



# Chinney Investments, Limited

Stock Code: 216

*Interim Report 2014/15*

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# 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

Tricor Tengis Limited  
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Hopewell Centre  
183 Queen's Road East  
Hong Kong

## REGISTERED OFFICE

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## STOCK CODE

SEHK 216

## WEBSITE

<http://www.chinney.com.hk>

# CHAIRMAN'S STATEMENT

## FINANCIAL RESULTS

For the six months ended 30 September 2014, the Group's unaudited consolidated turnover and net profit attributable to shareholders amounted to HK\$242 million (2013: HK\$210 million) and HK\$50 million (2013: HK\$188 million), respectively. Basic earnings per share were 9.11 Hong Kong cents (2013: 34.18 Hong Kong cents). As at 30 September 2014, the shareholders' equity amounted to HK\$3,733 million (as at 31 March 2014: HK\$3,681 million). Net assets per share attributable to shareholders were HK\$6.77 (as at 31 March 2014: HK\$6.68).

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2014 (2013: Nil).

## BUSINESS REVIEW

### 1. Property

The Group's property development and investment activities are conducted by Hon Kwok Land Investment Company, Limited ("Hon Kwok") (Stock Code: 160). Hon Kwok reported turnover of HK\$197 million (2013: HK\$148 million) and profit attributable to their shareholders of HK\$103 million (2013: HK\$344 million) for the six months ended 30 September 2014. The turnover for the period mainly included the sale of property units of Metropolitan Oasis Phase I, Hon Kwok's development project in Nanhai. The substantial decrease in net profit was mainly due to the upward revaluation of investment properties, which was less than that of the prior period.

### Acquisition of Properties

In May 2014, a wholly-owned subsidiary of Hon Kwok entered into a sale and purchase agreement for the acquisition of a villa located in Longgang District, Shenzhen, PRC from a wholly-owned subsidiary of Chinney Alliance Group Limited ("Chinney Alliance") for a cash consideration of HK\$8,063,000. The above acquisition constituted a connected transaction for both the Company and Hon Kwok 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. The above transaction was completed in June 2014.

# CHAIRMAN'S STATEMENT *(Continued)*

## BUSINESS REVIEW *(Continued)*

### 1. Property *(Continued)*

#### Property Development and Sales

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

The **Botanica** 寶翠園, situated in the greenery zone of Tian He District near the Botanical Garden, comprises 39 blocks of high-rise residential building. This project, with a total gross floor area of approximately 229,000 sq.m., is scheduled for development by phases. **Botanica Phases 1 and 2** 寶翠園一及二期, with a total 16 blocks of over 750 units, had been sold out and profits derived therefrom had been recognized in the prior financial years. Superstructure works of **Botanica Phase 3** 寶翠園三期, comprises 12 blocks of about 530 units, are well in progress and expected to be completed by stages through financial year 2015/16. Seven blocks of the above phase have been launched to the market for pre-sale and up to the date of this report, generated sale proceeds exceeding RMB540 million.

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

The whole project, with a total gross floor area of approximately 273,000 sq.m., is situated in Da Li District, Nanhai and also scheduled for development by phases. Phase I of the project comprises 71 units of completed 3-storey 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 through financial year 2015/16. The above town houses and five blocks of apartment units have been launched to market for sale, of which about 80% have been sold up to the date of this report and total contracted sales amounted to RMB367 million. The delivery of the above sold units to individual purchasers is in progress.

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

The two development sites at Dong Guan Zhuan Road, Tian He District and 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, in which Hon Kwok Group has 20% interest, is situated at Qiaoxiang Road North, Nanshan District. It covers a site area of 48,764 sq.m. and is to be developed by phases into 12 blocks of buildings for composite use with a total gross floor area of approximately 224,500 sq.m. Its superstructure works have been commenced in this quarter.

## **BUSINESS REVIEW** *(Continued)*

### **1. Property** *(Continued)*

#### **Property Investment**

##### **Shenzhen, PRC**

**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, is being developed as an 80-storey (including 5 storeys underground) commercial/office/residential tower with a total gross floor area of 128,000 sq.m. Its superstructure works are in progress and completion of construction is expected to be in 2016. This signature building will be held by the Group for recurrent rental income.

**City Square** 城市天地廣場, situated at Jia Bin Road, Luo Hu District, is a 5-storey commercial podium. The retail shops at ground level and level 2 of the podium are fully let. The average occupancy and room rates of **The Bauhinia Hotel (Shenzhen)** 寶軒酒店 (深圳), a 162-room hotel at levels 3 to 5 of the above podium, maintained at a satisfactory level whilst the average occupancy rate of **City Suites** 寶軒公寓, a 64-unit serviced apartments on top of it, exceeded 95%.

##### **Guangzhou, PRC**

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

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

# CHAIRMAN'S STATEMENT *(Continued)*

## BUSINESS REVIEW *(Continued)*

### 1. Property *(Continued)*

#### Property Investment *(Continued)*

##### **Chongqing, PRC**

**Chongqing Hon Kwok Centre** 重慶漢國中心, situated in Bei Bu Xin Qu, is a 21-storey twin-tower office building atop of a 4-storey retail/commercial podium. It is currently fully leased out.

**Jinshan Shangye Zhongxin** 金山商業中心, also situated in Bei Bu Xin Qu and adjacent to the above **Chongqing Hon Kwok Centre** 重慶漢國中心, is a twin-tower project comprising a 41-storey grade A office tower and a 42-storey 5-star hotel plus office building with respective 4-storey retail/commercial podium. Its certificate of comprehensive completion has been granted and air-conditioning and internal finishing works in respect of the office tower are in progress which are expected to be completed by next quarter. Leasing activities have also been commenced and the Group intends to hold this project for recurrent rental income.

##### **Hong Kong**

The retail areas at street level of the hotel/apartment building at Connaught Road Central and Des Voeux Road Central are currently leased out over 80%. **The Bauhinia Hotel (Central)** 寶軒酒店 (中環), situated at four podium floors of the above building, is a 42-room boutique hotel with average occupancy rate of 95% and encouraging room rates. **The Bauhinia** 寶軒, a 171-room serviced apartments atop of the above hotel, has an average occupancy rate of approximately 85%.

**The Bauhinia Hotel (TST)** 寶軒酒店 (尖沙咀), situated at the upper floors of a 23-storey commercial/office building at Observatory Court, Tsim Sha Tsui, is a 44-room boutique hotel with average occupancy rate exceeded 80% and satisfactory room rates. An additional newly-renovated 54 hotel rooms at the lower floors of the above building, pending issuance of hotel licence, are expected to commence operation early next year and the whole building will then comprise a 20-storey boutique hotel with a total of 98 rooms plus a restaurant at the first floor with the remaining floors for commercial use.

**Hon Kwok Jordan Centre** 漢國佐敦中心, situated at Hillwood Road, Tsim Sha Tsui, is a 23-storey commercial/office building with current occupancy rate above 95%.

## **BUSINESS REVIEW** *(Continued)*

### **2. 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\$45 million (2013: HK\$62 million) with a net loss of HK\$7.7 million (2013: loss HK\$5.7 million) for the six months ended 30 September 2014.

The Eurozone's economy remained gloomy and was improving at a very slow pace. The German economy has been struggling to gather momentum for economic revival and has exhibited some sign of recovery. Yet the protracted stagnation in France and Italy delayed the overall upturn in the Eurozone countries. The European consumer markets were still slackening and showed a slowdown in new orders placed with us, eventually hitting our garment sales and profit margin. Furthermore, the upsurge of operating costs, in particular, the labour cost in the Mainland China exerted high pressure on the gross profit margin to J.L. Garment Group.

J.L. Garment Group strives to broaden its customer base and develops new business and continues its stringent measures to improve its competitiveness to combat the current market condition.

Due to the modest demand in Hong Kong industrial property market, J.L. Garment Group recorded a property revaluation gain of HK\$0.2 million (2013: HK\$2.3 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 are held for rental income.

# CHAIRMAN'S STATEMENT *(Continued)*

## **BUSINESS REVIEW** *(Continued)*

### **3. Construction and Trading**

Chinney Alliance, a 29.1% owned associate recorded turnover and net profit for the six months ended 30 June 2014 of HK\$1,760 million (2013: HK\$1,477 million) and HK\$30.4 million (2013: HK\$41.4 million, including a fair value gain on equity investment of HK\$17.0 million) respectively. Excluding the effect of fair value gains on equity investments in last period, the profit from its business operations was HK\$30.4 million (2013: HK\$24.4 million).

The construction division, mainly included the Foundation Piling and Building Construction, continued its upward trend in both the turnover and profit contribution, had led to a solid improvement in the operating results of Chinney Alliance. The construction industry benefited from the abundant project tenders in the market as the Government resolved to increase the supply of residential land. Moreover, numerous major infrastructure projects are underway. The projects currently performed mainly included schools, hotels and private development contracts.

The plastic trading division recorded an increase in turnover resulting from the development of new products and distributorship. However, under the present tough business environment and tight liquidity in the manufacturing sector, customers were cost cautious, and the division's profit margin was squeezed. The division continues to expand its business in the Mainland China and to source new products and distributorship to enhance profitability.

### OUTLOOK

The global economy shows signs of slowdown and the International Monetary Fund has further reduced the forecast growth rate for the next year. Although the German economy is gaining momentum for recovery, the deterioration of economic activities in France and Italy delays the upturn in the eurozone. Hence, the European consumer markets are expected to remain bleak in the near term. In the United States, the economy looks set to recover on track based on the statistical data with a drop in unemployment rate. Last month, the US Federal Reserve ended its monthly bond purchase programme and reiterated that the interest rates would remain low for a considerable time. Nevertheless, the market's expectation on the timing and pace of interest rates hike adds uncertainty on its recovery.

In the Mainland China, the downturn in property market with prices drop and the softening of export demand indicated a slowdown of economy in the third quarter. To bolster market growth, the Central Government relaxed the tightening measures, resulting in a mild rebound of property sales and prices in major cities. Furthermore, the recently announced interest rates cut, being the first time since July 2012, will likely drive up the property market. In light of the solid internal demand for residential property and the current satisfactory labour market, the long term growth path is expected to be sustainable.

In Hong Kong, the building construction industry is expected to remain robust and continue its current upward trend as there are numerous infrastructure projects and residential development in progress. During the year, the economic growth in Hong Kong has been slowing down due to the faltering property market and slackening retail sector. Yet, under the strong economic foundation and low unemployment rate, coupled with the launching of Shanghai-Hong Kong Stock Connect in this month, the Hong Kong economy is poised to return to its growth trend.

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

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

Hong Kong, 25 November 2014

## GENERAL INFORMATION

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2014, 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 shares
James Sai-Wing Wong	1 & 2	Through controlled corporations	348,019,324	63.12
	1	Beneficially owned	480,000	0.09
Madeline May-Lung Wong	1 & 2	Through controlled corporations	348,019,324	63.12
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 shares/ paid-up registered capital
James Sai-Wing Wong	1 & 3	Hon Kwok	Through controlled corporation	497,380,139	69.04
	1 & 4	Guangzhou Honkwok Fuqiang Land Development Ltd.	Through controlled corporations	RMB185,000,000	100.00
	1 & 7	Chinney Trading Company Limited	Through controlled corporations	10,400	80.00
	1 & 5	Chinney Alliance	Through controlled corporation	435,940,216	73.28
	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	490,506,139	68.09
	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	500,000	0.07

### 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 497,380,139 shares, 490,506,139 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. The remaining 6,874,000 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 435,940,216 shares, 173,093,695 shares are held by a wholly-owned subsidiary of the Company and the remaining 262,846,521 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 2014, 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.

## GENERAL INFORMATION *(Continued)*

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

As at 30 September 2014, 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:

<b>Name</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued shares</b>
Chinney Holdings	Directly beneficially owned	348,019,324	63.12
Lucky Year	Through controlled corporation	348,019,324	63.12

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 2014, 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 2014.

### **DISCLOSURE PURSUANT TO RULE 13.18 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (THE “LISTING RULES”)**

- (a) 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 previous HK\$400 million transferable term and revolving 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.

- (b) 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.

## GENERAL INFORMATION *(Continued)*

### **CONNECTED TRANSACTION**

In May 2014, a wholly-owned subsidiary of Hon Kwok entered into a sale and purchase agreement for the acquisition of a villa located in Longgang District, Shenzhen, PRC from a wholly-owned subsidiary of Chinney Alliance for a cash consideration of HK\$8,063,000. The above acquisition constituted a connected transaction for both the Company and Hon Kwok 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. The above transaction was completed in June 2014.

### **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 2014.

#### **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 2014, except for the following deviations:

### **CORPORATE GOVERNANCE** *(Continued)*

#### **Compliance with the Corporate Governance Code** *(Continued)*

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.

## GENERAL INFORMATION *(Continued)*

### 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 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.
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 and Mr. Paul Hon-To Tong, non-executive directors 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 2014 annual general meeting of the Company held on 28 August 2014 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 2014 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\$4,902 million as at 30 September 2014 (as at 31 March 2014: HK\$4,758 million), of which approximately 52% (as at 31 March 2014: 43%) of the debts were classified as current liabilities. Included therein were debts of HK\$212 million (as at 31 March 2014: HK\$199 million) related to bank loans with repayable on demand clause and HK\$1,713 million related to bank 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 13%. The increase in total debts was mainly due to the refinancing of certain investment properties with increased facilities and the drawdown of construction/renovation bank loans for mainland development projects.

Total cash and bank balances including time deposits were approximately HK\$691 million as at 30 September 2014 (as at 31 March 2014: HK\$936 million). Included in cash and bank balances are restricted bank deposits of HK\$80 million (as at 31 March 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\$721 million at period end available for its working capital purpose.

Total shareholders' funds as at 30 September 2014 were approximately HK\$3,733 million (as at 31 March 2014: HK\$3,681 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\$4,211 million (as at 31 March 2014: HK\$3,822 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK\$5,894 million (as at 31 March 2014: HK\$5,840 million), was 71% as at 30 September 2014 (as at 31 March 2014: 65%).

### Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30 September 2014, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

## GENERAL INFORMATION *(Continued)*

### FINANCIAL REVIEW *(Continued)*

#### **Pledge of assets**

Properties and bank balances with an aggregate carrying value of approximately HK\$8,281 million as at 30 September 2014 (as at 31 March 2014: HK\$8,230 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 a joint venture, employed approximately 640 employees as at 30 September 2014. 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 STATEMENT OF PROFIT OR LOSS

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2014</b>	<b>2013</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	2	<b>242,366</b>	210,371
Cost of sales		<u><b>(134,439)</b></u>	<u>(110,196)</u>
Gross profit		<b>107,927</b>	100,175
Other income and gains	3	<b>6,350</b>	6,038
Fair value gains on investment properties, net		<b>110,755</b>	446,097
Fair value gains/(losses) on equity investments at fair value through profit or loss		<b>162</b>	(1,916)
Selling and distribution expenses		<b>(7,602)</b>	(7,304)
Administrative and other operating expenses		<b>(65,106)</b>	(54,056)
Finance costs	4	<b>(44,858)</b>	(37,711)
Share of profits and losses of:			
Associates		<u><b>8,201</b></u>	<u>12,049</u>
Profit before tax	5	<b>115,829</b>	463,372
Income tax expense	6	<u><b>(36,367)</b></u>	<u>(121,554)</u>
Profit for the period		<u><b>79,462</b></u>	<u>341,818</u>
Attributable to:			
Owners of the Company		<b>50,235</b>	188,466
Non-controlling interests		<u><b>29,227</b></u>	<u>153,352</u>
		<u><b>79,462</b></u>	<u>341,818</u>
Earnings per share attributable to ordinary equity holders of the Company	7		
Basic and diluted		<u><b>9.11 HK cents</b></u>	<u>34.18 HK cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2014</b>	<b>2013</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit for the period</b>	<b>79,462</b>	<b>341,818</b>
<b>Other comprehensive income</b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>34,673</b>	<b>60,325</b>
<b>Total comprehensive income for the period</b>	<b>114,135</b>	<b>402,143</b>
<b>Attributable to:</b>		
Owners of the Company	<b>72,701</b>	<b>220,776</b>
Non-controlling interests	<b>41,434</b>	<b>181,367</b>
	<b>114,135</b>	<b>402,143</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2014 (Unaudited) HK\$'000	At 31 March 2014 (Audited) HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		94,371	94,338
Prepaid land lease payments		10,986	11,567
Investment properties	8	7,680,052	7,340,072
Investments in associates		521,154	519,423
Investment in a joint venture		199	199
		8,306,762	7,965,599
<b>Total non-current assets</b>			
<b>CURRENT ASSETS</b>			
Inventories		4,883	3,071
Properties held for sale under development and completed properties held for sale		2,742,218	2,535,364
Prepaid land lease payments		1,276	1,294
Equity investments at fair value through profit or loss		834	657
Trade and bills receivables	9	23,025	19,786
Prepayments, deposits and other receivables		146,118	96,257
Tax recoverable		15,427	2,813
Pledged deposits		142,807	116,370
Cash and bank balances		548,141	820,044
		3,624,729	3,595,656
<b>Total current assets</b>			
<b>CURRENT LIABILITIES</b>			
Trade payables and accrued liabilities	10	112,538	177,151
Customer deposits		395,475	224,402
Amount due to an associate		37,490	–
Tax payable		92,318	89,260
Interest-bearing bank borrowings		2,567,885	2,024,588
		3,205,706	2,515,401
<b>Total current liabilities</b>			

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

		At 30 September 2014 (Unaudited) HK\$'000	At 31 March 2014 (Audited) HK\$'000
	<i>Note</i>		
NET CURRENT ASSETS		<u>419,023</u>	<u>1,080,255</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,725,785</u>	<u>9,045,854</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		2,334,372	2,733,303
Deferred tax liabilities		<u>497,594</u>	<u>472,868</u>
Total non-current liabilities		<u>2,831,966</u>	<u>3,206,171</u>
Net assets		<u>5,893,819</u>	<u>5,839,683</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	11	405,411	405,411
Reserves		3,327,885	3,247,821
Proposed final dividend		<u>—</u>	<u>27,568</u>
		<u>3,733,296</u>	<u>3,680,800</u>
Non-controlling interests		<u>2,160,523</u>	<u>2,158,883</u>
Total equity		<u>5,893,819</u>	<u>5,839,683</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Issued capital	Share premium account	Other reserve	Asset revaluation reserve	Exchange fluctuation reserve	Proposed final dividend	Retained profits	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	<u>137,842</u>	<u>267,569</u>	<u>38,874</u>	<u>5,489</u>	<u>410,212</u>	<u>-</u>	<u>2,320,620</u>	<u>3,180,606</u>	<u>2,615,592</u>	<u>5,796,198</u>
At 1 April 2014	405,411*	-*	434,067	5,489	447,189	27,568	2,361,076	3,680,800	2,158,883	5,839,683
Profit for the period	-	-	-	-	-	-	50,235	50,235	29,227	79,462
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	22,466	-	-	22,466	12,207	34,673
Total comprehensive income for the period	-	-	-	-	22,466	-	50,235	72,701	41,434	114,135
Acquisition of non-controlling interests	-	-	6,151	-	1,212	-	-	7,363	(10,886)	(3,523)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(28,908)	(28,908)
Final dividend in respect of previous financial year	-	-	-	-	-	(27,568)	-	(27,568)	-	(27,568)
At 30 September 2014	<u>405,411</u>	<u>-</u>	<u>440,218</u>	<u>5,489</u>	<u>470,867</u>	<u>-</u>	<u>2,411,311</u>	<u>3,733,296</u>	<u>2,160,523</u>	<u>5,893,819</u>

\* Pursuant to the transitional provisions for the abolition of the nominal value of share capital included in the new Hong Kong Companies Ordinance (Cap. 622) which became effective on 3 March 2014, the balance of the share premium account as at 3 March 2014 has been transferred to issued capital.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 September	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		115,829	463,372
Adjustments for:			
Share of profits and losses of a joint venture and associates		(8,201)	(12,049)
Interest income	3	(2,886)	(2,557)
Finance costs	4	44,858	37,711
Depreciation	5	5,753	6,232
Amortisation of prepaid land lease payments	5	638	644
Fair value gains on investment properties, net		(110,755)	(446,097)
Loss/(gain) on disposal of items of property, plant and equipment		9	(144)
Fair value (gain)/loss on equity investments at fair value through profit or loss, net	5	(162)	1,916
Gain on disposal of investment properties, net	3	(443)	(324)
		44,640	48,704
Increase in inventories		(1,812)	(666)
Increase in properties held for sale under development and completed properties held for sale		(171,383)	(117,105)
Increase in loan receivables, trade and bills receivables and prepayments, deposits and other receivables		(53,100)	(7,694)
Decrease in trade payables and accrued liabilities		(65,804)	(38,224)
Increase in customer deposits		171,073	37,854
Cash used in operations		(76,386)	(77,131)
Hong Kong profits tax paid		(99)	(43)
Overseas taxes paid		(24,504)	(3,614)
Net cash flows used in operating activities		(100,989)	(80,788)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2014</b>	<b>2013</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash flows used in operating activities	<b>(100,989)</b>	<b>(80,788)</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	(5,516)	(2,953)
Acquisition of non-controlling interests	(3,523)	(268)
Additions to investment properties	(168,546)	(318,698)
Dividends received from an associate	6,058	5,192
Interest received	2,886	2,557
Proceeds from disposal of items of property, plant and equipment	29	171
Proceeds from disposal of investment properties	2,552	1,270
Additions of equity investments at fair value through profit or loss	(15)	–
Increase in pledged deposits	(26,266)	(746)
Advance from an associate	37,490	–
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired	<b>135,000</b>	<b>(9,000)</b>
Net cash flows used in investing activities	<b>(19,851)</b>	<b>(322,475)</b>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(98,533)	(72,230)
Dividends paid to non-controlling shareholders	(28,908)	–
Dividend paid	(27,568)	–
New bank loans	507,199	727,943
Repayment of bank loans	<b>(370,477)</b>	<b>(97,613)</b>
Net cash flows from/(used in) financing activities	<b>(18,287)</b>	<b>558,100</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

	<b>Six months ended</b>	
	<b>30 September</b>	
	2014	2013
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<hr/>		
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(139,127)</b>	154,837
Cash and cash equivalents at beginning of period	<b>680,044</b>	391,305
Effect of foreign exchange rate changes, net	<u><b>2,224</b></u>	<u>4,523</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><b>543,141</b></u>	<u>550,665</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>419,198</b>	500,032
Non-pledged time deposits	<u><b>128,943</b></u>	<u>131,633</u>
Cash and bank balances as stated in the condensed consolidated statement of financial position	<b>548,141</b>	631,665
Non-pledged time deposits with original maturity of more than three months when acquired	<u><b>(5,000)</b></u>	<u>(81,000)</u>
	<u><b>543,141</b></u>	<u>550,665</u>

# NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## 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 2014 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 2014.

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 2014 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 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

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

*(Continued)*

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities.

HKAS 32 Amendments address inconsistencies in current practice when applying the offsetting criteria and clarifies the meaning of “currently has a legally enforceable right of setoff”; and the application of offsetting criteria to some gross settlement systems (such as central clearing house systems) that may be considered equivalent to net settlement.

HKAS 39 Amendments introduce a relief to allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation.

HK(IFRIC)-Int 21 addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. For a levy that is triggered upon reaching a minimum threshold, no liability should be anticipated before the specified minimum threshold is reached.

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these unaudited condensed consolidated financial statements and/or disclosures set out in these unaudited condensed consolidated financial statements.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 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 2014 (Unaudited)				
	Garment	Property	Property	Others	Total
	HK\$'000	development HK\$'000	investment HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>					
Sales to external customers	<u>45,091</u>	<u>90,832</u>	<u>87,210</u>	<u>19,233</u>	<u>242,366</u>
<b>Segment results</b>	<u>(8,586)</u>	<u>20,169</u>	<u>148,830</u>	<u>(4,193)</u>	156,220
<i>Reconciliation:</i>					
Net income from investments					2,911
Unallocated expenses					(6,807)
Fair value gains on equity investments at fair value through profit or loss					162
Finance costs					(44,858)
Share of profits and losses of associates					<u>8,201</u>
Profit before tax					<u>115,829</u>



## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

#### (a) Business segments *(Continued)*

	At 31 March 2014 (Audited)				Total HK\$'000
	Garment HK\$'000	Property development HK\$'000	Property investment HK\$'000	Others HK\$'000	
<b>Segment assets</b>	77,198	2,671,435	7,855,590	1,585,691	12,189,914
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(2,088,165)
Investments in associates					519,423
Investment in a joint venture					199
Corporate and other unallocated assets					939,884
Total assets					<u>11,561,255</u>
<b>Segment liabilities</b>	15,084	1,394,805	537,653	542,176	2,489,718
<i>Reconciliation:</i>					
Elimination of intersegment payables					(2,088,165)
Corporate and other unallocated liabilities					5,320,019
Total liabilities					<u>5,721,572</u>

#### (b) Geographical segments

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

	Six months ended 30 September 2014 (Unaudited)					Total HK\$'000
	Hong Kong HK\$'000	Mainland China HK\$'000	Europe HK\$'000	North America HK\$'000	Others HK\$'000	
<b>Segment revenue:</b>						
Sales to external customers	<u>52,683</u>	<u>147,964</u>	<u>40,550</u>	<u>1,169</u>	<u>-</u>	<u>242,366</u>
	Six months ended 30 September 2013 (Unaudited)					Total HK\$'000
	Hong Kong HK\$'000	Mainland China HK\$'000	Europe HK\$'000	North America HK\$'000	Others HK\$'000	
<b>Segment revenue:</b>						
Sales to external customers	<u>57,678</u>	<u>103,394</u>	<u>47,904</u>	<u>1,045</u>	<u>350</u>	<u>210,371</u>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 3. OTHER INCOME AND GAINS

	Six months ended	
	30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	2,886	2,527
Other interest income	–	30
Dividend income from listed investments	25	912
Gain on disposal of investment properties, net	443	324
Foreign exchange differences, net	(146)	(444)
Others	3,142	2,689
	<u>6,350</u>	<u>6,038</u>

### 4. FINANCE COSTS

	Six months ended	
	30 September	
	2014	2013
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans		
wholly repayable within five years	95,775	71,213
Interest on bank loans wholly repayable after five years	2,758	1,017
	<u>98,533</u>	<u>72,230</u>
Less: Interest capitalized under property development projects	(53,675)	(34,519)
	<u>44,858</u>	<u>37,711</u>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 5. PROFIT BEFORE TAX

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Depreciation	5,753	6,232
Amortisation of prepaid land lease payments	638	644
Employee benefit expense (including directors' remuneration)	37,384	41,165
Less: Amounts capitalized under property development projects	<u>(5,300)</u>	<u>(4,200)</u>
	<u>32,084</u>	<u>36,965</u>
Fair value (gains)/losses on equity investments at fair value through profit or loss	<u>(162)</u>	<u>1,916</u>

### 6. INCOME TAX

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Group:		
Current – Hong Kong	4	148
– Outside Hong Kong	<u>14,506</u>	<u>9,501</u>
	14,510	9,649
Deferred	<u>21,857</u>	<u>111,905</u>
Total tax charge for the period	<u>36,367</u>	<u>121,554</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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\$50,235,000 (2013: HK\$188,466,000) 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 2014 and 2013 in respect of a dilution as the Group has no potential dilutive ordinary shares in issue during both periods.

## 8. INVESTMENT PROPERTIES

During last period, one of the Group's investment properties under construction which was stated at cost as at 31 March 2013 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\$442 million and a related deferred tax of HK\$111 million which were both recognized in the consolidated statement of profit or loss for that 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 2014 (Unaudited) HK\$'000	At 31 March 2014 (Audited) HK\$'000
Within 30 days	7,377	5,066
31 to 60 days	2,945	4,064
61 to 90 days	1,650	7,715
Over 90 days	11,053	2,941
Total	<u>23,025</u>	<u>19,786</u>

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.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 10. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in the trade payables and accrued liabilities are trade payables of HK\$18,070,000 (at 31 March 2014: HK\$75,373,000). An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>At 30 September 2014 (Unaudited) HK\$'000</b>	<b>At 31 March 2014 (Audited) HK\$'000</b>
Within 30 days	<b>16,642</b>	73,884
31 to 60 days	<b>1,105</b>	1,446
61 to 90 days	<b>291</b>	36
Over 90 days	<b>32</b>	7
Total	<b>18,070</b>	75,373

### 11. SHARE CAPITAL

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

### 12. CONTINGENT LIABILITIES

As at 30 September 2014, the Group has given guarantees of HK\$91,643,000 (as at 31 March 2014 (audited): 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.

**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 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 30 September 2014 (Unaudited) HK\$'000	At 31 March 2014 (Audited) HK\$'000
Within one year	138,196	117,895
In the second to fifth years, inclusive	243,366	251,259
After five years	352,866	366,025
	<u>734,428</u>	<u>735,179</u>

**(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 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 September 2014 (Unaudited) HK\$'000	At 31 March 2014 (Audited) HK\$'000
Within one year	20,224	22,519
In the second to fifth years, inclusive	14,487	19,813
	<u>34,711</u>	<u>42,332</u>

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 14. CAPITAL COMMITMENTS

At 30 September 2014, the Group had authorised and contracted capital commitments in respect of property development expenditure amounting to HK\$517,507,000 (at 31 March 2014 (audited): HK\$624,874,000).

### 15. RELATED PARTY TRANSACTIONS

- (a) In May 2014, a wholly-owned subsidiary of Hon Kwok entered into a sale and purchase agreement for the acquisition of a villa located in Longgang District, Shenzhen, PRC from a wholly-owned subsidiary of Chinney Alliance for a cash consideration of HK\$8,063,000. The above acquisition constituted a connected transaction for both the Company and Hon Kwok 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. The above transaction was completed in June 2014.
- (b) Compensation of key management personnel of the Group

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Short-term employee benefits	<b>2,016</b>	1,850

### 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amount that reasonably approximate to fair values, are as follows:

	<b>Carrying amounts</b>		<b>Fair values</b>	
	<b>30 September</b>	31 March	<b>30 September</b>	31 March
	<b>2014</b>	2014	<b>2014</b>	2014
	<b>(Unaudited)</b>	(Audited)	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
<b>Financial assets</b>				
Equity investments at fair value through profit or loss	<b>834</b>	657	<b>834</b>	657
<b>Financial liabilities</b>				
Interest-bearing bank borrowings	<b>4,902,257</b>	4,757,891	<b>4,902,257</b>	4,757,891

### 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Management has assessed that the fair values of cash and bank balances, 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, current portion of interest-bearing bank borrowings and balances with subsidiaries and a related company approximate to their carrying amounts largely due to the short term maturities of these instruments.

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 sales. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease payables, and interest-bearing bank and other borrowings as at 30 September 2014 was assessed to be insignificant.

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

The Group did not have any financial liabilities measured at fair value as at 30 September 2014 and 31 March 2014. As at 30 September 2014, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included interest-bearing bank borrowings of HK\$2,334,372,000 (31 March 2014: HK\$2,733,303,000). The fair values of these financial liabilities disclosed were measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are unobservable (Level 3).

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 for both financial assets and financial liabilities of the Group.

### 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 25 November 2014.