



Chinney Investments, Limited

Stock Code: 216

Interim Report 2017/18

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CORPORATE INFORMATION

DIRECTORS

James Sai-Wing Wong (*Chairman*)
Herman Man-Hei Fung (*Managing Director*)
Paul Hon-To Tong
Emily Yen Wong
Clement Kwok-Hung Young*
James C. Chen*
Richard Chi-Ho Lo*

* *Independent non-executive directors*

AUDIT COMMITTEE

James C. Chen
Clement Kwok-Hung Young
Richard Chi-Ho Lo

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

AUDITOR

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 2017, the Group's unaudited consolidated turnover amounted to HK\$1,001 million (2016: HK\$1,309 million) and net profit attributable to shareholders amounted to HK\$1,708 million (2016: HK\$139 million), inclusive of property revaluation gain attributable to shareholders of HK\$26 million, net of deferred tax (2016: HK\$62 million). Basic earnings per share were HK\$3.097 (2016: HK\$0.251). As at 30 September 2017, the shareholders' equity grew to HK\$7,064 million (as at 31 March 2017: HK\$5,225 million). Net assets per share attributable to shareholders were HK\$12.81 (as at 31 March 2017: HK\$9.48).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2017 (2016: 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) and its subsidiaries ("Hon Kwok Group"). Hon Kwok Group reported a turnover of HK\$968 million (2016: HK\$1,270 million) and net profit attributable to their shareholders of HK\$2,500 million (2016: HK\$213 million) for the six months ended 30 September 2017. The decrease in turnover for the period was mainly due to less property sales from its PRC projects were recorded whilst the substantial increase in profit was due to the recognition of gain on disposal of a bare site in Guangzhou amounted to HK\$2.4 billion.

Disposal of Properties

Dong Guan Zhuan Road 東莞莊路 project in Guangzhou, PRC

In January 2017, Hon Kwok Group entered into a sale and purchase agreement to dispose of its 75% interests of a bare site at Dong Guan Zhuan Road in Guangzhou, PRC via sale of its offshore holding company together with the assignment of related companies' loans for a total cash consideration of Hong Kong dollar equivalent of RMB3,181,241,120 (approximately HK\$3,581,269,000), subject to adjustments. The transaction was completed in September 2017 and the relevant gain on disposal of HK\$2.4 billion had been recognized in the financial statements during the period under review.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

Property Development and Investment

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, 2 and 3 寶翠園一、二及三期**, with a total 28 blocks of over 1,280 units, were sold out and the profits derived therefrom had been recognized in the prior financial years. **Botanica Phase 4 寶翠園四期**, comprises 11 blocks of about 550 units, has also been sold out and generated sale proceeds exceeding RMB2,000 million. Four blocks of which have been delivered to individual purchasers during the period under review and the related profits were recorded in the statement of profit or loss. Delivery of individual units of the remaining blocks will be in stages commencing this month through the second quarter of next year.

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 over 80%.

Jie Fang Building 解放大廈, situated at Jiefang Road South, Yue Xiu District, is a completed 15-storey commercial/office building being held by the Group for recurrent rental income and/or investment potential.

Foundation works of the development site at **45-107 Beijing Nan Road**, Yue Xiu District are expected to be commenced in the second quarter of next year.

Nanhai, Foshan, PRC

Metropolitan Oasis 雅瑤綠洲, 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 1 of the project comprises 71 units of 3-storey town houses and 24 blocks of high-rise apartments of about 900 units. Nearly all of the above phase has been sold up to the date of this report, generated sale proceeds exceeding RMB1,200 million and delivery of the above sold units to individual purchasers has been substantially completed. Phase 2 of the project comprises 192 units of 3-storey town houses and portion of which has been launched to the market for pre-sale. Up to the date of this report, total contracted sales amounted to RMB371 million. Finishing/construction works of this phase are in progress and individual units are expected to be delivered/completed in stages commencing next month through the second quarter of next year.

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

Property Development and Investment *(Continued)*

Shenzhen, PRC

Construction 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, reached the final stage and are scheduled to be completed in the coming months. This signature building is being developed into an 80-storey (including 5 storeys underground) commercial/office tower with a total gross floor area of 128,000 sq.m. and will be held as investment property for recurrent rental income.

The retail shops at ground floor and the first level of the 5-storey commercial podium of **City Square** 城市天地廣場, situated at Jia Bin Road, Luo Hu District, are leased out in full. The average occupancy and room rates of **The Bauhinia Hotel (Shenzhen)** 寶軒酒店 (深圳), a 162-room hotel at upper three floors of the above podium, are both satisfactory whilst the average occupancy rate of **City Suites** 寶軒公寓, a 64-unit serviced apartments on top of the same podium, approximated to 100%.

Enterprise Square 僑城坊, 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 being developed into 12 blocks of buildings for composite use with a total gross floor area of approximately 224,500 sq.m. About 60,000 sq.m. gross floor area of office/commercial nature have been pre-sold and generated sale proceeds exceeding RMB2.6 billion. Finishing works of the project are well in progress and the sold portions are expected to be delivered by the end of this year through first quarter of next year. Upon completion of construction, certain portion of the project of office/commercial nature will be held for recurring rental income.

Chongqing, PRC

Chongqing Hon Kwok Centre 重慶漢國中心, situated at Bei Bu Xin Qu, is a 21-storey twin-tower office building atop of a 4-storey retail/commercial podium and is currently nearly fully let.

Chongqing Jinshan Shangye Zhongxin 重慶金山商業中心, also situated at 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 tower with respective 4-storey retail/commercial podium. The occupancy of the completed office tower is being picked up steadily whilst renovation works of the hotel/office tower are expected to be completed in the coming months.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

Property Development and Investment *(Continued)*

Hong Kong – Property Investment

The development site acquired via government public tender in prior years at **Kin Chuen Street, Kwai Chung, New Territories**, with a total gross floor area of approximately 228,000 sq.ft., will be developed for non-residential use for recurrent rental income. Its foundation works are in progress and expected to be completed in the third quarter of next year followed by superstructure works.

All the retail areas at street level of the hotel/apartment building at Connaught Road Central and Des Voeux Road Central are leased out. **The Bauhinia Hotel (Central)** 寶軒酒店 (中環), situated at four podium floors of the aforesaid building, is a 42-room boutique hotel with average occupancy rate nearly 100% and encouraging room rates. **The Bauhinia** 寶軒, a 171-room serviced apartments atop of the above hotel, has an average occupancy rate over 85%.

The Bauhinia Hotel (TST) 寶軒酒店 (尖沙咀), is a 98-room boutique hotel situated at a 23-storey commercial/office building at Observatory Court, Tsim Sha Tsui and occupying total 20 floors of the said building with average occupancy rate about 85% and room rates maintained at a satisfactory level. The remaining floors of the above building are being leased out for commercial use including a restaurant.

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 of 100%.

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\$34 million (2016: HK\$39 million) with a net loss of HK\$3.1 million (2016: loss HK\$7.0 million) for the six months ended 30 September 2017.

BUSINESS REVIEW *(Continued)*

2. Garment *(Continued)*

The Group's garment business, which focused on fashionable garment production in Mainland China and exported mainly to European market, continued to face a challenging market environment. The Eurozone's economy is set to perform briskly after years of economic stagnation. In particular, Germany and France, the two biggest economies in the bloc, recorded solid economic growth while Italy and Spain were still progressing at a slow momentum. Despite consumer confidence in the Eurozone was improving gradually, sales orders from our customers remained at low level, hence undermining our garment sales and profit contribution.

J.L. Garment Group is scaling down its production operation in the Mainland China to control its operating cost. In the course of business restructuring, it has reduced the office plan in the Hong Kong operation and the whole floor of vacated office space was held for investment/rental purpose. Due to the booming local property market, J.L. Garment Group recorded a property revaluation gain of HK\$5.9 million (2016: Nil) on its investment properties.

J.L. Garment Group endeavors to broaden its customer base in the local and overseas markets to explore new business opportunities. In addition, it will contemplate different business restructuring plans with aim to optimizing its resources and improving profitability.

3. Construction and Trading

Chinney Alliance Group Limited ("Chinney Alliance") (Stock Code: 385), a 29.1% owned associate recorded turnover and net profit attributable to shareholders for the six months ended 30 June 2017 of HK\$2,618 million (2016: HK\$2,227 million) and HK\$95.3 million (2016: HK\$74.3 million), respectively.

Chinney Alliance's foundation piling and ground drilling businesses are conducted by Chinney Kin Wing Holdings Limited ("Chinney Kin Wing") (Stock Code: 1556), a 74.5% owned subsidiary listed on the Main Board of The Stock Exchange of Hong Kong Limited in November 2015. Chinney Kin Wing reported a revenue of HK\$591 million (2016: HK\$856 million) and operating profit of HK\$58.8 million (2016: HK\$73.5 million). The decrease in revenue and gross profit contribution was mainly due to the reduced number of project tenders available for the foundation sector in Hong Kong and Macau. Nevertheless, due to the implementation of stringent project cost control policies, profit margin improved slightly albeit keen market competition. To improve its profitability under the highly competitive market, Chinney Kin Wing continued to explore other business opportunities and its Drilling division has been successfully awarded a site investigation contract in Singapore.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

3. Construction and Trading *(Continued)*

The Building Construction division, mainly consists of Chinney Construction Company, Limited, a wholly owned subsidiary of Chinney Alliance Group, engaged in superstructure construction works, contributed a revenue of HK\$822 million (2016: HK\$452 million) and operating profit of HK\$35.7 million (2016: HK\$22.3 million). The increase in both revenue and operating profit was attributable to the increase in contract sum for projects awarded and performed during the period under review. Current contracts included universities and educational institutions, hospitality facilities and commercial buildings.

The Building Related Contracting Services division, consists of Shun Cheong Investments Limited and its subsidiaries, engaged in the electrical and mechanical contracting businesses, contributed a revenue of HK\$947 million (2016: HK\$648 million) and operating profit of HK\$47.5 million (2016: HK\$19.6 million). With the increase in number of projects awarded, revenue improved satisfactorily. Besides, operating profit improved significantly due to better profit margin attained for new contracts and stringent cost control on projects. The division has diversified client base including public and private sectors for residential development, commercial buildings, data centres and maintenance contracts in Hong Kong and Macau.

The Plastic Trading division, consists of Jacobson van den Berg (Hong Kong) Limited, contributed a revenue of HK\$258 million (2016: HK\$260 million) and operating profit of HK\$5.3 million (2016: HK\$2.4 million). The division maintained its revenue and improved its profit margin slightly despite encountering a tough external market. Nevertheless, the division continues to broaden its product lines and explores more markets which showed solid economic growth.

OUTLOOK

The global economy regained momentum and is expected to continue at a sustained pace. Nevertheless, policy uncertainty, geopolitical risk and the U.S. monetary policy cast a shadow on the global economic recovery. In the United States, the investment and consumer markets have been resilient as supported by the satisfactory GDP growth and declining unemployment rate. Yet, the pace of the gradual tightening of monetary policy, coupled with the underlying inflationary pressure pose downside risks to the U.S. growth prospect. For the Eurozone countries, economic sentiment surged with improving domestic demand and declining unemployment rate after years of subdued growth. Nonetheless, the progress in Brexit negotiations is likely to induce uncertainty on the economic upturn in the Eurozone.

CHAIRMAN'S STATEMENT *(Continued)*

OUTLOOK *(Continued)*

In the Mainland China, GDP growth reached 6.7% and is set to sustain sound growth. During the period under review, the residential housing prices soared and the real estate market performed robustly. It is expected that the property investment and construction industries will slow down slightly as more cities are trying to curb surging house prices to contain debt and property risks. It is likely that the Central Government will continue its restrictive measures in the course of maintaining stable economic growth.

In Hong Kong, the economy recorded a solid growth as supported by a rebound in mainland tourists and improving retail market. Under the prevailing stable environment with relatively low unemployment and stable income condition, coupled with the local government's commitment to increase public housing supply, it is believed that the construction industry will be benefited and boost Hong Kong economic growth. Nevertheless, the property market remained buoyant with prices of residential and commercial properties continued to rise. In view of the various external factors, the prospect of the local economy will be erratic and susceptible to peripheral changes.

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, 28 November 2017

GENERAL INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2017, 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	351,479,324	63.75
	1	Beneficially owned	480,000	0.09

(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	502,262,139	69.72
	1 & 4	Guangzhou Honkwok Fuqiang Land Development Ltd.	Through controlled corporations	RMB185,000,000	100.00
	1 & 5	Chinney Alliance	Through controlled corporations	436,860,216	73.43
	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	20,000	100.00
	1 & 7	Chinney Trading Company Limited	Through controlled corporations	10,400	80.00
Herman Man-Hei Fung	1	Hon Kwok	Beneficially owned	1,100,000	0.15

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 is a director of Lucky Year and has beneficial interests therein.
3. Out of the 502,262,139 shares, 490,506,139 shares are beneficially held by the Company. By virtue of note 2, James Sai-Wing Wong is deemed to be interested in these shares. The remaining 11,756,000 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 436,860,216 shares, 173,093,695 shares are held by a wholly-owned subsidiary of the Company and the remaining 263,766,521 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 is 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 2017, 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 2017, 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 shares
Chinney Holdings	Directly beneficially owned	351,479,324	63.75
Lucky Year	Through controlled corporation	351,479,324	63.75

GENERAL INFORMATION *(Continued)*

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

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 2017, 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 2017.

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

- (a) In March 2015, Hon Kwok Treasury Limited, a wholly-owned subsidiary of Hon Kwok, as borrower, entered into a facility agreement (the "Facility Agreement") relating to a HK\$1,000 million transferable term and revolving loan facilities (the "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 to be used for refinancing the previous syndicated loans with outstanding balance of HK\$402 million and financing the general working capital requirements of Hon Kwok and its subsidiaries.

Pursuant to the 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) at least 30% of the effective shareholding in Hon Kwok or ceases to maintain management control of Hon Kwok; or (ii) James Sai-Wing Wong, Chairman of both Hon Kwok and the Company, ceases to remain as the largest beneficial ultimate shareholder of the Company.

If an event of default under the 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 Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the 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)*

- (b) In October 2016, Chinney Treasury, a wholly-owned subsidiary of the Company, as borrower, entered into an agreement (the “HK\$1,000 million Facilities Agreement”) relating to HK\$1,000 million transferable term and revolving loan facilities (the “HK\$1,000 million Loan Facilities”) with a syndicate of banks. The HK\$1,000 million Loan Facilities have a term of 48 months commencing from the date of the HK\$1,000 million Facilities Agreement and to be used for refinancing the existing loans facilities with outstanding balance of HK\$290 million and financing the Group’s general working capital requirements.

Pursuant to the HK\$1,000 million Facilities Agreement, it shall be an event of default if James Sai-Wing Wong, the Chairman of the Company, and/or his family members collectively cease 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\$1,000 million Facilities 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\$1,000 million Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the HK\$1,000 million Loan Facilities to be immediately due and payable.

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 2017.

GENERAL INFORMATION *(Continued)*

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 2017, 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 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. Mr. William Chung-Yue Fan, non-executive director of the Company (who retired at the 2017 annual general meeting) and Dr. Clement Kwok-Hung Young, independent non-executive director of the Company, did not attend the 2017 annual general meeting of the Company held on 25 August 2017 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, Clement Kwok-Hung Young and Richard Chi-Ho Lo.

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 2017 have not been audited, but have been reviewed by the Audit Committee.

GENERAL INFORMATION *(Continued)*

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK\$5,770 million as at 30 September 2017 (as at 31 March 2017: HK\$6,164 million), of which approximately 48% (as at 31 March 2017: 31%) of the debts were classified as current liabilities. Included therein were debts of HK\$160 million (as at 31 March 2017: HK\$198 million) related to bank loans with repayable on demand clause and HK\$1,270 million related to project or term 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 excluding the scheduled repayment as mentioned below was approximately 23%. Upon completion of disposal of the bare site in Guangzhou during the period, surplus funding derived therefrom was being/is scheduled to be utilized for repayment of bank loans.

Total cash and bank balances including time deposits were approximately HK\$3,473 million as at 30 September 2017 (as at 31 March 2017: HK\$2,417 million) and the increase was mainly due to surplus cash being retained resulted from completion of disposal of the abovementioned bare site. Included in cash and bank balances are restricted bank deposits of HK\$447 million (as at 31 March 2017: HK\$750 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\$2,247 million at period end available for its working capital purpose.

Total shareholders' funds as at 30 September 2017 were approximately HK\$7,064 million (as at 31 March 2017: HK\$5,225 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\$2,297 million (as at 31 March 2017: HK\$3,747 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK\$10,494 million (as at 31 March 2017: HK\$8,133 million), was 22% as at 30 September 2017 (as at 31 March 2017: 46%).

Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30 September 2017, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

FINANCIAL REVIEW *(Continued)*

Pledge of assets

Properties with an aggregate carrying value of approximately HK\$13,155 million as at 30 September 2017 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 570 employees as at 30 September 2017. 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

		Six months ended 30 September	
		2017	2016
	Notes	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	2	1,001,437	1,309,092
Cost of sales		(531,439)	(722,248)
Gross profit		469,998	586,844
Other income and gains	3	12,550	5,868
Fair value gains on investment properties, net		12,639	140,362
Fair value losses on equity investments at fair value through profit or loss		(58)	(34)
Gain on disposal of subsidiaries	4	2,398,589	–
Selling and distribution expenses		(5,693)	(6,224)
Administrative and other operating expenses		(88,228)	(117,768)
Finance costs	5	(62,153)	(68,661)
Share of profits and losses of:			
Associates		27,372	21,420
Profit before tax	6	2,765,016	561,807
Income tax expense	7	(183,976)	(230,850)
Profit for the period		2,581,040	330,957
Attributable to:			
Owners of the Company		1,707,681	138,554
Non-controlling interests		873,359	192,403
		2,581,040	330,957
Earnings per share attributable to ordinary equity holders of the Company	8		
Basic and diluted		HK\$3.097	HK\$0.251

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	2,581,040	330,957
Other comprehensive income		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(loss) of associates	4,669	(4,756)
Release of exchange fluctuation reserve upon disposal of subsidiaries	4 (69,606)	–
Exchange differences on translation of foreign operations	299,883	(293,782)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	234,946	(298,538)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	–	88,538
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	–	88,538
Other comprehensive income/(loss) for the period, net of tax	234,946	(210,000)
Total comprehensive income for the period	2,815,986	120,957
Attributable to:		
Owners of the Company	1,864,222	30,495
Non-controlling interests	951,764	90,462
	2,815,986	120,957

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	At 30 September 2017 (Unaudited) <i>HK\$'000</i>	At 31 March 2017 (Audited) <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		125,102	125,934
Prepaid land lease payments		6,647	6,869
Investment properties		13,172,902	12,599,604
Investment in a joint venture		199	199
Investments in associates		695,127	671,580
		13,999,977	13,404,186
CURRENT ASSETS			
Inventories		3,310	2,677
Properties held for sale under development and completed properties held for sale		2,220,061	2,223,805
Prepaid land lease payments		1,096	1,174
Trade and bills receivables	9	35,269	28,571
Prepayments, deposits and other receivables		233,252	192,976
Equity investments at fair value through profit or loss		741	799
Tax recoverable		235	227
Cash and bank balances		3,473,288	2,417,193
		5,967,252	4,867,422
Assets of a disposal group classified as held for sale	4	–	482,001
		5,967,252	5,349,423
CURRENT LIABILITIES			
Trade payables and accrued liabilities	10	380,880	644,469
Customer deposits		1,730,558	2,335,704
Due to an associate		26,002	31,740
Obligation under a finance lease		160	157
Interest-bearing bank borrowings		2,745,650	1,915,408
Tax payable		213,142	115,436
		5,096,392	5,042,914
Liabilities directly associated with the assets classified as held for sale	4	–	120
		5,096,392	5,043,034
NET CURRENT ASSETS		870,860	306,389
TOTAL ASSETS LESS CURRENT LIABILITIES		14,870,837	13,710,575

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

		At 30 September 2017 (Unaudited) <i>HK\$'000</i>	At 31 March 2017 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
NON-CURRENT LIABILITIES			
Obligation under a finance lease		–	81
Interest-bearing bank borrowings		3,024,374	4,248,699
Deferred tax liabilities		1,352,494	1,328,676
		<u>4,376,868</u>	<u>5,577,456</u>
Total non-current liabilities		4,376,868	5,577,456
Net assets		10,493,969	8,133,119
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	405,411	405,411
Reserves		6,658,178	4,819,633
		<u>7,063,589</u>	5,225,044
Non-controlling interests		3,430,380	2,908,075
Total equity		10,493,969	8,133,119

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital	Other reserve	Asset revaluation reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2016	405,411	440,218	5,489	250,673	3,964,304	5,066,095	2,800,678	7,866,773
Profit for the period	-	-	-	-	138,554	138,554	192,403	330,957
Other comprehensive income/(loss) for the period:								
Exchange differences on translation of foreign operations	-	-	-	(196,597)	-	(196,597)	(101,941)	(298,538)
Gain on property revaluation	-	-	88,538	-	-	88,538	-	88,538
Total comprehensive income/(loss) for the period	-	-	88,538	(196,597)	138,554	30,495	90,462	120,957
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	(28,741)	(28,741)
Final dividend in respect of previous financial year	-	-	-	-	(27,568)	(27,568)	-	(27,568)
At 30 September 2016	<u>405,411</u>	<u>440,218</u>	<u>94,027</u>	<u>54,076</u>	<u>4,075,290</u>	<u>5,069,022</u>	<u>2,862,399</u>	<u>7,931,421</u>
At 1 April 2017	405,411	440,218	94,027	(70,763)	4,356,151	5,225,044	2,908,075	8,133,119
Profit for the period	-	-	-	-	1,707,681	1,707,681	873,359	2,581,040
Other comprehensive income/(loss) for the period:								
Release of exchange fluctuation reserve upon disposal of subsidiaries	-	-	-	(47,395)	-	(47,395)	(22,211)	(69,606)
Exchange differences on translation of foreign operations	-	-	-	203,936	-	203,936	100,616	304,552
Total comprehensive income for the period	-	-	-	156,541	1,707,681	1,864,222	951,764	2,815,986
Issuance of convertible bond by an associate	-	1,891	-	-	-	1,891	-	1,891
Disposal of subsidiaries	-	-	-	-	-	-	(64,621)	(64,621)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	(364,838)	(364,838)
Final dividend in respect of previous financial year	-	-	-	-	(27,568)	(27,568)	-	(27,568)
At 30 September 2017	<u>405,411</u>	<u>442,109</u>	<u>94,027</u>	<u>85,778</u>	<u>6,036,264</u>	<u>7,063,589</u>	<u>3,430,380</u>	<u>10,493,969</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 September	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,765,016	561,807
Adjustments for:			
Share of profits and losses of associates		(27,372)	(21,420)
Interest income	3	(5,529)	(3,516)
Finance costs	5	62,153	68,661
Depreciation	6	4,905	3,739
Amortisation of prepaid land lease payments	6	548	598
Gain on disposal of subsidiaries	4	(2,398,589)	–
Gain on disposal of investment properties		(146)	–
Fair value gains on investment properties, net		(12,639)	(140,362)
Fair value losses on equity investments at fair value through profit or loss	6	58	34
Losses on disposal of items of property, plant and equipment		14	177
		388,419	469,718
Decrease/(increase) in inventories		(633)	319
Decrease in properties held for sale under development and completed properties held for sale		179,222	318,041
Decrease/(increase) in trade and bills receivables and prepayments, deposits and other receivables		(47,205)	34,940
Decrease in trade payables and accrued liabilities		(384,978)	(184,298)
Decrease in customer deposits		(687,243)	(409,988)
Cash generated from/(used in) operations		(552,418)	228,732
Hong Kong profits tax refund/(paid)		42	(9)
Overseas taxes paid		(110,957)	(63,436)
Net cash flows from/(used in) operating activities		(663,333)	165,287

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

	Six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
<i>Notes</i>	HK\$'000	HK\$'000
Net cash flows from/(used in) operating activities	<u>(663,333)</u>	<u>165,287</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	5,529	3,516
Purchases of items of property, plant and equipment	(867)	(59,395)
Proceeds from disposal of investment properties	1,796	–
Proceeds from disposal of items of property, plant and equipment	6	292
Additions to investment properties	(196,299)	(105,893)
Disposal of subsidiaries	4 2,769,302	–
Dividends received from an associate	10,386	8,655
Decrease in balance due to an associate	(5,738)	(5,750)
Decrease in pledged deposits	–	64,443
Decrease in non-pledged time deposits with original maturity of more than three months when acquired	340,807	50,047
Acquisition of subsidiaries	–	(136,455)
Net cash flows from/(used in) investing activities	<u>2,924,922</u>	<u>(180,540)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(109,339)	(116,328)
New bank loans	215,168	31,347
Repayment of bank loans	(658,434)	(349,968)
Dividend paid	(27,568)	(27,568)
Dividends paid to non-controlling shareholders	(364,836)	(28,741)
Capital element of finance lease payments	(78)	(76)
Net cash flows used in financing activities	<u>(945,087)</u>	<u>(491,334)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

	Six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	1,316,502	(506,587)
Cash and cash equivalents at beginning of period	2,074,016	1,677,500
Effect of foreign exchange rates changes, net	<u>80,167</u>	<u>(49,128)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>3,470,685</u>	<u>1,121,785</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,318,035	1,121,785
Non-pledged time deposits	<u>155,253</u>	<u>2,533</u>
Cash and bank balances as stated in the condensed consolidated statement of financial position	3,473,288	1,124,318
Non-pledged time deposits with original maturity of more than three months when acquired	<u>(2,603)</u>	<u>(2,533)</u>
	<u>3,470,685</u>	<u>1,121,785</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 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 with 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 2017.

The financial information relating to the year ended 31 March 2017 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 September 2017 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 March 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on those consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The unaudited condensed interim consolidated financial statements have been prepared under the historical cost convention, except for certain investment properties and equity investments which have been measured at fair value, and a disposal group held for sale which has been stated at the lower of its carrying amount and fair value less cost to sell. The accounting policies adopted in the preparation of the unaudited condensed interim consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2017, except as described below. In the current period, the Group has applied, for the first time, the following revised Hong Kong Financial Reporting Standards (“HKFRSs”, which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA which are effective for the Group’s financial year beginning on 1 April 2017.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Annual Improvements 2012-2014 Cycle	<i>Amendments to HKFRS 12 Disclosure of Interests in Other Entities</i>

The adoption of the above revised HKFRSs has had no significant financial effect on this interim financial information and there have been no significant changes to the accounting policies applied in this interim financial information.

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 2017 (Unaudited)				
	Garment HK\$'000	Property development HK\$'000	Property investment HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:					
Sales to external customers	<u>33,695</u>	<u>863,047</u>	<u>93,717</u>	<u>10,978</u>	<u>1,001,437</u>
Segment results	<u>(2,573)</u>	<u>358,773</u>	<u>49,250</u>	<u>385</u>	<u>405,835</u>
<i>Reconciliation:</i>					
Net income from investments					5,566
Unallocated expenses					(10,135)
Fair value losses on equity investments at fair value through profit or loss					(58)
Gain on disposal of subsidiaries					2,398,589
Finance costs					(62,153)
Share of profits and losses of associates					<u>27,372</u>
Profit before tax					<u>2,765,016</u>

	Six months ended 30 September 2016 (Unaudited)				
	Garment HK\$'000	Property development HK\$'000	Property investment HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:					
Sales to external customers	<u>39,581</u>	<u>1,168,029</u>	<u>88,416</u>	<u>13,066</u>	<u>1,309,092</u>
Segment results	<u>(8,316)</u>	<u>453,336</u>	<u>171,757</u>	<u>(3,986)</u>	<u>612,791</u>
<i>Reconciliation:</i>					
Net income from investments					3,544
Unallocated expenses					(7,253)
Fair value losses on equity investments at fair value through profit or loss					(34)
Finance costs					(68,661)
Share of profits and losses of associates					<u>21,420</u>
Profit before tax					<u>561,807</u>

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

2. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	At 30 September 2017 (Unaudited)				
	Garment HK\$'000	Property development HK\$'000	Property investment HK\$'000	Others HK\$'000	Total HK\$'000
Segment assets	181,146	2,549,972	14,091,282	1,802,200	18,624,600
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(2,826,961)
Investments in associates					695,127
Investment in a joint venture					199
Corporate and other unallocated assets					<u>3,474,264</u>
Total assets					<u>19,967,229</u>
Segment liabilities	15,192	2,849,125	1,035,279	1,064,805	4,964,401
<i>Reconciliation:</i>					
Elimination of intersegment payables					(2,826,961)
Corporate and other unallocated liabilities					<u>7,335,820</u>
Total liabilities					<u>9,473,260</u>
	At 31 March 2017 (Audited)				
	Garment HK\$'000	Property development HK\$'000	Property investment HK\$'000	Others HK\$'000	Total HK\$'000
Segment assets	175,958	2,506,621	13,546,455	2,048,619	18,277,653
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(3,096,044)
Investments in associates					671,580
Investment in a joint venture					199
Assets of a disposal group classified as held for sale					482,001
Corporate and other unallocated assets					<u>2,418,220</u>
Total assets					<u>18,753,609</u>
Segment liabilities	11,651	3,985,976	1,022,394	1,087,936	6,107,957
<i>Reconciliation:</i>					
Elimination of intersegment payables					(3,096,044)
Liabilities directly associated with the assets classified as held for sale					120
Corporate and other unallocated liabilities					<u>7,608,457</u>
Total liabilities					<u>10,620,490</u>

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

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 2017 (Unaudited)				
	Mainland				Total
	Hong Kong	China	Europe	Others	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:					
Sales to external customers	<u>57,938</u>	<u>921,426</u>	<u>21,848</u>	<u>225</u>	<u>1,001,437</u>

	Six months ended 30 September 2016 (Unaudited)				
	Mainland				Total
	Hong Kong	China	Europe	Others	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:					
Sales to external customers	<u>61,047</u>	<u>1,219,907</u>	<u>27,872</u>	<u>266</u>	<u>1,309,092</u>

3. OTHER INCOME AND GAINS

	Six months ended	
	30 September	2016
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	5,529	3,516
Dividend income from listed investments	37	28
Foreign exchange differences, net	3,599	—
Others	<u>3,385</u>	<u>2,324</u>
	<u>12,550</u>	<u>5,868</u>

4. GAIN ON DISPOSAL OF SUBSIDIARIES/DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 19 January 2017, Hon Kwok Group announced the decision of its board of directors to dispose of Smooth Ever Investments Limited, a wholly-owned subsidiary of Hon Kwok, and its subsidiaries (“Smooth Ever Group”). Smooth Ever Group was engaged in property development business. The above transaction was subsequently completed in September 2017.

The net assets disposed of in the above transaction are as follows:

	(Unaudited) HK\$'000
<hr/>	
Net assets disposed of:	
Property, plant and equipment	26
Properties held for sale under development	504,857
Prepayments, deposits and other receivables	78
Cash and bank balances	169
Due to a shareholder and a related company	(375,080)
Other payables and accrued liabilities	(21)
Non-controlling interests	<u>(64,621)</u>
	65,408
Assignment of loans from a shareholder and a related company	<u>375,080</u>
	440,488
Exchange fluctuation reserve	(69,606)
Gain on disposal of subsidiaries	<u>2,398,589</u>
Consideration received	<u><u>2,769,471</u></u>
Satisfied by:	
Cash consideration	3,585,536
Less: Direct transaction costs incurred	<u>(816,065)</u>
	<u><u>2,769,471</u></u>

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

4. GAIN ON DISPOSAL OF SUBSIDIARIES/DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *(Continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	<i>HK\$'000</i>
Cash consideration	2,769,471
Cash and bank balances disposed of	<u>(169)</u>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u><u>2,769,302</u></u>

As at 31 March 2017, as the disposal of Smooth Ever Group was still pending for completion, it was classified as a disposal group held for sale.

The major classes of assets and liabilities of Smooth Ever Group classified as held for sale as at 31 March 2017 were as follows:

	2017 (Audited) <i>HK\$'000</i>
Assets	
Property, plant and equipment	43
Properties held for sale under development	481,586
Prepayments, deposits and other receivables	139
Cash and bank balances	<u>233</u>
Assets of a disposal group classified as held for sale	<u>482,001</u>
Liabilities	
Other payables and accrued liabilities	<u>120</u>
Liabilities directly associated with the assets classified as held for sale	<u>120</u>
Net assets directly associated with the disposal group	<u><u>481,881</u></u>

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

5. FINANCE COSTS

	Six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other loans	109,339	116,328
Less: Interest capitalized under property development projects	<u>(47,186)</u>	<u>(47,667)</u>
	<u>62,153</u>	<u>68,661</u>

6. PROFIT BEFORE TAX

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

	Six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	4,905	3,739
Amortisation of prepaid land lease payments	548	598
Employee benefit expense (including directors' remuneration)	46,739	41,308
Less: Amounts capitalized under property development projects	<u>(7,900)</u>	<u>(7,500)</u>
	<u>38,839</u>	<u>33,808</u>
Fair value losses on equity investments at fair value through profit or loss	<u>58</u>	<u>34</u>

7. INCOME TAX

	Six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Outside Hong Kong	206,406	183,375
Deferred	(22,430)	47,475
Total tax charge for the period	<u>183,976</u>	<u>230,850</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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.

8. 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\$1,707,681,000 (2016: HK\$138,554,000) and the weighted average 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 2017 and 2016 in respect of a dilution as the Group has no potential dilutive ordinary shares in issue during both periods.

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	At
	30 September	31 March
	2017	2017
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 30 days	13,422	6,471
31 to 60 days	1,078	3,452
61 to 90 days	566	1,487
Over 90 days	20,203	17,161
Total	35,269	28,571

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. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables balances. 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\$50,503,000 (as at 31 March 2017: HK\$28,088,000). 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 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Within 30 days	47,807	26,944
31 to 60 days	1,360	402
61 to 90 days	145	21
Over 90 days	1,191	721
Total	50,503	28,088

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

- (a) As at 30 September 2017, the Group has given a guarantee of HK\$32,000,000 (as at 31 March 2017 (audited): HK\$36,000,000) to a bank in connection with a facility granted to an associate and such banking facility guaranteed by the Group to the associate was utilized to the extent of HK\$32,000,000 (as at 31 March 2017 (audited): HK\$36,000,000).
- (b) As at 30 September 2017, the Group has given guarantees of HK\$1,925,000,000 (as at 31 March 2017 (audited): HK\$2,145,000,000) 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 ownership 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 fifteen 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 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Within one year	114,377	109,039
In the second to fifth years, inclusive	176,146	182,977
After five years	<u>277,083</u>	<u>279,333</u>
	<u><u>567,606</u></u>	<u><u>571,349</u></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 five years.

At 30 September 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Within one year	12,839	17,754
In the second to fifth years, inclusive	<u>424</u>	<u>3,722</u>
	<u><u>13,263</u></u>	<u><u>21,476</u></u>

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

14. CAPITAL COMMITMENTS

At 30 September 2017, the Group had authorised and contracted capital commitments in respect of property development expenditure amounting to HK\$216,027,000 (as at 31 March 2017 (audited): HK\$298,529,000).

15. RELATED PARTY TRANSACTIONS

(a) During the period, the Group paid development expenditure relating to foundation construction works to an indirect wholly-owned subsidiary of Chinney Kin Wing amounted to HK\$71,908,000 (2016: Nil). The above transaction was negotiated between the concerned parties by reference to prevailing market rate. The transaction constituted a connected transaction of the Company and was approved by the independent shareholders of the Company at an extraordinary general meeting held on 7 November 2016.

(b) Compensation of key management personnel of the Group

	Six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term employee benefits	<u>2,742</u>	<u>2,502</u>

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 amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 September	31 March	30 September	31 March
	2017	2017	2017	2017
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Equity investments at fair value through profit or loss	<u>741</u>	<u>799</u>	<u>741</u>	<u>799</u>
Financial liabilities				
Obligation under a finance lease	160	238	160	238
Interest-bearing bank borrowings	<u>5,770,024</u>	<u>6,164,107</u>	<u>5,770,024</u>	<u>6,164,107</u>

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, the current portion of interest-bearing bank borrowings and an obligation under a finance lease, and a balance with an associate 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 sale. 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 and an obligation under a finance lease 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 interest-bearing bank borrowings and an obligation under a finance lease as at 30 September 2017 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 2017 and 31 March 2017. As at 30 September 2017, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included interest-bearing bank borrowings (non-current portion) of HK\$3,024,374,000 (as at 31 March 2017 (audited): HK\$4,248,699,000) and an obligation under a finance lease (non-current portion) of Nil (as at 31 March 2017 (audited): HK\$81,000). 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 28 November 2017.