790)	(58,210)
Profit for the period		537,978	443,832
Attributable to:			
Equity holders		496,443	402,515
Non-controlling interests		41,535	41,317
		537,978	443,832
		HK cents	HK cents
Earnings per share (basic and diluted)	13	29.60	23.88

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)*For the six months ended 30th September, 2017*

	2017 HK\$'000	2016 HK\$'000
Profit for the period	537,978	443,832
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss:		
Net exchange differences	107,932	(64,448)
Share of exchange reserve of an associated company	(939)	–
Share of exchange reserve of a joint venture	2,122	–
Realization of exchange reserve upon liquidation of a subsidiary	–	9,327
Change in fair value of available-for-sale financial assets	(67,190)	152,393
Realization of investment revaluation reserve upon disposal of available-for-sale financial assets	(330)	(60)
Other comprehensive income for the period	41,595	97,212
Total comprehensive income for the period	579,573	541,044
Total comprehensive income attributable to:		
Equity holders	522,808	458,491
Non-controlling interests	56,765	82,553
	579,573	541,044

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30th September, 2017

	30th September, 2017	31st March, 2017
Note	HK\$'000	HK\$'000
Non-current assets		
Property, plant and equipment	560,911	617,968
Investment properties	15 8,990,911	8,333,540
Leasehold lands and land use rights	788,032	813,487
Properties for/under development	964,337	593,071
Cemetery assets	513,913	495,550
Associated companies	68,670	67,610
Joint ventures	362,180	401,475
Available-for-sale financial assets	175,232	235,907
Loans and receivables	161,638	156,290
	<u>12,585,824</u>	<u>11,714,898</u>
Current assets		
Properties for sale	1,940,673	1,882,939
Cemetery assets	207,740	201,463
Inventories	146,011	172,029
Debtors and prepayments	16 392,538	459,237
Financial assets at fair value through profit or loss	1,704,436	1,657,389
Cash and bank balances	2,132,732	3,140,744
	<u>6,524,130</u>	<u>7,513,801</u>
Assets of disposal group classified as held for sale	17 789,137	–
	<u>7,313,267</u>	<u>7,513,801</u>
Current liabilities		
Creditors and accruals	18 696,838	628,766
Sales deposits received	3,056	3,703
Short-term bank borrowings	19 127,148	158,377
Current portion of long-term bank borrowings	19 913,636	803,324
Taxation payable	236,402	277,543
	<u>1,977,080</u>	<u>1,871,713</u>
Liabilities of disposal group classified as held for sale	17 324,411	–
	<u>2,301,491</u>	<u>1,871,713</u>
Net current assets	<u>5,011,776</u>	<u>5,642,088</u>
Total assets less current liabilities	<u>17,597,600</u>	<u>17,356,986</u>

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) *(Continued)**As at 30th September, 2017*

		30th September, 2017	31st March, 2017
	<i>Note</i>	HK\$'000	HK\$'000
Equity			
Share capital	20	419,298	419,298
Reserves		9,883,338	9,369,133
		<hr/>	<hr/>
Shareholders' funds		10,302,636	9,788,431
Non-controlling interests		1,833,658	1,955,529
		<hr/>	<hr/>
Total equity		12,136,294	11,743,960
		<hr/>	<hr/>
Non-current liabilities			
Long-term bank borrowings	19	5,087,712	5,222,864
Deferred taxation liabilities		263,807	284,136
Loans and payables with non-controlling interests		49,076	47,484
Other non-current liabilities		60,711	58,542
		<hr/>	<hr/>
		5,461,306	5,613,026
		<hr/>	<hr/>
		17,597,600	17,356,986
		<hr/>	<hr/>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30th September, 2017

	Note	2017 HK\$'000	2016 HK\$'000
Net cash used in operating activities		<u>(540,939)</u>	<u>(576,590)</u>
Cash flows from investing activities			
Acquisition of property businesses	24	(372,105)	–
Additions to investment properties		(36,229)	(16,157)
Purchase of available-for-sale financial assets		(9,392)	(17,694)
Deposits received for disposal of subsidiaries		–	663,150
Decrease in pledged bank balances		–	40,018
Decrease/(increase) in investments in joint ventures		44,242	(30,692)
Decrease in bank deposits maturing more than three months from date of placement		1,746	125,393
Others, net		1,217	2,626
Net cash (used in)/from investing activities		<u>(370,521)</u>	<u>766,644</u>
Cash flows from financing activities			
New bank borrowings		380,038	472,256
Repayment of bank borrowings		(367,737)	(246,400)
Capital injection by non-controlling interests through a rights issue exercise of a subsidiary		–	99,858
Deposit paid for purchase of additional equity interest in a subsidiary	16	(29,676)	–
Increase of interest in a subsidiary	20	(52,755)	(31,984)
Dividend paid to non-controlling interests		(12,972)	–
Repurchase of shares		–	(23,616)
Others, net		1,577	139
Net cash (used in)/from financing activities		<u>(81,525)</u>	<u>270,253</u>
Net (decrease)/increase in cash and cash equivalents		(992,985)	460,307
Cash and cash equivalents at the beginning of the period		3,136,224	1,497,009
Exchange difference on cash and cash equivalents		7,771	(12,282)
Cash and cash equivalents at the end of the period		<u>2,151,010</u>	<u>1,945,034</u>
Analysis of cash and cash equivalents			
Cash and bank balances		2,132,732	1,941,110
Bank deposits maturing more than three months from date of placement		(2,774)	(5,484)
Cash and bank balances included in assets of disposal group classified as held for sale	17	21,052	9,408
Cash and cash equivalents		<u>2,151,010</u>	<u>1,945,034</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30th September, 2017

	Attributable to equity holders of the Company				Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Shareholders' funds HK\$'000		
At 1st April, 2017	419,298	1,194,797	8,174,336	9,788,431	1,955,529	11,743,960
Profit for the period	-	-	496,443	496,443	41,535	537,978
Other comprehensive income:						
Net exchange differences	-	66,787	-	66,787	41,145	107,932
Share of exchange reserve of an associated company	-	(570)	-	(570)	(369)	(939)
Share of exchange reserve of a joint venture	-	1,095	-	1,095	1,027	2,122
Change in fair value of available-for-sale financial assets	-	(40,657)	-	(40,657)	(26,533)	(67,190)
Realization of investment revaluation reserve upon disposal of available-for-sale financial assets	-	(290)	-	(290)	(40)	(330)
Total comprehensive income for the period	-	26,365	496,443	522,808	56,765	579,573
Transactions with owners:						
Dividends	-	-	(83,860)	(83,860)	-	(83,860)
Dividends to non-controlling interests	-	-	-	-	(50,624)	(50,624)
Increase of interest in a subsidiary (note 20)	-	-	75,257	75,257	(128,012)	(52,755)
At 30th September, 2017	419,298	1,221,162	8,662,176	10,302,636	1,833,658	12,136,294
At 1st April, 2016	423,479	1,194,120	6,997,113	8,614,712	1,437,706	10,052,418
Profit for the period	-	-	402,515	402,515	41,317	443,832
Other comprehensive income:						
Net exchange differences	-	(40,332)	-	(40,332)	(24,116)	(64,448)
Realization of exchange reserve upon liquidation of a subsidiary	-	9,327	-	9,327	-	9,327
Change in fair value of available-for-sale financial assets	-	87,041	-	87,041	65,352	152,393
Realization of investment revaluation reserve upon disposal of available-for-sale financial assets	-	(60)	-	(60)	-	(60)
Total comprehensive income for the period	-	55,976	402,515	458,491	82,553	541,044
Transactions with owners:						
Dividend	-	-	(50,486)	(50,486)	-	(50,486)
Dividend to non-controlling interests	-	-	-	-	(21,382)	(21,382)
Capital injection by non-controlling interests through a rights issue exercise of a subsidiary	-	-	-	-	99,858	99,858
Increase of interests in subsidiaries	-	-	24,138	24,138	(56,122)	(31,984)
Repurchase of shares	(4,181)	(19,435)	-	(23,616)	-	(23,616)
At 30th September, 2016	419,298	1,230,661	7,373,280	9,023,239	1,542,613	10,565,852

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Chuang's Consortium International 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.

The principal activities of the Company and its subsidiaries (collectively as the "Group") are property development, investment and trading, hotel operation and management, development and operation of cemetery, manufacturing, sales and trading of printed products, home finishing products, watch components and merchandises, securities investment and trading, money lending business and information technology business.

During the six months ended 30th September, 2017, the Group entered into a memorandum of understanding with an independent third party for a possible disposal by the Group of its entire 60.8% interest in Midas International Holdings Limited ("Midas") (a listed subsidiary of the Group) (see Note 17). As such, all related assets and liabilities of Midas were classified as held for sale as at 30th September, 2017 in accordance with the accounting policy for disposal group held for sale.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss at fair value, and in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial information should be read in conjunction with the consolidated annual financial statements of the Group for the year ended 31st March, 2017 which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs").

2. BASIS OF PREPARATION (Continued)

The accounting policies and methods of computation used in the preparation of the condensed consolidated interim financial information are consistent with those used in the consolidated annual financial statements of the Group for the year ended 31st March, 2017, except as stated below.

Effect of adopting amendments to standards

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

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

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

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

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

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

2. BASIS OF PREPARATION (Continued)

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

The following new standards, amendments to standards and new interpretations have been published which are relevant to the Group's operations and are mandatory for the Group's accounting periods beginning on or after 1st April, 2018, but have not yet been early adopted by the Group:

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

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

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

2. BASIS OF PREPARATION *(Continued)*

New standards, amendments to standards and new interpretations that are not yet effective *(Continued)*

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

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The activities of the Group expose it to a variety of financial risks including credit risk, liquidity risk, cash flow and fair value interest rate risk, foreign exchange risk and price risk. The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the consolidated annual financial statements and it should be read in conjunction with the consolidated annual financial statements of the Group for the year ended 31st March, 2017. There has been no material change in the Group's financial risk management policies since the year ended 31st March, 2017.

(b) Liquidity risk

Compared to the year ended 31st March, 2017, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Fair value estimation

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

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

During the six months ended 30th September, 2017, there was no significant change in the business or economic circumstances that affect the fair values of the Group's financial assets and financial liabilities, no transfers of financial assets or financial liabilities between the levels in the hierarchy, and no reclassifications of financial assets.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing the condensed consolidated interim financial information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions applied in the preparation of the condensed consolidated interim financial information are consistent with those used in the consolidated annual financial statements of the Group for the year ended 31st March, 2017.

5. REVENUES AND NET GAIN

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenues		
Sales of properties	46,940	418,847
Rental income and management fees	103,113	91,320
Income from hotel operation and management	35,876	41,846
Sales of cemetery assets	8,114	9,505
Sales of goods and merchandises	138,984	142,999
Interest income from money lending business	3,921	3,908
Interest income from financial assets at fair value through profit or loss	55,206	29,956
Dividend income from listed investments	2,727	1,210
	394,881	739,591
Net gain		
Net realized gain/(loss) of financial assets at fair value through profit or loss	23,270	(84)
Net fair value gain of financial assets at fair value through profit or loss	9,363	23,702
	32,633	23,618
Revenues and net gain	427,514	763,209

6. SEGMENT INFORMATION

(a) Segment information by business lines

The chief operating decision maker (the “CODM”) has been identified as the Executive Directors and senior management. The CODM reviews the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The CODM considers the business from a business perspective, including property development, investment and trading, hotel operation and management, cemetery, sales of goods and merchandises, securities investment and trading, money lending business and others (including information technology business). The CODM assesses the performance of the operating segments based on the measure of segment result.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

6. SEGMENT INFORMATION (Continued)

(a) Segment information by business lines (Continued)

The segment information by business lines is as follows:

	Property development, investment and trading HK\$'000	Hotel operation and management HK\$'000	Cemetery HK\$'000	Sales of goods and merchandise HK\$'000	Securities investment and trading HK\$'000	Money lending business HK\$'000	Others and corporate HK\$'000	Total HK\$'000
2017								
Revenues and net gain	150,053	35,876	8,114	138,984	90,566	3,921	-	427,514
Other income and net gain	234,559	-	10	4,222	12	-	14,391	253,194
Operating profit/(loss)	681,814	(24,795)	(611)	(1,317)	90,523	3,692	(118,696)	630,610
Finance costs	(49,614)	(6,978)	-	(840)	-	-	-	(57,432)
Share of results of associated companies	31	1,576	-	-	-	-	(842)	765
Share of results of joint ventures	2,825	-	-	-	-	-	-	2,825
Profit/(loss) before taxation	635,056	(30,197)	(611)	(2,157)	90,523	3,692	(119,538)	576,768
Taxation (charge)/credit	(39,484)	-	694	-	-	-	-	(38,790)
Profit/(loss) for the period	595,572	(30,197)	83	(2,157)	90,523	3,692	(119,538)	537,978
As at 30th September, 2017								
Segment assets	12,375,103	1,259,333	748,495	184,308	1,704,966	163,942	2,242,957	18,679,104
Associated companies	231	47,037	-	-	-	-	21,402	68,670
Joint ventures	362,180	-	-	-	-	-	-	362,180
Assets of disposal group classified as held for sale	502,178	-	-	155,002	110,905	-	21,052	789,137
Total assets	13,239,692	1,306,370	748,495	339,310	1,815,871	163,942	2,285,411	19,899,091
Segment liabilities	6,365,868	692,990	225,625	15,704	152	-	138,047	7,438,386
Liabilities of disposal group classified as held for sale	194,376	-	-	81,434	12	-	48,589	324,411
Total liabilities	6,560,244	692,990	225,625	97,138	164	-	186,636	7,762,797
2017								
Other segment items are as follows:								
Capital expenditure	861,297	33	28	6,813	-	-	762	868,933
Depreciation	1,257	14,075	396	7,838	-	-	5,856	29,422
Amortization of leasehold lands and land use rights	16	19,921	29	263	-	-	-	20,229
Reversal of provision for impairment of inventories	-	-	-	(345)	-	-	-	(345)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (Continued)

6. SEGMENT INFORMATION (Continued)

(a) Segment information by business lines (Continued)

	Property development, investment and trading HK\$ '000	Hotel operation and management HK\$ '000	Cemetery HK\$ '000	Sales of goods and merchandises HK\$ '000	Securities investment and trading HK\$ '000	Money lending business HK\$ '000	Others and corporate HK\$ '000	Total HK\$ '000
2016								
Revenues and net gain	510,167	41,846	9,505	142,999	54,784	3,908	-	763,209
Other income and net gain/(loss)	19,421	-	(13)	9,169	198	-	8,220	36,995
Operating profit/(loss)	613,517	(34,428)	(701)	162	54,927	3,678	(122,351)	514,804
Finance (costs)/income	(33,311)	(7,031)	64	(847)	(131)	-	-	(41,256)
Share of results of associated companies	29	1,031	-	-	-	-	(705)	355
Share of results of joint ventures	28,139	-	-	-	-	-	-	28,139
Profit/(loss) before taxation	608,374	(40,428)	(637)	(685)	54,796	3,678	(123,056)	502,042
Taxation (charge)/credit	(58,986)	-	609	167	-	-	-	(58,210)
Profit/(loss) for the period	549,388	(40,428)	(28)	(518)	54,796	3,678	(123,056)	443,832
As at 31st March, 2017								
Segment assets	11,291,402	1,293,231	722,590	311,499	1,659,319	158,143	3,323,430	18,759,614
Associated companies	199	45,461	-	-	-	-	21,950	67,610
Joint ventures	401,475	-	-	-	-	-	-	401,475
Total assets	11,693,076	1,338,692	722,590	311,499	1,659,319	158,143	3,345,380	19,228,699
Total liabilities	6,356,723	701,399	256,756	84,013	136	-	85,712	7,484,739
2016								
Other segment items are as follows:								
Capital expenditure	152,350	2,124	3,843	6,532	-	-	619	165,468
Depreciation	871	13,880	424	8,149	-	-	5,907	29,231
Amortization of leasehold lands and land use rights	16	20,396	30	263	-	-	-	20,705
Provision for impairment of trade debtors	797	-	-	-	-	-	-	797
Reversal of provision for impairment of inventories	-	-	-	(937)	-	-	-	(937)

6. SEGMENT INFORMATION (Continued)

(b) Geographical segment information

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

	Revenues and net gain		Capital expenditure	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	226,565	199,926	778,435	30,403
The People's Republic of China (the "PRC")	50,742	413,866	57,131	112,064
United Kingdom	32,745	19,574	-	-
United States of America	47,628	45,378	-	-
Other countries	69,834	84,465	33,367	23,001
	427,514	763,209	868,933	165,468
	Non-current assets (Note)		Total assets	
	30th September, 2017	31st March, 2017	30th September, 2017	31st March, 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	9,282,403	8,433,868	14,794,970	14,513,635
The PRC	1,370,777	1,518,262	3,119,625	3,013,761
United Kingdom	993,700	804,685	1,005,224	812,321
Other countries	602,074	565,886	979,272	888,982
	12,248,954	11,322,701	19,899,091	19,228,699

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

7. OTHER INCOME AND NET GAIN

	2017 HK\$'000	2016 HK\$'000
Interest income from bank deposits	9,442	4,720
Dividend income from available-for-sale financial assets	5,022	3,243
Sales of scraped materials	1,236	1,844
Fair value gain on transfer of properties from properties for sale to investment properties (Note a)	236,750	18,829
Negative goodwill on acquisition of property businesses, net of transaction costs (Note b)	(3,413)	–
Net gain on disposal of property, plant and equipment	722	2,494
Gain on disposal of available-for-sale financial assets	993	969
Net exchange loss	(1,019)	(183)
Sundries	3,461	5,079
	253,194	36,995

Notes:

- (a) During the period ended 30th September, 2017, upon the change of intended use, the Group has transferred certain completed properties in Hong Kong from properties for sale to investment properties at fair value of HK\$260,000,000. Fair value gain on transfer of these properties of HK\$236,750,000 and the related deferred taxation of HK\$38,730,000 were recorded under this note and “Taxation” (note 11) respectively.
- (b) (i) In April 2017, a wholly-owned subsidiary of the Group entered into a sale and purchase agreement with an independent third party to acquire a property (for commercial and industrial use) in Hong Kong at a consideration of HK\$301.2 million (the “Building Acquisition”). The transaction was announced by the Company on 12th April, 2017 and was completed on 31st July, 2017. The property was recorded as an investment property and a negative goodwill on acquisition of the property business amounting to HK\$28.8 million (before netting of transaction costs) was recorded upon completion. Details of the Building Acquisition are shown in note 24(a).
- (ii) In April 2017, a non-wholly-owned subsidiary of the Group entered into a sale and purchase agreement with an independent third party to acquire a property (for commercial use) in Hong Kong at a consideration of HK\$40 million (the “Shop Acquisition”). The transaction was completed on 17th May, 2017 and the property was recorded as an investment property. Since the consideration is equal to the fair value of the property business, except for the transaction costs, no goodwill was recorded on acquisition of the property business upon completion. Details of the Shop Acquisition are shown in note 24(b).

8. OPERATING PROFIT

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Operating profit is stated after crediting:		
Reversal of provision for impairment of inventories	345	937
and after charging:		
Cost of properties sold	30,892	267,559
Cost of inventories sold	77,912	75,029
Depreciation	29,422	29,231
Amortization of leasehold lands and land use rights	20,229	20,705
Provision for impairment of trade debtors	–	797
Realization of exchange reserve upon liquidation of a subsidiary	–	9,327
Staff costs, including Directors' emoluments		
Wages and salaries	101,753	116,070
Retirement benefit costs	4,220	4,382

9. FINANCE COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest expenses		
Bank borrowings	64,611	49,115
Bank overdraft	332	313
	64,943	49,428
Fair value adjustment of trade debtors	–	(64)
Amounts capitalized into		
Investment properties	(1,985)	(2,611)
Properties under development	(5,526)	(5,497)
	(7,511)	(8,108)
	57,432	41,256

The capitalization rates applied to funds borrowed for the development of properties range from 1.60% to 8.08% (2016: 1.60% to 8.08%) per annum.

10. SHARE OF RESULTS OF JOINT VENTURES

Share of results of joint ventures of HK\$2,825,000 (2016: HK\$28,139,000) in the condensed consolidated income statement is the share of results of the joint ventures for the period ended 30th September, 2017. For 2016, the share mainly included the share of fair value gain of the investment properties (net of the related deferred taxation) of the joint venture of HK\$30 million. Rental income received by the joint venture from the non-wholly-owned subsidiary of the joint venture partner for the period ended 30th September, 2017 amounted to approximately HK\$5,312,000 (2016: Nil) and was included in the “Share of results of joint ventures” in the condensed consolidated income statement.

11. TAXATION

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current taxation		
Overseas profits tax	405	–
PRC corporate income tax	645	26,902
PRC land appreciation tax	4,821	35,594
Over-provision in previous years	(2,811)	(275)
Deferred taxation	<u>35,730</u>	<u>(4,011)</u>
	<u>38,790</u>	<u>58,210</u>

No provision for Hong Kong profits tax has been made as the Group has sufficient tax losses brought forward to set off against the estimated assessable profits for the period (2016: Nil). PRC corporate income tax and overseas profits tax have been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the PRC and the countries in which the Group operates respectively. PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development expenditures.

Share of taxation charge of associated companies for the six months ended 30th September, 2017 of HK\$6,000 (2016: HK\$6,000) is included in the condensed consolidated income statement as share of results of associated companies. Share of deferred taxation charge of joint ventures for the six months ended 30th September, 2017 of HK\$9,000 (2016: HK\$10,142,000) is included in the condensed consolidated income statement as share of results of joint ventures.

12. INTERIM DIVIDEND

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interim dividend of 3.0 HK cents (2016: 3.0 HK cents) per share	50,316	50,316

On 29th November, 2017, the board of Directors declared an interim dividend of 3.0 HK cents (2016: 3.0 HK cents) per share amounting to HK\$50,316,000 (2016: HK\$50,316,000). The amount of HK\$50,316,000 is calculated based on 1,677,193,104 issued shares as at 29th November, 2017. This dividend is not reflected as a dividend payable in the condensed consolidated interim financial information, but will be reflected and accounted for as an appropriation of reserves in the year ending 31st March, 2018.

13. EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit attributable to equity holders of HK\$496,443,000 (2016: HK\$402,515,000) and the weighted average number of 1,677,193,104 (2016: 1,685,466,874) shares in issue during the period.

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

14. CAPITAL EXPENDITURE

For the six months ended 30th September, 2017, the Group incurred acquisition and development costs on property, plant and equipment of HK\$17,934,000 (2016: HK\$10,544,000), and property projects, properties, investment properties and cemetery assets of HK\$850,999,000 (2016: HK\$154,924,000) respectively.

15. INVESTMENT PROPERTIES

On 9th June, 2016, a wholly-owned subsidiary of the Group entered into a conditional agreement with an independent third party for the disposal of its wholly-owned subsidiary which held an investment property under construction in Hong Kong for a consideration of HK\$2.1 billion (subject to adjustment) (the “HK Disposal”). The consideration will be satisfied as to approximately 80% by cash and as to approximately 20% by the transfer of a PRC property to the Group. The HK Disposal was announced by the Company on 15th June, 2016 and published in the circular on 20th July, 2016 respectively. Based on the latest development, the transaction is expected to be completed in the fourth quarter of 2018 upon the completion of the construction and internal decoration works and inspection by the purchaser. As at 30th September, 2017, deposits of HK\$315 million were received and recorded in “Creditors and accruals” (see note 18). The said property is continued to be recorded in investment properties with the amount of HK\$1,240,000,000 (31st March, 2017: HK\$1,180,000,000) as at 30th September, 2017 as it does not qualify for the classification as “assets of disposal group held for sale” in accordance with HKFRS 5 “Non-current assets held for sale and discontinued operations”.

16. 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 hotel income and sales of goods and merchandises mainly range from 30 days to 45 days and 30 days to 180 days respectively. The aging analysis of the trade debtors of the Group is as follows:

	30th September, 2017 HK\$'000	31st March, 2017 HK\$'000
Below 30 days	19,602	27,490
31 to 60 days	1,828	8,941
61 to 90 days	877	7,111
Over 90 days	9,504	21,027
	31,811	64,569

Debtors and prepayments include net deposits of HK\$271,236,000 (31st March, 2017: HK\$264,275,000) for property projects and acquisition of properties and leasehold lands and land use rights in Hong Kong, the PRC, Mongolia and Vietnam after the accumulated provision for impairment of HK\$128,479,000 (31st March, 2017: HK\$128,479,000) as at 30th September, 2017. Such net deposits include a deposit paid of HK\$29,676,000 (31st March, 2017: Nil) for the purchase of additional 47% equity interest in a subsidiary which holds the property project in Mongolia.

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

	30th September, 2017 HK\$'000	31st March, 2017 HK\$'000
Assets		
Property, plant and equipment	46,505	–
Investment properties	501,678	–
Leasehold lands and land use rights	5,616	–
Inventories	29,809	–
Debtors and prepayments	73,572	–
Financial assets at fair value through profit or loss	110,905	–
Cash and bank balances	21,052	–
	<hr/>	<hr/>
Assets of disposal group classified as held for sale	789,137	–
	<hr/>	<hr/>
Liabilities		
Creditors and accruals	92,036	–
Short-term bank borrowings	21,582	–
Long-term bank borrowings	95,969	–
Taxation payable	54,932	–
Deferred taxation liabilities	59,892	–
	<hr/>	<hr/>
Liabilities of disposal group classified as held for sale	324,411	–
	<hr/>	<hr/>

On 1st September, 2017, the Group entered into a memorandum of understanding with an independent third party for a possible disposal by the Group of its entire 60.8% interest in Midas (the “Possible Transaction”). A supplemental memorandum of understanding was further signed by the parties on 1st November, 2017 to extend the exclusivity period to 31st December, 2017 with the earnest money increased to HK\$80 million held in escrow by the legal advisor of the Group. Details of the Possible Transaction were announced by the Company on 1st September, 2017, 3rd October, 2017 and 1st November, 2017 respectively. As such, all the related assets and liabilities of Midas (after inter-company eliminations and fair value adjustments) were reclassified as “Assets of disposal group classified as held for sale” and “Liabilities of disposal group classified as held for sale” respectively as at 30th September, 2017.

18. CREDITORS AND ACCRUALS

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

	30th September, 2017 HK\$'000	31st March, 2017 HK\$'000
Below 30 days	7,027	18,809
31 to 60 days	2,453	5,793
Over 60 days	1,813	9,991
	<hr/> 11,293 <hr/>	<hr/> 34,593 <hr/>

Creditors and accruals include the construction cost payables and accruals of HK\$121,113,000 (31st March, 2017: HK\$115,565,000) for the property and cemetery projects of the Group. They also include the deposits of HK\$315 million (31st March, 2017: HK\$315 million) for the HK Disposal as mentioned in Note 15, and dividend payable of the Company of HK\$83,860,000 (31st March, 2017: Nil).

19. BORROWINGS

	30th September, 2017 HK\$'000	31st March, 2017 HK\$'000
Unsecured bank borrowings		
Short-term bank borrowings	–	13,004
Long-term bank borrowings	681,000	695,000
	<hr/> 681,000 <hr/>	<hr/> 708,004 <hr/>
Secured bank borrowings		
Short-term bank borrowings	127,148	145,373
Long-term bank borrowings	5,320,348	5,331,188
	<hr/> 5,447,496 <hr/>	<hr/> 5,476,561 <hr/>
Total bank borrowings	<hr/> 6,128,496 <hr/>	<hr/> 6,184,565 <hr/>

19. BORROWINGS (Continued)

The total bank borrowings are analyzed as follows:

	30th September, 2017 HK\$'000	31st March, 2017 HK\$'000
Short-term bank borrowings	127,148	158,377
Long-term bank borrowings	6,001,348	6,026,188
	<u>6,128,496</u>	<u>6,184,565</u>

The long-term bank borrowings are analyzed as follows:

	30th September, 2017 HK\$'000	31st March, 2017 HK\$'000
Long-term bank borrowings	6,001,348	6,026,188
Current portion included in current liabilities		
Portion due within one year	(543,349)	(404,531)
Portion due after one year which contains a repayment on demand clause	(370,287)	(398,793)
	<u>(913,636)</u>	<u>(803,324)</u>
	<u>5,087,712</u>	<u>5,222,864</u>

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

	30th September, 2017 HK\$'000	31st March, 2017 HK\$'000
Within the first year	670,497	562,908
Within the second year	467,998	607,489
Within the third to fifth years	4,873,395	4,781,931
After the fifth year	116,606	232,237
	<u>6,128,496</u>	<u>6,184,565</u>

20. SHARE CAPITAL

	30th September, 2017 HK\$'000	31st March, 2017 HK\$'000
Authorized:		
2,500,000,000 shares of HK\$0.25 each	625,000	625,000
	Number of shares	Amount HK\$'000
Issued and fully paid at HK\$0.25 each:		
At 31st March, 2017 and 30th September, 2017	1,677,193,104	419,298

Notes:

- (a) *During the period ended 30th September, 2017, Chuang's China Investments Limited ("Chuang's China") (a listed subsidiary of the Group) repurchased 18,310,000 shares of its own shares on the Stock Exchange with a total amount of approximately HK\$10,858,000. The repurchased shares were cancelled after repurchase.*
- (b) *During the period ended 30th September, 2017, the Group purchased 64,270,000 shares of Chuang's China on the Stock Exchange with a total amount of approximately HK\$41,897,000. Together with the shares repurchased by Chuang's China as mentioned in note(a), as at 30th September, 2017, the Group's effective interest in Chuang's China increased from 57.5% to 60.7% accordingly and the respective effect was recognized within equity with a net increase in equity attributable to equity holders of the Company.*

21. FINANCIAL GUARANTEES

As at 30th September, 2017, the Company had provided a guarantee of HK\$165,550,000 (31st March, 2017: HK\$117,000,000) for the banking facilities granted to a joint venture, and subsidiaries had provided guarantees of HK\$376,621,000 (31st March, 2017: HK\$421,079,000) to banks for mortgage loans made by the banks to the purchasers of properties sold by the subsidiaries in the PRC.

22. COMMITMENTS

As at 30th September, 2017, the Group had commitments contracted but not provided for in respect of property projects and property, plant and equipment of HK\$394,557,000 (31st March, 2017: HK\$275,655,000).

23. PLEDGE OF ASSETS

As at 30th September, 2017, the Group had pledged certain assets, including property, plant and equipment, investment properties, leasehold lands and land use rights, properties for/under development, properties for sale, trade debtors and financial assets at fair value through profit or loss, with an aggregate carrying value of HK\$10,318,696,000 (31st March, 2017: HK\$10,361,641,000), to secure banking facilities granted to the subsidiaries.

24. BUSINESS COMBINATIONS

(a) Acquisition of a property business – the Building Acquisition

	2017 HK\$'000
Net cash consideration paid:	
Investment property	301,200
Creditors and accruals	(1,046)
	300,154
Recognized amounts of identifiable asset acquired and liabilities assumed at fair value:	
Investment property	330,000
Creditors and accruals	(1,046)
	328,954
Total identifiable net assets	(28,800)
Negative goodwill on acquisition	300,154
Analysis of the net loss on acquisition of the property business:	
Negative goodwill on acquisition	28,800
Less: Transaction costs	(28,813)
	(13)
Analysis of the net cash outflow on acquisition of the property business:	
Net cash consideration paid	(300,154)
Transaction costs paid	(28,813)
	(328,967)

24. BUSINESS COMBINATIONS *(Continued)*

(a) Acquisition of a property business – the Building Acquisition
(Continued)

A negative goodwill of HK\$28.8 million (before netting of transaction costs) was recorded in “Other income and net gain” for the period ended 30th September, 2017. The Group measures its fair value of net assets acquired with reference to the valuation based on direct comparison method carried out by Colliers International (Hong Kong) Limited (“Colliers”), an independent valuer who holds a recognized relevant professional qualification and has recent experience in the locations and segments of assets valued, as at the acquisition date and the current use equates to the highest and best use. No contingent consideration arrangements or contingent liabilities were identified at acquisition.

The acquired business contributed revenues and profit attributable to the equity holders of the Company of approximately HK\$1,090,000 and HK\$100,000 respectively to the Group for the period from its acquisition date up to 30th September, 2017. Had the acquisition of the property business occurred on 1st April, 2017, the consolidated revenues and net gain and profit attributable to the equity holders of the Company for the period ended 30th September, 2017 would have been approximately HK\$429,694,000 and HK\$496,643,000 respectively.

24. BUSINESS COMBINATIONS (Continued)

(b) Acquisition of a property business – the Shop Acquisition

	2017 HK\$'000
Net cash consideration paid:	
Investment property	40,000
Creditors and accruals	(262)
	39,738
Recognized amounts of identifiable asset acquired and liabilities assumed at fair value:	
Investment property	40,000
Creditors and accruals	(262)
	39,738
Analysis of other costs incurred on acquisition of the property business:	
Transaction costs	3,400
Analysis of the net cash outflow on acquisition of the property business:	
Net cash consideration paid	(39,738)
Transaction costs paid	(3,400)
	(43,138)

The Group measures its fair value of net assets acquired with reference to the valuation based on direct comparison method carried out by Colliers as at the acquisition date and the current use equates to the highest and best use. No contingent consideration arrangements or contingent liabilities were identified at acquisition.

The acquired business contributed revenues and profit attributable to the equity holders of the Company of approximately HK\$389,000 and HK\$128,000 to the Group for the period from the acquisition date up to 30th September, 2017 respectively. Had the acquisition of the property business occurred on 1st April, 2017, the consolidated revenues and net gain and profit attributable to the equity holders of the Company for the period ended 30th September, 2017 would not be materially different.