Chinney Investments, Limited

Stock Code: 216

Interim Report 2013/14

CONTENTS

CORPORATE INFORMATION

DIRECTORS

James Sai-Wing Wong *(Chairman)*
Madeline May-Lung Wong
William Chung-Yue Fan
Herman Man-Hei Fung *(Managing Director)*
Paul Hon-To Tong
James Sing-Wai Wong
Clement Kwok-Hung Young*
Peter Man-Kong Wong*
James C. Chen*

* *Independent non-executive directors*

AUDIT COMMITTEE

James C. Chen
William Chung-Yue Fan
Clement Kwok-Hung Young
Peter Man-Kong Wong

REMUNERATION COMMITTEE

Clement Kwok-Hung Young
James C. Chen
Herman Man-Hei Fung

SECRETARY

Louisa Kai-Nor Siu

PRINCIPAL BANKERS

The Bank of East Asia, Limited
Chong Hing Bank Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China Limited
Industrial and Commercial Bank of China (Asia) Limited
Shanghai Commercial Bank Limited
Wing Lung Bank, Limited

AUDITORS

Ernst & Young

REGISTRARS

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STOCK CODE

SEHK 216

WEBSITE

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FINANCIAL RESULTS

For the six months ended 30 September 2013, the Group's unaudited consolidated turnover and net profit attributable to shareholders amounted to HK$210 million (2012: HK$151 million) and HK$188 million (2012: HK$125 million), respectively. Basic earnings per share were 34.18 Hong Kong cents (2012: 22.63 Hong Kong cents). As at 30 September 2013, the shareholders' equity amounted to HK$3,181 million (as at 31 March 2013: HK$2,987 million) and net assets per share attributable to shareholders were HK$5.77 (as at 31 March 2013: HK$5.42).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2013 (2012: Nil).

BUSINESS REVIEW

1. Transferable term and revolving loan facilities

In August 2013, Chinney Treasury Limited, a wholly-owned subsidiary of the Company, as borrower entered into a facility agreement relating to HK$500 million transferable term and revolving loan facilities with a syndicate of banks. The loan facilities have a term of 48 months commencing from the date of the facility agreement and will be used for financing the Group's general working capital requirements.

2. Property

The Group's property development and investment activities are conducted by our 55.79% owned Hon Kwok Land Investment Company, Limited ("Hon Kwok") (Stock Code: 160). Hon Kwok reported a turnover of HK$148 million (2012: HK$91 million) and profit attributable to their shareholders of HK$344 million (2012: HK$227 million) respectively. The turnover recorded for the period mainly included the sale of property units of Metropolitan Oasis Phase I, Hon Kwok's development project in Nanhai. The substantial increase in net profit was mainly due to the fair value gain of Hon Kwok's investment properties during the period under review.

BUSINESS REVIEW *(Continued)*

2. Property *(Continued)*

Property Development and Sales

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

The Botanica 寶翠園, with 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. Foundation works of **Botanica Phase 3** 寶翠園三期, comprises 12 blocks of about 530 units, have been completed and superstructure works are progressing by stages.

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

The whole project, situated in Da Li District, Nanhai, is scheduled for development by phases with total gross floor area of approximately 273,000 sq.m. Phase I of the project comprises 71 units of 3-storey completed town houses of about 18,000 sq.m. and 24 blocks of high-rise apartments of about 121,000 sq.m. under construction which are expected to be completed by stages commencing in the current financial year through 2015/16. Up to the date of this report, about 70% of the above town houses and four blocks of apartment units have been sold, generated sale proceeds exceeding RMB250 million. The delivery of town houses to individual purchasers is in progress and profits derived therefrom have been recognized in the income statements whereas the above four blocks of apartment units are under internal finishing and will be delivered to purchasers at a later stage.

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

The project at Dong Guan Zhuan Road, Tian He District and another 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 vacant site, situated at Qiaoxiang Road North, Nanshan District, is to be developed into a group of buildings for composite use with total gross floor area of approximately 224,500 sq.m. Its foundation works are well in progress. Hon Kwok Group has 20% interest in this project which is expected to be benefited by the on-going development of Qianhai special pilot zone.

BUSINESS REVIEW *(Continued)*

2. Property *(Continued)*

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 total gross floor area of 128,000 sq.m., are in progress. Construction of this 80-storey commercial/office/residential tower is expected to be completed in 2015 and Hon Kwok Group plans to hold this signature building for recurrent rental income.

The ground level retail shops and level 2 of the 5-storey commercial podium of **City Square** 城市天地廣場, situated at Jia Bin Road, Luo Hu District, are fully let. **The Bauhinia Hotel (Shenzhen)** 寶軒酒店（深圳）, a 162-room hotel at levels 3 to 5 of the above podium and **City Suites** 寶軒公寓, a 64-unit serviced apartments atop of the same podium, both maintain average occupancy and room rates at a satisfactory level.

Guangzhou, PRC

The current occupancy rate of **Ganghui Dasha** 港匯大廈, a 20-storey commercial/office building situated at the junction of Beijing Road, Nanti Er Road and Baqi Er Road, Yue Xiu District, is about 85%.

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 and situated in Bei Bu Xin Qu, is fully let.

Jinshan Shangye Zhongxin 金山商業中心, with total gross floor area of 133,502 sq.m., is also situated in Bei Bu Xin Qu and adjacent to the above **Chongqing Hon Kwok Centre** 重慶漢國中心. Construction works of this twin-tower project, being developed as a grade A office tower and a 5-star hotel plus serviced apartments building with respective retail/commercial podium, are scheduled to be completed by the end of next month. During the period under review, a revaluation gain of HK$331 million, net of deferred tax, in respect of this project was recognized in the income statement in line with the prevailing accounting standards as such revaluation gain could be determined reliably.

BUSINESS REVIEW *(Continued)*

2. Property *(Continued)*

Property Investment *(Continued)*

Hong Kong

The occupancy rate of the retail areas at ground floor of the hotel/apartment building at Connaught Road Central and Des Voeux Road Central is currently above 80%. 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, exceeds 90% with satisfactory room rates while the current occupancy rate 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）, a 44-room boutique hotel situated at the upper portion of a 23-storey commercial/office building at Observatory Court, Tsim Sha Tsui, maintains an average occupancy rate nearly 80% with satisfactory room rates. Renovation works for conversion of the lower floors of the above building into additional 54 hotel rooms are expected to be completed before the coming Chinese New Year and upon completion, the whole building will comprise a 20-storey boutique hotel with a total of 98 rooms while the remaining floors for commercial use.

Hon Kwok Jordan Centre 漢國佐敦中心, a 23-storey commercial/office building well located at Hillwood Road, Tsim Sha Tsui, is currently being occupied up to 95%.

3. Garment

J.L. Garment Group, a wholly-owned subsidiary of our Company with garment factory situated at Dongguan, the Mainland China, reported turnover of HK$62 million (2012: HK$59 million) with a net loss of HK$5.7 million (2012: profit HK$2.4 million) for the six months ended 30 September 2013.

Although the major European countries exhibited slight GDP growth during the first half year, their unemployment rates remained high with no apparent sign of improvement. The European consumer markets are still lacking resilience and the slackening market sentiment hampered our customers' plan in replenishing retail stock. Sales orders placed with us maintained at a relatively low level. Furthermore, the persisting upsurge of material and, in particular, labour cost in the Mainland China also brought about a decline of gross profit margin to J.L. Garment Group.

BUSINESS REVIEW *(Continued)*

3. **Garment** *(Continued)*

To sustain its competitiveness, J.L. Garment Group strives to broaden its customer base in South East Asia and continues its stringent measures to curtail the rising production costs through restructuring manpower and streamlining production process.

Due to the upward trend in Hong Kong industrial property market, J.L. Garment Group recorded a property revaluation gain of HK$2.3 million (2012: HK$5.7 million) on its investment properties while the self use property in Hong Kong was carrying at historical cost which is substantially lower than the current market value. The investment properties were held for rental income.

4. **Construction and Trading**

Chinney Alliance Group Limited ("Chinney Alliance"), a 29.1% owned associate recorded turnover and net profit for the six months ended 30 June 2013 of HK$1,477 million (2012: HK$1,301 million) and HK$41.4 million (2012: HK$8.1 million) respectively. The profit for the period included fair value gains on equity investments of HK$17 million (2012: HK$2.6 million). Excluding the effect of fair value gains on equity investments, the profit from its other business operations was HK$24.4 million (2012: HK$5.4 million).

Benefited from more infrastructure projects and opportunities of public and private residential development projects in Hong Kong and Macau, the foundation piling and construction related businesses showed an increase in turnover with improvement in profit margin contribution. The contracts currently performed included some school projects, private residential and industrial development projects. The management is monitoring the projects closely to control costs and maintain their profitability.

The plastic trading division maintained its stable turnover and profitability amid the sluggish external markets. The division continues to expand the business in the Mainland China and explore new business opportunities.

5. **Other investment**

Owing to the volatility of the Hong Kong stock market for the period under review, the Group recorded an unrealized fair value loss of HK$1.9 million on a listed securities investment. However, the carrying value of such investment at its market value on 30 September 2013 exceeded substantially comparing with its original acquisition cost. Subsequent to the period end, the market price of the investment rose to its record high in one year. The Group grasped this opportunity and has unloaded the whole investment portfolio at a profit.

OUTLOOK

Looking ahead, the global economy is expected to remain challenging. Although the major eurozone countries experienced slight GDP growth which signified a rebound from recession, the prolonged high unemployment rates diminished the investors' confidence and became a major concern in the eurozone countries. To boost the recovery process, the European Central Bank decided to implement easing monetary policy and lowered the interest rate early this month. In the United States, the Federal Reserve revealed its intention to keep the easing monetary policy amid the statistical data showing that there was a general improvement in unemployment. The US economy is moving on steadily on its track of recovery. Yet, the market's expectation on the timing and pace of the possible QE tapering still remains as an uncertainty to the US market.

In the Mainland China, property prices rose in the major cities and numerous record-breaking land bid were recorded during the period. It is expected that The Central Government may introduce further restrictive measures to stabilize the overheated property market. Nevertheless, in light of the strong demand for residential property in the course of rapid urbanization in China, the demand driven property market looks set to be relatively sustainable.

The Hong Kong economy continued its moderate growth with a low unemployment rate at 3.3%. Benefited from the massive capital expenditure by the local government including public construction work and infrastructure projects, coupled with the liquidity in the money market, it is anticipated that the local economy will remain prosperous, particularly for the building construction industry.

Finally, I would like to thank my fellow directors for their contributions and all staff members for their loyalty and efforts during the period under review.

James Sai-Wing Wong
Chairman

Hong Kong, 28 November 2013

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2013, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(a) Directors' interests in the ordinary shares of the Company

Name of director	*Notes*	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
James Sai-Wing Wong	*1 & 2*	Through controlled corporation	330,759,324	59.99
Madeline May-Lung Wong	*1 & 2*	Through controlled corporation	330,759,324	59.99
William Chung-Yue Fan	*1*	Beneficially owned	1,882,285	0.34

(b) Directors' interests in the ordinary shares of associated corporations

Name of director	*Notes*	Name of associated corporation	Capacity and nature of interest	Number of ordinary shares/ amount of paid-up registered capital held	Percentage of the associated corporation's issued share capital/paid-up registered capital
James Sai-Wing Wong	*1 & 3*	Hon Kwok	Through controlled corporation	268,198,553	55.84
	1 & 4	Guangzhou Honkwok Fuqiang Land Development Ltd.	Through controlled corporation	RMB185,000,000	100.00
	1 & 7	Chinney Trading Company Limited ("Chinney Trading")	Through controlled corporation	10,400	80.00
	1 & 5	Chinney Alliance	Through controlled corporation	433,500,216	72.87
	1 & 6	Chinney Holdings Limited ("Chinney Holdings")	Through controlled corporation	9,900,000	99.00
	1	Chinney Holdings	Beneficially owned	100,000	1.00
	1	Lucky Year Finance Limited ("Lucky Year")	Beneficially owned	10,000	50.00
Madeline May-Lung Wong	*1 & 3*	Hon Kwok	Through controlled corporation	267,960,553	55.79
	1 & 5	Chinney Alliance	Through controlled corporation	173,093,695	29.10
	1 & 6	Chinney Holdings	Through controlled corporation	9,900,000	99.00
	1	Lucky Year	Beneficially owned	10,000	50.00
Herman Man-Hei Fung	*1*	Hon Kwok	Beneficially owned	220,000	0.05

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

Notes:

1. *All the interests stated above represent long positions.*

2. *These shares are beneficially held by Chinney Holdings, which is a subsidiary of Lucky Year. James Sai-Wing Wong and Madeline May-Lung Wong are directors of Lucky Year and beneficially own more than one-third of the equity capital of Lucky Year.*

3. *Out of the 268,198,553 shares, 267,960,553 shares are beneficially held by the Company. By virtue of note 2, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares and the remaining 238,000 shares are held by Chinney Capital Limited of which James Sai-Wing Wong is a director and has beneficial interests therein.*

4. *Out of the RMB185,000,000 paid-up registered capital, RMB111,000,000 is held by a wholly-owned subsidiary of Hon Kwok and RMB74,000,000 is held by a company controlled by James Sai-Wing Wong. By virtue of note 3, James Sai-Wing Wong is deemed to be interested in this company.*

5. *Out of the 433,500,216 shares, 173,093,695 shares are held by a wholly-owned subsidiary of the Company and the remaining 260,406,521 shares are held by companies controlled by James Sai-Wing Wong. By virtue of note 2, James Sai-Wing Wong is deemed to be interested in these shares.*

6. *These shares are beneficially held by Lucky Year. By virtue of note 2, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.*

7. *Out of the 10,400 shares, 2,600 shares are held by a wholly-owned subsidiary of Hon Kwok and the remaining 7,800 shares are held by a company controlled by James Sai-Wing Wong. By virtue of note 3, James Sai-Wing Wong is deemed to be interested in this company.*

Save as disclosed herein, as at 30 September 2013, none of the directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be recorded in the register kept by the Company under Section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2013, so far as is known to the directors of the Company, the following substantial shareholders and other persons (other than directors of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Chinney Holdings	Directly beneficially owned	330,759,324	59.99
Lucky Year	Through controlled corporation	330,759,324	59.99

All the interests stated above represent long positions. Chinney Holdings and Lucky Year are deemed to be interested in the same parcel of shares by virtue of Section 316 of the SFO.

Save as disclosed herein, as at 30 September 2013, none of the substantial shareholders or other persons (other than the directors of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2013.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (THE "LISTING RULES")

(a) In March 2010, Hon Kwok Treasury Limited, a wholly-owned subsidiary of Hon Kwok, as borrower, entered into a facility agreement (the "HK$400 million Facility Agreement") relating to a HK$400 million transferable term and revolving loan facilities (the "HK$400 million Loan Facilities") with a syndicate of banks. The HK$400 million Loan Facilities had a term of 36 months commencing from the date of the HK$400 million Facility Agreement and to be used as general working capital of Hon Kwok and its subsidiaries.

Pursuant to the HK$400 million Facility Agreement, it shall be an event of default if (i) the Company ceases to be the single largest shareholder of Hon Kwok or ceases to hold (whether directly or indirectly) not less than 30% of the effective shareholding in Hon Kwok; or (ii) James Sai-Wing Wong, Chairman of both the Company and Hon Kwok, ceases to be the major beneficial ultimate shareholder of the Company.

If an event of default under the HK$400 million Facility Agreement occurs, the agent acting for the lending banks may, and shall if so requested by a majority of the lending banks, terminate the HK$400 million Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the HK$400 million Loan Facilities to be immediately due and payable.

In June 2012, the outstanding amount of the above loan facilities was being refinanced by a new syndicated loan as detailed in (b) below.

(b) In June 2012, Hon Kwok Treasury Limited, a wholly-owned subsidiary of Hon Kwok, as borrower, entered into a facility agreement (the "HK$600 million Facility Agreement") relating to a HK$600 million transferable term and revolving loan facilities (the "HK$600 million Loan Facilities") with a syndicate of banks. The HK$600 million Loan Facilities have a term of 36 months commencing from the date of the HK$600 million Facility Agreement and to be used to refinance the HK$400 million Loan Facilities with outstanding balance of HK$272 million and as general working capital of Hon Kwok and its subsidiaries.

Pursuant to the HK$600 million Facility Agreement, it shall be an event of default if (i) the Company ceases to be the single largest shareholder of Hon Kwok or ceases to hold (whether directly or indirectly) not less than 30% of the effective shareholding in Hon Kwok; or (ii) James Sai-Wing Wong, Chairman of both the Company and Hon Kwok, ceases to be the major beneficial ultimate shareholder of the Company.

If an event of default under the HK$600 million Facility Agreement occurs, the agent acting for the lending banks may, and shall if so requested by a majority of the lending banks, terminate the HK$600 million Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the HK$600 million Loan Facilities to be immediately due and payable.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (THE "LISTING RULES") *(Continued)*

(c) In August 2013, Chinney Treasury Limited, a wholly-owned subsidiary of the Company, as borrower, entered into a facility agreement (the "HK$500 million Facility Agreement") relating to a HK$500 million transferable term and revolving loan facilities (the "HK$500 million Loan Facilities") with a syndicate of banks. The HK$500 million Loan Facilities have a term of 48 months commencing from the date of the HK$500 million Facility Agreement and to be used for financing the Group's general working capital requirements.

Pursuant to the HK$500 million Facility Agreement, it shall be an event of default if James Sai-Wing Wong, Chairman and substantial shareholder of the Company, ceases to (i) maintain management control over the Company; or (ii) remain as the major beneficial ultimate shareholder of the Company; or (iii) hold (whether directly or indirectly) at least 50% of equity interest in the Company (within the meaning of Part XV of the SFO).

If an event of default under the HK$500 million Facility Agreement occurs, the agent acting for the lending banks may, and shall if so requested by a majority of the lending banks, terminate the HK$500 million Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the HK$500 million Loan Facilities to be immediately due and payable.

CONNECTED TRANSACTION

On 18 September 2012, Hon Kwok Group entered into an agreement to subscribe for a 20% equity interest in Chinney Trading at a cash consideration of HK$368,537,000. For details, please refer to the Company's circular dated 25 October 2012. The above subscription constituted a major and connected transaction to the Company under the Listing Rules and was approved by the Company's independent shareholders at an extraordinary general meeting held on 9 November 2012. The above transaction was completed in February 2013.

CORPORATE GOVERNANCE

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of 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 during the six months ended 30 September 2013.

CORPORATE GOVERNANCE *(Continued)*

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 six months ended 30 September 2013, except for the following deviations:

1. 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 and Managing Director 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 and Managing Director provide 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.

CORPORATE GOVERNANCE *(Continued)*

Compliance with the Corporate Governance Code *(Continued)*

2. 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 collectively reviews and approves the appointment of any new director as this allows a more informed and balanced decision to be made by the Board as to suitability for the role.

3. 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. Madam Madeline May-Lung Wong, non-executive director of the Company and Dr. Clement Kwok-Hung Young and Mr. Peter Man-Kong Wong, independent non-executive directors of the Company, did not attend the 2013 annual general meeting of the Company held on 29 August 2013 due to their own business engagements or other commitments.

4. 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

The Company has established an Audit Committee comprising James C. Chen, William Chung-Yue Fan, Clement Kwok-Hung Young and Peter Man-Kong Wong.

Regular meetings have been held by the Audit Committee 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 Company's interim results for the six months ended 30 September 2013 have not been audited, but have been reviewed by the Audit Committee.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK$4,305 million as at 30 September 2013 (as at 31 March 2013: HK$3,667 million), of which approximately 51% (as at 31 March 2013: 38%) of the debts were classified as current liabilities. Included therein were debts of HK$214 million (as at 31 March 2013: HK$191 million) related to bank loans with repayable on demand clause and HK$1,538 million related to project loans which will be refinanced during the forthcoming twelve months. 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 10%. The increase in total debts was mainly due to the refinancing of an investment property with increased facility and the drawdown of construction bank loans for mainland development projects.

Total cash and bank balances including time deposits were approximately HK$752 million as at 30 September 2013 (as at 31 March 2013: HK$584 million). The Group had committed but undrawn banking facilities of a total of approximately HK$1,219 million at period end available for its working capital purpose.

Total shareholders' funds as at 30 September 2013 were approximately HK$3,181 million (as at 31 March 2013: HK$2,987 million). The increase was mainly due to current period's profit attributable to shareholders.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK$3,553 million (as at 31 March 2013: HK$3,083 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK$5,796 million (as at 31 March 2013: HK$5,422 million), was 61% as at 30 September 2013 (as at 31 March 2013: 57%).

Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30 September 2013, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

FINANCIAL REVIEW *(Continued)*

Pledge of assets

Bank balances, certain properties and investments with an aggregate carrying value of approximately HK$7,857 million as at 30 September 2013 (as at 31 March 2013: HK$6,879 million) and shares in certain subsidiaries were pledged to secure certain banking facilities of the Group.

Employees and remuneration policies

The Group, not including its associates and jointly-controlled entities, employed approximately 700 employees as at 30 September 2013. There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

Contingent liabilities

Particulars of the Group's contingent liabilities are set out in note 12 to the condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 September 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
Revenue	2	**210,371**	150,658
Cost of sales		**(110,196)**	(87,338)
Gross profit		**100,175**	63,320
Other income and gains	3	**6,038**	8,911
Fair value gains on investment properties, net		**446,097**	234,527
Fair value gains/(losses) on equity investments at fair value through profit or loss		**(1,916)**	2,745
Selling and distribution expenses		**(7,304)**	(6,735)
Administrative and other operating expenses		**(54,056)**	(43,862)
Finance costs	4	**(37,711)**	(27,180)
Share of profits and losses of:			
Associates		**12,049**	2,351
Profit before tax	5	**463,372**	234,077
Income tax expense	6	**(121,554)**	(10,424)
Profit for the period		**341,818**	223,653
Attributable to:			
Owners of the Company		**188,466**	124,780
Non-controlling interests		**153,352**	98,873
		341,818	223,653
Earnings per share attributable to ordinary equity holders of the Company	7		
Basic and diluted		**34.18 HK cents**	22.63 HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**341,818**	223,653
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**60,325**	7
Total comprehensive income for the period	**402,143**	223,660
Attributable to:		
Owners of the Company	**220,776**	124,780
Non-controlling interests	**181,367**	98,880
	402,143	223,660

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2013 (Unaudited) HK$'000	At 31 March 2013 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**100,277**	102,762
Prepaid land lease payments		**12,284**	12,792
Investment properties	*8*	**6,955,343**	6,126,039
Investments in associates		**500,628**	493,292
Investments in jointly-controlled entities		**199**	199
Deferred tax assets		**252**	243
Loan receivables		**367**	1,103
Total non-current assets		**7,569,350**	6,736,430
CURRENT ASSETS			
Inventories		**6,726**	6,060
Properties held for sale under development and completed properties held for sale		**2,359,695**	2,203,230
Prepaid land lease payments		**1,288**	1,261
Equity investments at fair value through profit or loss		**62,821**	64,736
Trade and bills receivables	*9*	**20,895**	20,299
Prepayments, deposits and other receivables		**73,039**	65,205
Amounts due from a related company		**496**	496
Tax recoverable		**374**	1,194
Pledged deposits		**120,110**	120,803
Cash and cash equivalents		**631,665**	463,305
Total current assets		**3,277,109**	2,946,589
CURRENT LIABILITIES			
Trade payables and accrued liabilities	*10*	**106,930**	116,553
Customer deposits		**130,369**	91,445
Tax payable		**82,180**	76,121
Interest-bearing bank borrowings		**2,201,416**	1,402,316
Total current liabilities		**2,520,895**	1,686,435

	Note	At 30 September 2013 (Unaudited) HK$'000	At 31 March 2013 (Audited) HK$'000
NET CURRENT ASSETS		**756,214**	1,260,154
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,325,564**	7,996,584
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**2,103,280**	2,264,333
Deferred tax liabilities		**426,086**	310,360
Total non-current liabilities		**2,529,366**	2,574,693
Net assets		**5,796,198**	5,421,891
EQUITY			
Equity attributable to owners of the Company			
Issued capital	11	**137,842**	137,842
Reserves		**3,042,764**	2,821,434
Proposed final dividend		**–**	27,568
		3,180,606	2,986,844
Non-controlling interests		**2,615,592**	2,435,047
Total equity		**5,796,198**	5,421,891

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Issued capital (Unaudited) *HK$'000*	Share premium account (Unaudited) *HK$'000*	Other reserve (Unaudited) *HK$'000*	Asset revaluation reserve (Unaudited) *HK$'000*	Exchange fluctuation reserve (Unaudited) *HK$'000*	Proposed final dividend (Unaudited) *HK$'000*	Retained profits (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*	Non-controlling interests (Unaudited) *HK$'000*	Total equity (Unaudited) *HK$'000*
At 1 April 2012	137,842	267,569	30,708	5,489	317,218	27,568	1,917,182	2,703,576	2,243,203	4,946,779
Profit for the period	–	–	–	–	–	–	124,780	124,780	98,873	223,653
Other comprehensive income for the period: Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	7	7
Total comprehensive income for the period	–	–	–	–	–	–	124,780	124,780	98,880	223,660
Acquisition of non-controlling interests	–	–	7,488	–	–	–	–	7,488	(10,531)	(3,043)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(26,706)	(26,706)
Final dividend in respect of previous financial year	–	–	–	–	–	(27,568)	–	(27,568)	–	(27,568)
At 30 September 2012	137,842	267,569	38,196	5,489	317,218	–	2,041,962	2,808,276	2,304,846	5,113,122
At 1 April 2013	137,842	267,569	38,320	5,489	377,902	27,568	2,132,154	2,986,844	2,435,047	5,421,891
Profit for the period	–	–	–	–	–	–	188,466	188,466	153,352	341,818
Other comprehensive income for the period: Exchange differences on translation of foreign operations	–	–	–	–	32,310	–	–	32,310	28,015	60,325
Total comprehensive income for the period	–	–	–	–	32,310	–	188,466	220,776	181,367	402,143
Acquisition of non-controlling interests	–	–	554	–	–	–	–	554	(822)	(268)
Final dividend in respect of previous financial year	–	–	–	–	–	(27,568)	–	(27,568)	–	(27,568)
At 30 September 2013	**137,842**	**267,569**	**38,874**	**5,489**	**410,212**	**–**	**2,320,620**	**3,180,606**	**2,615,592**	**5,796,198**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash flows used in operating activities	**(77,706)**	(214,417)
Net cash flows used in investing activities	**(393,727)**	(252,664)
Net cash flows from/(used in) financing activities	**558,793**	(75,201)
Net increase/(decrease) in cash and cash equivalents	**87,360**	(542,282)
Cash and cash equivalents at beginning of the period	**463,305**	979,176
Cash and cash equivalents at end of the period	**550,665**	436,894
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**500,032**	302,482
Non-pledged time deposits	**131,633**	236,412
Cash and cash equivalents as stated in the statement of financial position	**631,665**	538,894
Less: non-pledged time deposits with original maturity of more than three months when acquired	**(81,000)**	(102,000)
Cash and cash equivalents as stated in the statement of cash flows	**550,665**	436,894

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The unaudited condensed interim consolidated financial statements for the six months ended 30 September 2013 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 to the "Listing Rules".

The unaudited condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2013.

The accounting policies and basis of preparation adopted in the preparation of this unaudited condensed interim consolidated financial statements are consistent with those of the annual financial statements for the year ended 31 March 2013 except that the Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time which are pertinent to its operations and relevant to these unaudited condensed interim consolidated financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income ("OCI")*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

HKFRS 7 Amendments require an entity to disclose information about rights to set-off financial instrument and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The amendments do not have any material financial impact on the Group.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 *Consolidated and Separate Financial Statements* and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. The amendments do not have any material financial impact on the Group.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group adopted HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 April 2013.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e. joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The application of this new standard has no material financial impact on the Group.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period require that they are provided. Accordingly, the Group has not made such disclosures.

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10, provide further relief from full retrospective application of these standards, and limit the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied. These amendments have no material impact on the Group.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use has already been required or permitted under other HKFRSs. The application of this new standard has no material financial impact on the Group.

HKAS 1 Amendments introduce a grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g. net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (e.g. actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments do not have any material impact on the Group.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The application of this new standard does not have any material impact on the Group.

Annual Improvements 2009-2011 Cycle issued in June 2012 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has a significant financial impact on the Group.

2. OPERATING SEGMENT INFORMATION

The Group is principally engaged in garment manufacturing and trading, property development and property investment activities. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Operating segments are reported in a manner consistent with the internal reporting provided to key management personnel.

(a) Business segments

	Six months ended 30 September 2013 (Unaudited)				
	Garment	Property development	Property investment	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:					
Sales to external customers	62,092	42,526	85,660	20,093	210,371
Segment results	(6,174)	19,790	481,512	(2,018)	493,110
Reconciliation:					
Net income from investments					3,469
Unallocated expenses					(5,629)
Fair value losses on equity investments at fair value through profit or loss					(1,916)
Finance costs					(37,711)
Share of profits and losses of associates					12,049
Profit before tax					463,372

2. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Six months ended 30 September 2012 (Unaudited)				
	Garment	Property development	Property investment	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:					
Sales to external customers	59,434	–	71,905	19,319	150,658
Segment results	1,840	(1,915)	262,071	(5,244)	256,752
Reconciliation:					
Net income from investments					4,524
Unallocated expenses					(5,115)
Fair value gains on equity investments at fair value through profit or loss					2,745
Finance costs					(27,180)
Share of profits and losses of associates					2,351
Profit before tax					234,077

	At 30 September 2013 (Unaudited)				
	Garment	**Property development**	**Property investment**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**94,167**	**2,517,153**	**7,341,319**	**1,529,870**	**11,482,509**
Reconciliation:					
Elimination of intersegment receivables					**(1,952,099)**
Investments in associates					**500,628**
Investments in jointly-controlled entities					**199**
Corporate and other unallocated assets					**815,222**
Total assets					**10,846,459**
Segment liabilities	**19,808**	**1,165,431**	**476,358**	**500,233**	**2,161,830**
Reconciliation:					
Elimination of intersegment payables					**(1,952,099)**
Corporate and other unallocated liabilities					**4,840,530**
Total liabilities					**5,050,261**

2. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	At 31 March 2013 (Audited)				
	Garment	Property development	Property investment	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	92,489	2,272,299	6,505,853	1,592,220	10,462,861
Reconciliation:					
Elimination of intersegment receivables					(1,923,614)
Investments in associates					493,292
Investments in jointly-controlled entities					199
Corporate and other unallocated assets					650,281
Total assets					9,683,019
Segment liabilities	18,222	1,233,381	468,992	411,017	2,131,612
Reconciliation:					
Elimination of intersegment payables					(1,923,614)
Corporate and other unallocated liabilities					4,053,130
Total liabilities					4,261,128

2. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following table provides an analysis of the Group's revenue by geographical market:

	Six months ended 30 September 2013 (Unaudited)					
	Hong Kong	Mainland China	Europe	North America	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
Sales to external customers	**57,678**	**103,394**	**47,904**	**1,045**	**350**	**210,371**

	Six months ended 30 September 2012 (Unaudited)					
	Hong Kong	Mainland China	Europe	North America	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
Sales to external customers	47,632	53,184	44,967	4,494	381	150,658

3. OTHER INCOME AND GAINS

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**2,527**	3,640
Other interest income	**30**	90
Dividend income from listed investments	**912**	794
Gain on disposal of investment properties, net	**324**	1,711
Foreign exchange differences, net	**(444)**	(461)
Others	**2,689**	3,137
	6,038	8,911

4. FINANCE COSTS

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**71,213**	40,600
Interest on bank loans wholly repayable after five years	**1,017**	1,371
	72,230	41,971
Less: Interest capitalized under property development projects	**(34,519)**	(14,791)
	37,711	27,180

5. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**6,232**	6,067
Amortisation of prepaid land lease payments	**644**	625
Employee benefit expense (including directors' remuneration)	**41,165**	38,126
Less: Amounts capitalized under property development projects	**(4,200)**	(4,500)
	36,965	33,626
Fair value (gains)/losses on equity investments at fair value through profit or loss	**1,916**	(2,745)

6. INCOME TAX

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong	**148**	217
– Outside Hong Kong	**9,501**	616
	9,649	833
Deferred	**111,905**	9,591
Total tax charge for the period	**121,554**	10,424

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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 period attributable to ordinary equity holders of the Company of HK$188,466,000 (2012: HK$124,780,000) and the number of 551,368,153 ordinary shares in issue during both periods.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 September 2013 and 2012 in respect of a dilution as the Group has no potential dilutive ordinary shares in issue during both periods.

8. INVESTMENT PROPERTIES

During the period, one of the Group's investment properties under construction which was stated at cost as at 31 March 2013 are revalued on an open market, existing use basis, by independent professionally qualified valuer as its fair value can be determined reliably. This gave rise to a revaluation gain of HK$442 million and a related deferred tax of HK$111 million which were both recognized in the income statement for the period.

9. TRADE AND BILLS RECEIVABLES

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

	At 30 September 2013 (Unaudited) ***HK$'000***	At 31 March 2013 (Audited) *HK$'000*
Within 30 days	**8,068**	12,370
31 to 60 days	**6,692**	3,559
61 to 90 days	**6,135**	4,370
Total	**20,895**	20,299

The Group's trading terms with its customers in the garment segment are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to four months for major customers. Each customer has a maximum credit limit. 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. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and bills receivables are non-interest-bearing.

10. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in the trade payables and accrued liabilities are trade payables of HK$22,436,000 (at 31 March 2013: HK$28,190,000). An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	At 30 September 2013 (Unaudited) *HK$'000*	At 31 March 2013 (Audited) *HK$'000*
Within 30 days	**20,519**	23,469
31 to 60 days	**683**	4,543
61 to 90 days	**232**	167
Over 90 days	**1,002**	11
Total	**22,436**	28,190

11. SHARE CAPITAL

There were no movements in the authorised, issued and fully paid share capital of the Company in the current interim period.

12. CONTINGENT LIABILITIES

As at 30 September 2013, the Group has given guarantees of HK$5,068,000 (as at 31 March 2013 (audited): HK$7,078,000) 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.

13. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to twenty-two years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 September 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 30 September 2013 (Unaudited) ***HK$'000***	At 31 March 2013 (Audited) *HK$'000*
Within one year	**118,287**	104,016
In the second to fifth years, inclusive	**264,095**	231,841
After five years	**391,258**	402,070
	773,640	737,927

(b) As lessee

The Group leases certain of its properties and office equipment under operating lease arrangements. Leases for properties and office equipment are negotiated for terms ranging from one to ten years.

At 30 September 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 September 2013 (Unaudited) ***HK$'000***	At 31 March 2013 (Audited) *HK$'000*
Within one year	**18,632**	11,705
In the second to fifth years, inclusive	**25,671**	14,470
After five years	**695**	–
	44,998	26,175

14. CAPITAL COMMITMENTS

At 30 September 2013, the Group had authorised and contracted capital commitments in respect of property development expenditure amounting to HK$855,188,000 (at 31 March 2013 (audited): HK$1,018,503,000).

15. RELATED PARTY TRANSACTIONS

(a) On 18 September 2012, Hon Kwok Group entered into a subscription agreement with Chinney Trading, Chinney Development Company Limited ("Chinney Development") and Wan Thai Group Limited for the subscription of 20% equity interest in Chinney Trading at a cash consideration of HK$368,537,000. For details, please refer to the Company's circular dated 25 October 2012. Chinney Development is beneficially owned by Dr. James Sai-Wing Wong, Chairman and substantial shareholder of the Company and thus, the above subscription constituted a major and connected transaction to the Company under the Listing Rules. The transaction was approved by the Company's independent shareholders at the extraordinary general meeting held on 9 November 2012 and was completed in February 2013.

(b) Outstanding balances with related parties

	At 30 September 2013 (Unaudited)	At 31 March 2013 (Audited)
	HK$'000	*HK$'000*
Due from a related company	**496**	496

(c) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2013 (Unaudited)	2012 (Unaudited)
	HK$'000	*HK$'000*
Short-term employee benefits	**1,850**	1,625

16. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's financial instruments are as follows:

	Carrying amounts		Fair values	
	30 September 2013 (Unaudited)	31 March 2013 (Audited)	**30 September 2013 (Unaudited)**	31 March 2013 (Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Loan receivables	**367**	1,103	**367**	1,103
Equity investments at fair value through profit or loss	**62,821**	64,736	**62,821**	64,736
Trade and bills receivables	**20,895**	20,299	**20,895**	20,299
Financial assets included in prepayments, deposits and other receivables	**51,651**	45,636	**51,651**	45,636
Amount due from a related company	**496**	496	**496**	496
Pledged deposits	**120,110**	120,803	**120,110**	120,803
Cash and cash equivalents	**631,665**	463,305	**631,665**	463,305
	888,005	716,378	**888,005**	716,378
Financial liabilities				
Financial liabilities included in trade payables and accrued liabilities	**77,265**	109,088	**77,265**	109,088
Financial liabilities included in customer deposits	**24,210**	23,634	**24,210**	23,634
Interest-bearing bank borrowings	**4,304,696**	3,666,649	**4,304,696**	3,666,649
	4,406,171	3,799,371	**4,406,171**	3,799,371

16. FAIR VALUE AND FAIR VALUE HIERARCHY *(Continued)*

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices.

The fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in customer deposits, trade payables and accrued liabilities and amount due from a related company approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the loan receivables and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 30 September 2013, the financial instruments measured at fair value held by the Group and the Company comprised equity investments at fair value through profit or loss and were classified as Level 1.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

The Group did not have any financial liabilities measured at fair value as at 30 September 2013.

17. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed interim consolidated financial statements were approved and authorised for issue by the board of directors on 28 November 2013.