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# 漢國置業有限公司

## Hon Kwok Land Investment Company, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 160)

### 2014-15 ANNUAL RESULTS ANNOUNCEMENT

#### RESULTS

The directors (the “Directors”) of Hon Kwok Land Investment Company, Limited (the “Company”) are pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2015 together with comparative figures for the previous year as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 31 March	
	Notes	2015 HK\$'000	2014 HK\$'000
Revenue	2	360,698	382,237
Cost of sales		<u>(169,109)</u>	<u>(174,191)</u>
Gross profit		191,589	208,046
Other income	3	12,001	8,498
Fair value gains on investment properties, net		2,526,669	588,208
Gain on disposal of investment properties, net		443	1,057
Administrative expenses		(83,603)	(79,572)
Other operating expenses, net		(36,537)	(25,196)
Finance costs	4	(70,189)	(71,794)
Share of profits and losses of a joint venture and an associate		<u>(341)</u>	<u>(14)</u>
Profit before tax	5	2,540,032	629,233
Income tax expense	6	<u>(649,462)</u>	<u>(191,700)</u>
Profit for the year		<u>1,890,570</u>	<u>437,533</u>
Attributable to:			
Owners of the Company		1,898,184	436,782
Non-controlling interests		<u>(7,614)</u>	<u>751</u>
		<u>1,890,570</u>	<u>437,533</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS** *(Continued)*

		<b>For the year ended 31 March</b>	
		<b>2015</b>	<b>2014</b>
	<i>Note</i>		
Earnings per share attributable to ordinary equity holders of the Company	7		
Basic and diluted		<u>HK\$2.63</u>	<u>HK\$0.83</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 March	
	2015	2014
	HK\$'000	HK\$'000
<b>Profit for the year</b>	<b>1,890,570</b>	<b>437,533</b>
<b>Other comprehensive income/(loss)</b>		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of an associate	-	105
Exchange differences on translation of foreign operations	<u>(12,481)</u>	<u>(18,967)</u>
Other comprehensive loss for the year, net of tax	<u>(12,481)</u>	<u>(18,862)</u>
<b>Total comprehensive income for the year</b>	<b><u>1,878,089</u></b>	<b><u>418,671</u></b>
<b>Attributable to:</b>		
Owners of the Company	<b>1,885,703</b>	417,896
Non-controlling interests	<u>(7,614)</u>	<u>775</u>
	<b><u>1,878,089</u></b>	<b><u>418,671</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>31 March 2015 HK\$'000</b>	31 March 2014 HK\$'000 <i>(Restated)</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>40,736</b>	41,366
Investment properties	9	<b>10,980,921</b>	7,310,072
Investment in a joint venture		<b>199</b>	199
Investment in an associate		<b>369,729</b>	370,070
		<hr/>	<hr/>
Total non-current assets		<b>11,391,585</b>	7,721,707
<b>CURRENT ASSETS</b>			
Tax recoverable		<b>44,232</b>	2,813
Properties held for sale under development and completed properties held for sale		<b>3,048,681</b>	2,518,436
Trade receivables	10	<b>12,018</b>	7,725
Prepayments, deposits and other receivables		<b>149,549</b>	87,172
Pledged deposits		<b>344,048</b>	116,370
Cash and bank balances		<b>541,148</b>	687,536
		<hr/>	<hr/>
Total current assets		<b>4,139,676</b>	3,420,052
<b>CURRENT LIABILITIES</b>			
Trade payables and accrued liabilities	11	<b>130,316</b>	155,084
Due to an associate		<b>37,490</b>	-
Interest-bearing bank borrowings		<b>2,698,579</b>	1,601,588
Customer deposits		<b>840,098</b>	224,402
Tax payable		<b>97,146</b>	85,238
		<hr/>	<hr/>
Total current liabilities		<b>3,803,629</b>	2,066,312
<b>NET CURRENT ASSETS</b>		<hr/> <b>336,047</b>	<hr/> 1,353,740
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>11,727,632</b>	9,075,447

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)*

	<b>31 March 2015</b>	31 March 2014
	<i>Note</i> <b>HK\$'000</b>	<i>HK\$'000</i> <i>(Restated)</i>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank borrowings	<b>2,676,190</b>	2,433,303
Deferred tax liabilities	<b>1,086,807</b>	465,544
Total non-current liabilities	<b><u>3,762,997</u></b>	<u>2,898,847</u>
Net assets	<b><u>7,964,635</u></b>	<u>6,176,600</u>
<b>EQUITY</b>		
Equity attributable to owners of the Company		
Share capital	<i>12</i> <b>1,519,301</b>	1,519,301
Reserves	<b>6,198,894</b>	4,403,245
	<b>7,718,195</b>	5,922,546
Non-controlling interests	<b>246,440</b>	254,054
Total equity	<b><u>7,964,635</u></b>	<u>6,176,600</u>

Notes:

## 1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain investment properties which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The Group has adopted the following revised standards and new interpretation for the first time for the current year’s financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	<i>Investment Entities</i>
Amendments to HKAS 32 Amendments to HKAS 39 HK(IFRIC)-Int 21	<i>Offsetting Financial Assets and Financial Liabilities Novation of Derivatives and Continuation of Hedge Accounting Levies</i>
Amendment to HKFRS 2 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Definition of Vesting Condition</i> <sup>1</sup>
Amendment to HKFRS 3 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Accounting for Contingent Consideration in a Business Combination</i> <sup>1</sup>
Amendment to HKFRS 13 included in <i>Annual Improvements 2010-2012 Cycle</i>	<i>Short-term Receivables and Payables</i>
Amendment to HKFRS 1 included in <i>Annual Improvements 2011-2013 Cycle</i>	<i>Meaning of Effective HKFRSs</i>

<sup>1</sup> Effective from 1 July 2014

The adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

In addition, the requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) came into effect for the first time, during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

## 2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the property development segment develops properties for sale;
- (b) the property investment segment holds investment properties for development and the generation of rental income; and
- (c) the "others" segment comprises, principally, sub-leasing of carparking business and property management service business which provides management services to residential and commercial properties.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, share of profits and losses of a joint venture and an associate as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude investment in a joint venture, investment in an associate, and other unallocated head office and corporate assets, including tax recoverable, pledged deposits and cash and bank balances, as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities, including interest-bearing bank borrowings, tax payable and deferred tax liabilities, as these liabilities are managed on a group basis.

During the current and prior years, there were no intersegment transactions.

### For the year ended 31 March 2015

	Property development HK\$'000	Property investment HK\$'000	Others HK\$'000	Total HK\$'000
<b>Segment revenue:</b>				
Sales to external customers	148,421	175,064	37,213	<u>360,698</u>
<b>Segment results</b>	<b>29,084</b>	<b>2,645,001</b>	<b>(6,593)</b>	<b>2,667,492</b>
<i>Reconciliation:</i>				
Interest income				4,674
Unallocated expenses				(61,604)
Finance costs				(70,189)
Share of profits and losses of a joint venture and an associate				<u>(341)</u>
Profit before tax				<u>2,540,032</u>

### For the year ended 31 March 2014

	Property development HK\$'000	Property investment HK\$'000	Others HK\$'000	Total HK\$'000
<b>Segment revenue:</b>				
Sales to external customers	177,009	168,474	36,754	<u>382,237</u>
<b>Segment results</b>	<b>56,907</b>	<b>703,004</b>	<b>(4,209)</b>	<b>755,702</b>
<i>Reconciliation:</i>				
Interest income				4,942
Unallocated expenses				(59,603)
Finance costs				(71,794)
Share of profits and losses of a joint venture and an associate				<u>(14)</u>
Profit before tax				<u>629,233</u>

## 2. OPERATING SEGMENT INFORMATION *(Continued)*

	At 31 March 2015			
	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment assets</b>	3,233,722	11,597,834	1,913,139	16,744,695
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(2,512,790)
Investment in a joint venture				199
Investment in an associate				369,729
Corporate and other unallocated assets				<u>929,428</u>
Total assets				<u><u>15,531,261</u></u>
<b>Segment liabilities</b>	1,984,856	892,124	643,714	3,520,694
<i>Reconciliation:</i>				
Elimination of intersegment payables				(2,512,790)
Corporate and other unallocated liabilities				<u>6,558,722</u>
Total liabilities				<u><u>7,566,626</u></u>

	For the year ended 31 March 2015			
	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Other segment information:</b>				
Fair value gains on investment properties, net	-	2,526,669	-	2,526,669
Depreciation	997	2,210	4,682	7,889
Capital expenditure *	<u>879</u>	<u>1,151,351</u>	<u>1,638</u>	<u>1,153,868</u>

\* Capital expenditure represents additions to property, plant and equipment and investment properties.

## 2. OPERATING SEGMENT INFORMATION *(Continued)*

	At 31 March 2014			
	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment assets</b>	2,654,507	7,855,590	1,542,884	12,052,981
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(2,088,210)
Investment in a joint venture				199
Investment in an associate				370,070
Corporate and other unallocated assets				<u>806,719</u>
Total assets				<u><u>11,141,759</u></u>
<b>Segment liabilities</b>	1,394,805	537,653	535,238	2,467,696
<i>Reconciliation:</i>				
Elimination of intersegment payables				(2,088,210)
Corporate and other unallocated liabilities				<u>4,585,673</u>
Total liabilities				<u><u>4,965,159</u></u>

	For the year ended 31 March 2014			
	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Other segment information:</b>				
Fair value gains on investment properties, net	-	588,208	-	588,208
Depreciation	1,157	1,938	5,409	8,504
Capital expenditure *	<u>177</u>	<u>638,607</u>	<u>853</u>	<u><u>639,637</u></u>

\* Capital expenditure represents additions to property, plant and equipment and investment properties.

## 2. OPERATING SEGMENT INFORMATION *(Continued)*

### Geographical information

#### (a) Revenue

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Hong Kong	<b>98,802</b>	90,418
Mainland China	<b>261,896</b>	291,819
	<b><u>360,698</u></b>	<u>382,237</u>

The revenue information above is based on the locations of the customers.

#### (b) Non-current assets

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Hong Kong	<b>3,293,181</b>	2,539,241
Mainland China	<b>7,728,476</b>	4,812,197
	<b><u>11,021,657</u></b>	<u>7,351,438</u>

The non-current asset information above is based on the locations of the assets and excludes investments in a joint venture and an associate.

### 3. OTHER INCOME

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Bank interest income	4,674	4,942
Others	7,327	3,556
	<u>12,001</u>	<u>8,498</u>

### 4. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans	180,552	153,959
Less: Interest capitalised under property development projects	<u>(110,363)</u>	<u>(82,165)</u>
	<u>70,189</u>	<u>71,794</u>

### 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cost of properties sold	88,785	100,139
Depreciation	7,889	8,504
Minimum lease payments under operating leases on land and buildings	21,284	20,161
Auditors' remuneration	2,128	1,998
Foreign exchange differences, net	-	164
Employee benefit expense (including directors' remuneration):		
Wages, salaries, allowances and benefits in kind	46,142	42,790
Pension scheme contributions	<u>1,567</u>	<u>1,426</u>
	47,709	44,216
Less: Amounts capitalised under property development projects	<u>(12,400)</u>	<u>(11,300)</u>
	<u>35,309</u>	<u>32,916</u>
Gross rental income	(210,432)	(202,963)
Less: Outgoing expenses	<u>80,324</u>	<u>74,052</u>
	<u>(130,108)</u>	<u>(128,911)</u>

At 31 March 2015 and 31 March 2014, the amount of forfeited pension scheme contributions available to the Group for future utilisation was not significant.

## 6. INCOME TAX

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax		
Hong Kong	-	24
Mainland China corporate income tax	13,981	15,957
Land appreciation tax in Mainland China	13,753	10,425
Overseas profits tax	465	996
	<b>28,199</b>	27,402
Deferred tax	<b>621,263</b>	164,298
Total tax charge for the year	<b>649,462</b>	191,700

No provision for Hong Kong profits tax has been made for the year as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the year. In the prior year, Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Land appreciation tax has been calculated in conformity with the prevailing rules and practices on the Group's completed projects in Mainland China at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

## 7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$1,898,184,000 (2014: HK\$436,782,000) and the weighted average number of 720,429,301 (2014: 527,408,166) ordinary shares in issue during the year.

The weighted average number of ordinary shares in issue for the year ended 31 March 2014 used in the basic earnings per share calculation had been adjusted to reflect the effect of the rights issue completed in January 2014.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2015 and 2014 in respect of a dilution as the Group has no potential dilutive ordinary shares in issue during these years.

## 8. DIVIDEND

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Proposed final – 12.5 HK cents (2014: 12.5 HK cents) per ordinary share	<u>90,054</u>	<u>90,054</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 9. INVESTMENT PROPERTIES

During the year, one of the Group's investment properties under construction which was stated at cost as at 31 March 2014 was revalued on an open market, existing use basis, by independent professionally qualified valuers as its fair value can be determined reliably. This gave rise to a revaluation gain of HK\$2,383 million and a related deferred tax of HK\$596 million which were both recognized in the consolidated statement of profit or loss for the year.

## 10. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice/contract date, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 30 days	1,907	2,136
31 to 60 days	936	1,859
61 to 90 days	804	1,607
Over 90 days	<u>8,371</u>	<u>2,123</u>
Total	<u>12,018</u>	<u>7,725</u>

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of the consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue trade debts are monitored closely by management and are provided for in full in cases of non-recoverability. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

## 11. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in the trade payables and accrued liabilities are trade payables of HK\$57,374,000 (2014: HK\$69,765,000). An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 30 days	<u>57,374</u>	<u>69,765</u>

## 12. SHARE CAPITAL

	2015 HK\$'000	2014 HK\$'000
Issued and fully paid:		
720,429,301 (2014: 720,429,301) ordinary shares	<u>1,519,301</u>	<u>1,519,301</u>

A summary of the transactions during prior year in the Company's issued share capital is as follows:

	Number of shares in issue	Share capital HK\$'000	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Total HK\$'000
At 1 April 2013	480,286,201	480,286	396,352	10	876,648
Rights issue (note (a))	240,143,100	240,143	408,243	-	648,386
Share issue expenses	-	-	(5,733)	-	(5,733)
	<u>720,429,301</u>	<u>720,429</u>	<u>798,862</u>	<u>10</u>	<u>1,519,301</u>
Transition to no-par value regime on 3 March 2014 (note (b))	<u>-</u>	<u>798,872</u>	<u>(798,862)</u>	<u>(10)</u>	<u>-</u>
At 31 March 2014, 1 April 2014 and 31 March 2015	<u>720,429,301</u>	<u>1,519,301</u>	<u>-</u>	<u>-</u>	<u>1,519,301</u>

Note: (a) In the prior year, a rights issue of one rights share for every two existing shares held by members on the register of members on 27 December 2013 were made, at an issue price of HK\$2.70 per rights share, resulting in the issue of 240,143,100 shares of HK\$1 each for a total consideration, before expenses, of HK\$648,386,000.

(b) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance, on 3 March 2014, any amount standing to the credit of the share premium account has become part of the Company's share capital.

## 13. CONTINGENT LIABILITIES

- (a) As at 31 March 2015, the Group has given a guarantee of HK\$40,000,000 (2014: Nil) to a bank in connection with a facility granted to an associate and such banking facility guaranteed by the Group to the associate was utilized to the extent of HK\$40,000,000 (2014: Nil).
- (b) As at 31 March 2015, the Group has given guarantees of HK\$191,000,000 (2014: HK\$9,518,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date the loans are granted to the purchasers up to the date of issuance of property title certificates to the purchasers.

## 14. EVENT AFTER THE REPORTING PERIOD

In April 2015, a direct wholly-owned subsidiary of the Company, as vendor, entered into a sale and purchase agreement with an independent third party, as purchaser, to dispose of one of its wholly-owned subsidiaries for a cash consideration of RMB10,800,000 (equivalent to HK\$13,442,000). The principal asset of the subsidiary being disposed of was a property located in Shenzhen, PRC. The total consideration was received and the transaction was completed on 15 June 2015.

## 15. COMPARATIVE AMOUNTS

As further explained in note 1, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosure of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation and disclosures.

## **DIVIDEND**

The Directors recommend the payment of a final dividend of 12.5 Hong Kong cents per ordinary share for the year ended 31 March 2015 (2014: 12.5 Hong Kong cents) to shareholders whose names appear on the Company's register of members on 4 September 2015. Subject to the approval by the shareholders at the forthcoming annual general meeting, the dividend cheques are expected to be despatched to shareholders on or before 21 September 2015.

## **CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING**

The annual general meeting of the Company is scheduled to be held on 27 August 2015. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 24 August 2015 to 27 August 2015 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 21 August 2015.

## **CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND**

The proposed final dividend for the year ended 31 March 2015 is subject to the approval by the shareholders at the annual general meeting. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on 3 September 2015 and 4 September 2015, during which period no share transfers will be registered. The last day for dealing in the Company's shares cum entitlements to the proposed final dividend will be 31 August 2015. In order to qualify for the proposed final dividend, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 2 September 2015.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 March 2015.

## **CORPORATE GOVERNANCE**

### **Compliance with Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of conduct for directors' securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 March 2015.

## Compliance with the Corporate Governance Code

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules for the year ended 31 March 2015, except for the following deviations:

1. CG Code provision A.1.1 stipulates that the board of directors should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

During the year ended 31 March 2015, the board of directors of the Company (the “Board”) met twice for approving the annual results of the Company for the year ended 31 March 2014 and the interim results for the period ended 30 September 2014. As business operations were under the management and supervision of the executive directors of the Company, who had from time to time held meetings to resolve all material business or management issues, only two regular board meetings were held for the year ended 31 March 2015.

2. CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Currently, Dr. James Sai-Wing Wong is the Chairman of the Company and assumes the role of the Chairman and also the chief executive officer. Given the nature of the Group’s businesses which require considerable market expertise, the Board believes that the vesting of the two roles for the time being provides the Group with stable and consistent leadership and allows for more effective planning and implementation of long term business strategies. The Board will continuously review the effectiveness of the structure to balance the power and authority of the Board and the management.

3. CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election and CG Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company (the “Articles of Association”). The Articles of Association do not require the directors to retire by rotation at least once every three years. However, in accordance with article 104 of the Articles of Association, at each annual general meeting of the Company, one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest one-third), other than the one who holds the office as executive chairman or managing director, shall retire from office by rotation. The Board will ensure the retirement of each director, other than the one who holds the office as executive chairman or managing director, by rotation at least once every three years in order to comply with the CG Code provisions.

The Chairman will not be subject to retirement by rotation as stipulated in CG Code provision A.4.2 as the Board considers that the continuity of office of the Chairman provides the Group with a strong and consistent leadership and is of great importance to the smooth operations of the Group.

All directors appointed to fill a casual vacancy is subject to re-election by shareholders at the next following annual general meeting of the Company instead of at the first general meeting after their appointment as stipulated in CG Code provision A.4.2.

4. CG Code provision A.5.1 stipulates that the Company should establish a nomination committee which should be chaired by the Chairman of the Board or an independent non-executive director. The Company has not established a nomination committee. The Board is responsible for considering the suitability of a candidate to act as a director, and collectively approving and terminating the appointment of a director as this allows a more informed and balanced decision to be made. The Chairman is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Chairman will propose the appointment of such candidates to the Board for consideration and the Board will determine the suitability of the relevant candidates on the basis of their gender, age, professional qualifications and experience as well as educational background.
5. CG Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Xiao-Ping Li, executive director of the Company, Madam Madeline May-Lung Wong (who retired at the 2014 annual general meeting), non-executive director of the Company and Mr. Kenneth Kin-Hing Lam and Professor Hsin-Kang Chang, independent non-executive directors of the Company, did not attend the 2014 annual general meeting of the Company held on 28 August 2014 due to their own business engagements or other commitments.
6. CG Code provision B.1.2 stipulates that the terms of reference of the remuneration committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company has adopted the revised terms of reference of the Remuneration Committee on 30 March 2012 with certain deviations from the CG Code provisions. Pursuant to the revised terms of reference, the Remuneration Committee should review and make recommendations to the Board on the remuneration packages of directors (as opposed to directors and senior management).

### **Audit Committee**

Regular meetings have been held by the Audit Committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Audit Committee has reviewed with management the annual results of the Group for the year ended 31 March 2015.

## **REVIEW OF PRELIMINARY ANNOUNCEMENT**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2015 have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

## **FINANCIAL REVIEW**

### **Liquidity and financial resources**

The total interest-bearing debts of the Group amounted to approximately HK\$5,375 million as at 31 March 2015 (2014: HK\$4,035 million), of which approximately 50% (2014: 40%) of the debts were classified as current liabilities. Included therein were debts of HK\$182 million (2014: HK\$196 million) related to bank loans with repayable on demand clause and HK\$2,218 million related to project loans which will be refinanced during the forthcoming financial year. Based on the repayment schedules pursuant to the related loan agreements and assuming that the aforesaid refinancing will be completed on schedule, the current portion of the total interest-bearing debts was approximately 6%. The increase in total debts was mainly due to the refinancing of the existing syndicated bank loan and certain investment properties with increased facilities as well as the drawdown of bank loans for acquisition and construction of development projects.

Total cash and bank balances including time deposits were approximately HK\$885 million as at 31 March 2015 (2014: HK\$804 million). Included in cash and bank balances are restricted bank deposits of HK\$172 million (2014: HK\$83 million) which can only be applied in the designated property development projects prior to their completion of construction. The Group had committed but undrawn banking facilities of a total of approximately HK\$89 million at year end available for its working capital purpose.

Total shareholders' funds as at 31 March 2015 were approximately HK\$7,718 million (2014: HK\$5,923 million). The increase was mainly due to current year's profit attributable to shareholders.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK\$4,490 million (2014: HK\$3,231 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK\$7,965 million (2014: HK\$6,177 million), was 56% as at 31 March 2015 (2014: 52%).

### **Use of proceeds from the rights issue**

The net proceeds of HK\$641 million from the rights issue completed in January 2014 have been fully utilized by (i) HK\$288 million for repayment of bank loans (ii) HK\$223 million for acquisition and settlement of construction/renovation costs of the Group's projects and (iii) HK\$130 million as general working capital in accordance with the proposed applications as set out in the Company's prospectus dated 30 December 2013.

## **Funding and treasury policies**

The Group adopts prudent funding and treasury policies. Surplus funds are primarily maintained in the form of cash deposits with leading banks.

Acquisition and development of properties are financed partly by internal resources and partly by bank loans. Repayments of bank loans are scheduled to match asset lives and project completion dates. Bank loans are mainly denominated in Hong Kong dollars and Renminbi and bear interest at floating rates.

Foreign currency exposure is monitored closely by management and hedged to the extent desirable. As at 31 March 2015, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

## **Pledge of assets**

Properties and bank balances with an aggregate carrying value of approximately HK\$11,708 million as at 31 March 2015 were pledged to secure certain banking facilities of the Group.

## **Employees and remuneration policies**

The Group, not including its joint venture and an associate, employed approximately 380 employees as at 31 March 2015. Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually with discretionary bonuses being paid depending on individual performance. The Group also provides other benefits including medical cover, provident fund, personal accident insurance and educational subsidies to all eligible staff.

## FINANCIAL RESULTS

For the year ended 31 March 2015, the Group's consolidated turnover and net profit attributable to shareholders amounted to HK\$361 million (2014: HK\$382 million) and HK\$1,898 million (2014: HK\$437 million), respectively. Basic earnings per share were HK\$2.63 (2014: HK\$0.83). As at 31 March 2015, the shareholders' equity amounted to HK\$7,718 million (as at 31 March 2014: HK\$5,923 million) and net assets per share attributable to shareholders were HK\$10.71 (as at 31 March 2014: HK\$8.22).

The increase in profit was mainly attributable to the recognition of property revaluation gain, net of deferred tax, of HK\$1,907 million during the year against last year of HK\$424 million.

## BUSINESS REVIEW

### Acquisition of Properties

In January 2015, a wholly-owned subsidiary of the Company acquired a bare site at Kin Chuen Street, Kwai Chung, New Territories via government public tender at a cash consideration of HK\$686.8 million. The site, with a total gross floor area of approximately 228,000 sq. ft., is under the planning and design stage and will be developed for non-residential use for recurrent rental income. The above acquisition was completed in February 2015 and constituted a major transaction for the Company under the Listing Rules. For details, please refer to the Company's joint announcement dated 15 January 2015 and circular dated 5 March 2015.

As stated in the Interim Report 2014/15, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement in May 2014 for the acquisition of a villa located in Longgang District, Shenzhen, PRC from a wholly-owned subsidiary of Chinney Alliance Group Limited for a cash consideration of HK\$8,063,000. The transaction was completed in June 2014. The above acquisition constituted a connected transaction for the Company under the Listing Rules and was subject to the reporting and announcement requirements but was exempt from independent shareholders' approval. For details, please refer to the Company's announcement dated 29 May 2014.

### Property Development

#### ***Botanica Phase 3 寶翠園三期, Guangzhou, PRC***

**The Botanica 寶翠園**, with a total gross floor area of approximately 229,000 sq.m., is situated in the greenery zone of Tian He District near the Botanical Garden. It comprises 39 blocks of high-rise residential building and is scheduled for development and pre-sale by phases. In the prior financial years, **Botanica Phases 1 and 2 寶翠園一及二期**, with total 16 blocks of over 750 units, had been sold out and profits derived therefrom had been recognized in the income statements. Superstructure works of **Botanica Phase 3 寶翠園三期**, comprises 12 blocks of about 530 units, have been completed and internal finishing works are in progress and the sold units are expected to be delivered to individual purchasers commencing next quarter through financial year 2016/17. Eleven blocks of the above phase have been launched to the market for pre-sale, of which over 85% have been sold up to the date of this announcement and total contracted sales amounted to approximately RMB1,400 million.

### **Metropolitan Oasis 雅瑤綠洲, Nanhai, PRC**

This project is also scheduled for development by phases. It is situated in Da Li District, Nanhai with a total gross floor area of approximately 273,000 sq.m. Phase 1 of the project comprises 71 units of 3-storey town houses of about 18,000 sq.m. and 24 blocks of high-rise apartments of about 121,000 sq.m. All the town houses and 6 blocks of the above apartments are completed and delivery of the sold units to individual purchasers is in progress. The remaining blocks of apartments are under construction and expected to be completed by the end of this year. The above town houses and seven blocks of apartment units have been launched to market for sale, of which about 85% have been sold up to the date of this announcement, generated sale proceeds exceeding RMB480 million.

### **The Dong Guan Zhuan Road and the Beijing Nan Road projects, Guangzhou, PRC**

The project site at Dong Guan Zhuan Road, Tian He District and the other one at 45-107 Beijing Nan Road, Yue Xiu District are both under the planning and design stage.

### **Enterprise Square 僑城坊, Shenzhen, PRC**

The project, with a site area of 48,764 sq.m. and situated at Qiaoxiang Road North, Nanshan District, is being developed in two phases into 12 blocks of buildings for composite use with a total gross floor area of approximately 224,500 sq.m. Superstructure works of Phase 1 and substructure works of Phase 2 are in progress. The Group has 20% interest in this project.

## **Property Investment**

### **Shenzhen, PRC**

Superstructure works of **Hon Kwok City Commercial Centre 漢國城市商業中心**, situated at the junction of Shen Nan Zhong Road and Fu Ming Road, Futian District and with a total gross floor area of 128,000 sq.m., are well in progress. Construction of this 80-storey (including 5 storeys underground) commercial/office tower is expected to be completed in 2016 and the Group intends to hold this signature building for recurrent rental income. During the year under review, the Group's property revaluation gain being recognized was mainly attributable to this project as such revaluation gain could be determined reliably in line with the prevailing accounting standards. It is currently estimated that further revaluation gains in respect of this project will be progressively realized until financial year 2016/17 upon completion of construction of the property.

All the retail shops at ground floor and the entire first floor of the 5-storey commercial podium of **City Square 城市天地廣場**, situated at Jia Bin Road, Luo Hu District, are leased out. **The Bauhinia Hotel (Shenzhen) 寶軒酒店 (深圳)**, a 162-room hotel at upper three floors of the above podium, maintained average occupancy and room rates at satisfactory level. The average occupancy rate of **City Suites 寶軒公寓**, a 64-unit serviced apartments on top of the podium, exceeded 95%.

## ***Guangzhou, PRC***

The occupancy rate of **Ganghui Dasha** 港滙大廈, a 20-storey commercial/office building situated at the junction of Beijing Road, Nanti Er Road and Baqi Er Road, Yue Xiu District, is currently about 90%.

Both the average occupancy and room rates of **The Bauhinia Hotel (Guangzhou)** 寶軒酒店(廣州), a 166-room hotel leased by the Group and situated at Jie Fang Nan Road, Yue Xiu District, are satisfactory.

## ***Chongqing, PRC***

**Chongqing Hon Kwok Centre** 重慶漢國中心, a 21-storey twin-tower office building atop of a 4-storey retail/commercial podium, is situated in Bei Bu Xin Qu with current occupancy rate about 95%.

**Jinshan Shangye Zhongxin** 金山商業中心, a twin-tower project comprising a 41-storey grade A office tower and a 42-storey 5-star hotel plus office tower with respective 4-storey retail/commercial podium, is also situated in Bei Bu Xin Qu and adjacent to the above **Chongqing Hon Kwok Centre** 重慶漢國中心. Air-conditioning and internal finishing works as well as leasing activities in respect of the office tower are in progress and the tenants are expected to move in by next quarter. It is expected that upon commencement of rental contribution from this project in the second half of the forthcoming financial year, the Group's overall recurrent rental income will be further enhanced.

## ***Hong Kong***

The retail areas at ground level of the hotel/apartment building at Connaught Road Central and Des Voeux Road Central are fully let. The average occupancy rate of **The Bauhinia Hotel (Central)** 寶軒酒店(中環), a 42-room boutique hotel situated at four podium floors of the above building, is about 95% with encouraging room rates whilst that of **The Bauhinia** 寶軒, a 171-room serviced apartments atop of the above hotel, is over 80%.

**The Bauhinia Hotel (TST)** 寶軒酒店(尖沙咀), occupying total 20 floors of a 23-storey commercial/office building at Observatory Court, Tsim Sha Tsui, is a 98-room boutique hotel of which 54 additional rooms commenced operation in last month. Both its average occupancy and room rates are satisfactory. The first floor of the above building has been leased out to a restaurant with the remaining floors for commercial use.

**Hon Kwok Jordan Centre** 漢國佐敦中心, a 23-storey commercial/office building situated at Hillwood Road, Tsim Sha Tsui, is currently nearly fully let.

## ***Operation of Carparks***

Currently approximate 2,000 units of car parking space, comprising certain privately-owned by the Group plus those from government authorities for management under lease/contract, are being operated by the Group with satisfactory return.

## OUTLOOK

The US and Mainland China recorded slow growth in last quarter whilst there was signs of recovery in the Eurozone. The Central Government had the largest cut on reserve requirement ratio by 100 basis points in April in more than six years followed by a further cut in benchmark interest rates signalled its heightened concerns over the growth slowdown and disinflation. It is widely expected that there will be more monetary and fiscal easing measures in the rest of the year to stabilize economic growth and that the recent relaxation of property measures will steer the market towards a potentially faster-than-expected recovery, in particular, in tier one/two cities.

In Hong Kong, barring happening of another global economic downturn, the residential property market is expected to be stable prior to any interest rate hike in U.S. However, the revised multiple-entry scheme is likely to slow visitor arrivals from Mainland China and probably dampen retail sales that may lead to weakening retail rental.

**James Sai-Wing Wong**  
*Chairman*

Hong Kong, 25 June 2015

*At the date of this announcement, the directors of the Company are Dr. James Sai-Wing Wong (Chairman), Mr. Yuen-Keung Chan and Mr. Xiao-Ping Li as executive directors; Mr. Herman Man-Hei Fung (Vice-Chairman) and Dr. Emily Yen Wong as non-executive directors; and Dr. Daniel Chi-Wai Tse, Mr. Kenneth Kin-Hing Lam, Mr. Zuo Xiang and Mr. William Kwan-Lim Chu as independent non-executive directors.*