建業實業有限公司
Chinney Investments, Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code: 216)

2017-18 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL RESULTS

For the year ended 31 March 2018, the Group's consolidated turnover was HK$1,857 million (2017: HK$1,653 million) and net profit attributable to shareholders amounted to HK$2,040 million (2017: HK$419 million), inclusive of property revaluation gain attributable to shareholders of HK$178 million, after a deferred tax credit of HK$2 million (2017: HK$373 million, net of deferred tax charges of HK$86 million). Basic earnings per share were HK$3.70 (2017: HK$0.76). As at 31 March 2018, the shareholders' equity amounted to HK$7,680 million (2017: HK$5,225 million). Net assets per share attributable to shareholders was HK$13.93 (2017: HK$9.48).

DIVIDEND

The Directors recommend the payment of a final dividend of 5 Hong Kong cents per ordinary share for the year ended 31 March 2018 (2017: 5 Hong Kong cents) to shareholders whose names appear on the Company's register of members on 3 September 2018. Subject to the approval by the shareholders at the forthcoming annual general meeting, the dividend cheques are expected to be despatched to shareholders on or before 21 September 2018.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 24 August 2018. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 21 August 2018 to 24 August 2018 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 20 August 2018.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 March 2018 is subject to the approval by the shareholders at the annual general meeting. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 31 August 2018 to 3 September 2018 (both days inclusive), during which period no share transfers will be registered. The last day for dealing in the Company's shares cum entitlements to the proposed final dividend will be 28 August 2018. In order to qualify for the proposed final dividend, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 30 August 2018.

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 revenue of HK$1,781 million (2017: HK$1,574 million) and net profit attributable to its shareholders of HK$2,980 million (2017: HK$585 million) for the financial year 2017/18. The significant increase in profit for the year was mainly due to the recognition of gain on disposal of a bare site in Guangzhou, PRC, which amounted to HK$2,379 million.

Disposal of Properties

Dong Guan Zhuan Road 東莞莊路 project in Guangzhou

In January 2017, Hon Kwok Group entered into a sale and purchase agreement to dispose of its 75% interest 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 shareholders' loans for a total cash consideration of RMB3,181 million (equivalent to Hong Kong dollar of HK$3,586 million). The transaction consituted a very substantial disposal transaction and was completed in September 2017. The relevant gain on disposal of HK$2,379 million was recognised by Hon Kwok Group in the year under review. For details, please refer to the Company's announcement dated 24 January 2017, circular dated 9 May 2017 and announcement dated 25 May 2017.

Jie Fang Building 解放大厦 in Guangzhou

In December 2017, Hon Kwok Group entered into a sale and purchase agreement to dispose of its 100% interest of an investment property in Guangzhou, PRC, namely **Jie Fang Building** 解放大厦 via sale of its onshore holding company together with the assignment of related shareholder's loan for a total cash consideration of RMB260 million (equivalent to Hong Kong dollar of HK$322 million). The transaction constituted a discloseable transaction and was completed in January 2018. The relevant gain on disposal of HK$117 million was recognised by Hon Kwok Group in the year under review. For details, please refer to the Company's announcement dated 18 December 2017.

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., was developed in four phases. **Botanica Phases 1, 2 and 3** 寶翠園一,二及三期, with a total 28 blocks of about 1,280 units, were sold out and the profits derived therefrom had been recognised in the prior financial years. **Botanica Phase 4** 寶翠園四期, comprises 11 blocks of about 550 units, has also been fully sold out and generated sale proceeds exceeding RMB2,000 million. Construction works for phase 4 of the project have been completed with delivery of sold units commenced in June 2017.

Ganghui Dasha 港滙大廈, a 20-storey commercial/office building, is situated at the junction of Beijing Road, Nanti Er Road and Baqi Er Road, Yue Xiu District. The average occupancy rate of the building was about 80%.

Foundation works of the development site at **45-107 Beijing Nan Road**, Yue Xiu District, comprising a 30-storey residential building of about 160 units and a 32-storey commercial/office building, are expected to commence in the third quarter of this year.

Nanhai, Foshan, PRC

Metropolitan Oasis 雅瑤綠洲, situated in Da Li District, Nanhai with a total gross floor area of approximately 273,000 sq.m., is under development by phases. Phase I of the project comprises 71 units of 3-storey town houses and 24 blocks of high-rise apartments of about 900 units. Nearly all units in phase I have been sold generating sale proceeds exceeding RMB1,200 million. 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 of which more than 40% have been pre-sold at a total contract sum exceeding RMB390 million. Construction works for phase 2 of the project have been completed with delivery of sold units commenced in the first quarter of this year. The remaining phase of the project comprising 19 blocks of high-rise apartments of about 550 units is under development and will be launched to the market for pre-sale as and when appropriate.

Shenzhen, PRC

Construction works of **Hon Kwok City Commercial Centre** 漢國城市商業中心, with a total gross floor area of approximately 128,000 sq.m. and situated at the junction of Shen Nan Zhong Road and Fu Ming Road, Futian District, are in progress and expected to be completed in the coming months. This signature building is being developed into a 75-storey high commercial/office tower above ground with 5-level basement and will be held by the Group as investment property for recurring rental income.

City Square 城市天地廣場, situated at Jia Bin Road, Luo Hu District, is a 5-storey commercial podium. All the retail shops at ground level and the entire first floor of the podium are fully let. **The Bauhinia Hotel (Shenzhen)** 寶軒酒店（深圳）, a 162-room hotel at upper three floors of the above podium, maintained occupancy and room rates at a satisfactory level. The average occupancy rate of **City Suites** 寶軒公寓, a 64-unit serviced apartment on top of the podium was closed to 100%.

Enterprise Square 僑城坊, situated at Qiaoxiang Road North, Nanshan District, covers a site area of 48,764 sq.m. and with a total gross floor area of approximately 224,500 sq.m. It is being developed in two phases into 12 blocks of buildings for composite use in which Hon Kwok Group has 20% interest. Gross floor area of about 70,000 sq.m. in the project for office use has been pre-sold since January 2017 generating sales proceeds exceeding RMB3,000 million. Construction works for phase 1 of the project have been completed with delivery of sold units commenced in the first quarter of this year. Profit attributable to those units delivered on or before 31 March 2018 was recognised by Hon Kwok Group as share of profit of associate during the year under review. A portion of the project is to be retained 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, a twin-tower project, is also situated at Bei Bu Xin Qu and adjacent to the above **Chongqing Hon Kwok Centre** 重慶漢國中心. It comprises a 41-storey office tower and a 42-storey hotel and office composite tower each with its respective 4-storey retail/commercial podium. The occupancy of the completed office tower has been gradually improving, whereas the hotel/office tower was in the interior fitting out stage during the year under review.

Hong Kong – Property Investment

The development site at **Kin Chuen Street, Kwai Chung, New Territories,** with a total gross floor area of approximately 228,000 sq.ft. was acquired via government public tender in prior years. Foundation works were expected to be completed in the third quarter of this year followed by superstructure works. It is planned to be developed as a data centre for recurring rental income.

The average occupancy rate of **The Bauhinia Hotel (Central)** 寶軒酒店（中環）, a 42-room boutique hotel situated at four podium floors of the hotel/apartment building at Connaught Road Central and Des Voeux Road Central was above 95% with satisfactory room rates whilst that of **The Bauhinia** 寶軒, a 171-room serviced apartments atop of the above hotel, was about 85%. The retail shops at street level of the aforesaid building are fully let.

The average occupancy rate of **The Bauhinia Hotel (TST)** 寶軒酒店（尖沙咀）, a 98-room boutique hotel occupying a total of 20 floors in a 23-storey commercial/office building at Observatory Court, Tsim Sha Tsui, was about 90% with satisfactory room rates. All the remaining floors of the above building have been leased out for commercial use.

The average occupancy rate of **Hon Kwok Jordan Centre** 漢國佐敦中心, a 23-storey commercial/office building situated at Hillwood Road, Tsim Sha Tsui was closed to 100%.

2. Garment

J.L. Garment Group, a wholly-owned subsidiary of the Company with garment factory situated at Dongguan, the Mainland China, reported revenue of HK$76 million (2017: HK$79 million) with net profit of HK$6.8 million (2017: loss HK$2.4 million) for the year ended 31 March 2018.

The Group's garment business, which focused on fashionable garment production in Mainland China and exported mainly to European market, continued to face tough times with a new range of challenges. Recently, the European economy has recorded a solid growth with a decline in unemployment rate and improved economic sentiment. Yet the market demand in the garment industry remained subdued and sales orders from our customers remained at low level, hampered our garment profit contribution.

In light of the continuous operating loss in the garment business, JL Garment Group scaled down its factory operation in Dongguan to reduce its operating cost and also implemented stringent measures on cost control. Besides, it has reduced the office plan in the Hong Kong operation and has vacated part of its office space to be held for investment/rental purpose. Nonetheless, the management continues to contemplate different restructuring plans in order to optimize its resources and improve profitability.

During the year under review, JL Garment Group recorded a property revaluation gain of HK$19.8 million (2017: HK$ 17.5 million) on its investment properties held for investment and rental income.

3. Construction and Trading

Chinney Alliance Group Limited ("Chinney Alliance") (Stock Code: 385), a 29.1% owned associate recorded revenue of HK$5,596 million (2016: HK$4,571 million) and net profit attributable to its shareholders of HK$176.8 million (2016: HK$210.0 million) for the year ended 31 December 2017.

Chinney Alliance's foundation piling and ground investigation 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 Hong Kong Stock Exchange in 2015. Chinney Kin Wing reported revenue of HK$1,190 million (2016: HK$1,356 million) and operating profit of HK$95.5 million (2016: HK$119.4 million). Sales revenue dropped due to the reduced number of projects available from both the public and private sectors. The keen competition in the foundation market further led to the decrease in profit margin. Nevertheless, the division continued to carry out stringent costs control and implement measures aimed at improving its production efficiency and strengthening its competitive edge in the market.

The building construction division, mainly consists of Chinney Construction Company Limited, a wholly owned subsidiary of Chinney Alliance, engaged in superstructure construction works, contributed revenue of HK$1,649 million (2016: HK$1,079 million) and operating profit of HK$51.9 million (2016: HK$65.7 million). Operating profit decreased due to higher profit had been recognised in prior year with projects substantially progressed and profit recognised. The division continued to seize tender opportunities in both Hong Kong and Macau.

The building related contracting services division, consists of Shun Cheong Investments Limited and its subsidiaries, engaged in the electrical and mechanical contracting businesses, contributed revenue of HK$2,179 million (2016: HK$1,558 million, restated) and operating profit of HK$102.9 million (2016: HK$102.4 million, restated). Operating profit had not increased despite substantial increase in revenue as certain contracts were commenced in 2017 but would not start contributing profit until 2018. Furthermore, the division increased its staff number and thus, operating overhead, to cope with its business expansion in pumping and drainage business.

The plastic trading division recorded an increase in operating profit resulted from the improved export sales, as it benefited from the recovery in the US and Europe economies. The division continues to grab business opportunity in the China market and to develop diversified products to enhance its profitability.

OUTLOOK

The global economy is expected to continue its broad-based growth with more countries posted solid growth. Nevertheless, the rise of trade protectionism and the impact of the U.S. monetary policy have added further uncertainties to the global economic recovery. In the United States, economic performance has strengthened with satisfactory indicators on unemployment and inflation rate. Nonetheless, the pace of monetary policy normalization and the interest rate hikes have posed potential risks on its recovery. For the Eurozone countries, growth is expected to remain healthy under the prevailing accommodative monetary policy, improved labour market and better economic sentiment.

In the Mainland China, bolstered by the increasing domestic demand, ongoing urbanization and strong economic fundamentals, the economy has maintained its steady growth momentum, albeit at a slower pace. To support its long term growth, China is progressing to upgrade its traditional sectors and promote high-quality development. Meanwhile, the Central Government is likely to continue its stringent restrictive measures in the major cities to constrain property activities and alleviate property speculation. Coupled with the debt deleveraging policies to contain financial risks, the China property market is expected to operate in a healthy and sustainable condition.

In Hong Kong, the economy recorded a solid growth supported by the strong consumer spending, revival of inbound tourism and intensive infrastructure works. With the Central Government's plan on the development of the Greater Bay Area, Hong Kong will benefit from ample business opportunities as it has competitive edge in different business sectors. Nonetheless, the property market will remain buoyant with prices of residential and commercial properties continue to rise. As more restrictive measures may be imposed by the local government and in view of the external uncertainties, the local economy will become more erratic in the year ahead.

Finally, I would like to take this opportunity to thank my fellow directors for their advices and all staff members for their dedication and hard work during the year under review.

James Sai-Wing Wong
Chairman

Hong Kong, 27 June 2018

CONSOLIDATED RESULTS

The consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2018 together with comparative figures for the previous year are as follows:

Consolidated Statement of Profit or Loss

		For the year ended 31 March	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
Revenue	*2*	**1,857,039**	1,652,964
Cost of sales		**(957,195)**	(1,007,362)
Gross profit		**899,844**	645,602
Other income and gains	*3*	**27,441**	22,960
Fair value gains on investment properties, net		**248,931**	662,992
Fair value losses on equity investments at fair value through profit or loss, net		**(8)**	(73)
Gain on disposal of subsidiaries	*4*	**2,495,927**	-
Gain/(loss) on disposal of investment properties, net		**(244)**	541
Selling and distribution expenses		**(10,738)**	(11,961)
Administrative and other operating expenses, net		**(196,910)**	(225,019)
Finance costs	*5*	**(123,964)**	(131,805)
Share of profits and losses of associates		**165,220**	60,489
Profit before tax	*6*	**3,505,499**	1,023,726
Income tax expense	*7*	**(385,203)**	(301,748)
Profit for the year		**3,120,296**	721,978
Attributable to:			
Owners of the Company		**2,040,243**	419,415
Non-controlling interests		**1,080,053**	302,563
		3,120,296	721,978
Earnings per share attributable to ordinary equity holders of the Company	*8*		
Basic and diluted		**HK$3.70**	HK$0.76

Consolidated Statement of Comprehensive Income

	For the year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**3,120,296**	721,978
Other comprehensive income/(loss)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(loss) of associates	**17,481**	(8,256)
Release of exchange fluctuation reserve upon disposal of subsidiaries	**(78,064)**	-
Exchange differences on translation of foreign operations	**740,310**	(479,606)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**679,727**	(487,862)
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 year, net of tax	**679,727**	(399,324)
Total comprehensive income for the year	**3,800,023**	322,654
Attributable to:		
Owners of the Company	**2,480,463**	186,517
Non-controlling interests	**1,319,560**	136,137
	3,800,023	322,654

Consolidated Statement of Financial Position

	Notes	**31 March 2018** **HK$'000**	31 March 2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**123,567**	125,934
Prepaid land lease payments		**6,438**	6,869
Investment properties		**13,832,790**	12,599,604
Investment in a joint venture		**199**	199
Investments in associates		**845,787**	671,580
Total non-current assets		**14,808,781**	13,404,186
CURRENT ASSETS			
Inventories		**3,954**	2,677
Properties held for sale under development and completed properties held for sale		**2,553,549**	2,223,805
Prepaid land lease payments		**1,199**	1,174
Trade and bills receivables	*10*	**32,107**	28,571
Prepayments, deposits and other receivables		**167,753**	192,976
Equity investments at fair value through profit or loss		**791**	799
Tax recoverable		**97**	227
Cash and bank balances		**2,716,141**	2,417,193
		5,475,591	4,867,422
Assets of a disposal group classified as held for sale	*11*	**-**	482,001
Total current assets		**5,475,591**	5,349,423
CURRENT LIABILITIES			
Trade payables and accrued liabilities	*12*	**606,291**	644,469
Customer deposits		**1,222,514**	2,335,704
Due to an associate		**26,002**	31,740
Obligation under a finance lease		**81**	157
Interest-bearing bank borrowings		**2,399,172**	1,915,408
Tax payable		**420,962**	115,436
		4,675,022	5,042,914
Liabilities directly associated with the assets classified as held for sale	*11*	**-**	120
Total current liabilities		**4,675,022**	5,043,034
NET CURRENT ASSETS		**800,569**	306,389
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,609,350**	13,710,575

Consolidated Statement of Financial Position *(Continued)*

	31 March 2018 **HK$'000**	31 March 2017 HK$'000
NON-CURRENT LIABILITIES		
Obligation under a finance lease	**-**	81
Interest-bearing bank borrowings	**2,799,370**	4,248,699
Deferred tax liabilities	**1,409,747**	1,328,676
Total non-current liabilities	**4,209,117**	5,577,456
Net assets	**11,400,233**	8,133,119
EQUITY		
Equity attributable to owners of the Company		
Share capital	**405,411**	405,411
Reserves	**7,274,419**	4,819,633
	7,679,830	5,225,044
Non-controlling interests	**3,720,403**	2,908,075
Total equity	**11,400,233**	8,133,119

Notes:

1. Basis of Preparation and Changes in Accounting Policies and Disclosures

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance (the "Companies Ordinance"). They have been prepared under the historical cost convention, except for certain investment properties and equity investments which have been measured at fair value, and disposal group held for sale which has been stated at the lower of its carrying amount and fair value less cost to sell. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The financial information relating to the years ended 31 March 2018 and 2017 included in this preliminary announcement of annual results 2018 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the 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 and will deliver the financial statements for the year ended 31 March 2018 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

<u>Changes in accounting policies and disclosures</u>

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements.

2. Operating Segment Information

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

(a) the garment segment manufactures and trades garments;

(b) the property development segment develops properties for sale;

(c) the property investment segment holds investment properties for development and the generation of rental income; and

(d) the "others" segment comprises, principally, the sub-leasing business and the property management service business which provides management services to residential and commercial properties.

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

Segment assets exclude investment in a joint venture, investments in associates, other unallocated head office and corporate assets, including tax recoverable, cash and bank balances, equity investments at fair value through profit or loss and assets of a disposal group classified as held for sale, as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities, including obligation under a finance lease, interest-bearing bank borrowings, tax payable, deferred tax liabilities and liabilities directly associated with the assets classified as held for sale, as these liabilities are managed on a group basis.

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

2. Operating Segment Information *(Continued)*

For the year ended 31 March 2018

	Garment *HK$'000*	**Property development** *HK$'000*	**Property investment** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Segment revenue:					
Sales to external customers	**75,996**	**1,567,499**	**190,266**	**23,278**	**1,857,039**
Segment results	**7,782**	**667,667**	**306,977**	**8,545**	**990,971**
Reconciliation:					
Interest income					**13,833**
Dividend income and unallocated losses					**42**
Corporate and other unallocated expenses					**(36,530)**
Gain on disposal of subsidiaries					**2,495,927**
Finance costs					**(123,964)**
Share of profits and losses of associates					**165,220**
Profit before tax					**3,505,499**

For the year ended 31 March 2017

	Garment *HK$'000*	Property development *HK$'000*	Property investment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:					
Sales to external customers	78,520	1,361,320	188,529	24,595	1,652,964
Segment results	(2,946)	432,178	676,381	7,223	1,112,836
Reconciliation:					
Interest income					6,779
Dividend income and unallocated losses					(29)
Corporate and other unallocated expenses					(24,544)
Finance costs					(131,805)
Share of profits and losses of associates					60,489
Profit before tax					1,023,726

2. Operating Segment Information *(Continued)*

	At 31 March 2018				
	Garment *HK$'000*	Property development *HK$'000*	Property investment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	**181,587**	**2,811,157**	**14,092,159**	**1,848,307**	**18,933,210**
Reconciliation:					
Elimination of intersegment receivables					**(2,211,853)**
Investments in associates					**845,787**
Investment in a joint venture					**199**
Corporate and other unallocated assets					**2,717,029**
Total assets					**20,284,372**
Segment liabilities	**11,735**	**2,554,429**	**1,055,476**	**445,020**	**4,066,660**
Reconciliation:					
Elimination of intersegment payables					**(2,211,853)**
Corporate and other unallocated liabilities					**7,029,332**
Total liabilities					**8,884,139**

	For the year ended 31 March 2018				
	Garment *HK$'000*	Property development *HK$'000*	Property investment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Other segment information:					
Fair value gains on investment properties, net	**19,840**	**-**	**229,091**	**-**	**248,931**
Gain on disposal of items of property, plant and equipment, net	**-**	**-**	**300**	**-**	**300**
Loss on disposal of investment properties, net	**-**	**-**	**244**	**-**	**244**
Depreciation and amortisation	**2,086**	**1,079**	**2,082**	**5,701**	**10,948**
Capital expenditure *	**12**	**104**	**399,869**	**227**	**400,212**

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

2. Operating Segment Information *(Continued)*

	At 31 March 2017				
	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
Reconciliation:					
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					2,418,220
Total assets					18,753,609
Segment liabilities	11,651	3,985,976	1,022,394	1,087,936	6,107,957
Reconciliation:					
Elimination of intersegment payables					(3,096,044)
Liabilities directly associated with the assets classified as held for sale					120
Corporate and other unallocated liabilities					7,608,457
Total liabilities					10,620,490

	For the year ended 31 March 2017				
	Garment *HK$'000*	Property development *HK$'000*	Property investment *HK$'000*	Others *HK$'000*	Total *HK$'000*
Other segment information:					
Fair value gains on investment properties, net	17,540	-	645,452	-	662,992
Gain/(loss) on disposal of items of property, plant and equipment, net	3	-	-	(133)	(130)
Gain on disposal of investment properties, net	-	-	541	-	541
Depreciation and amortisation	1,933	873	2,030	4,848	9,684
Capital expenditure *	2,589	2,238	315,039	57,467	377,333

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

2. **Operating Segment Information** *(Continued)*

Geographical information

(a) Revenue

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**126,772**	123,334
Mainland China	**1,678,848**	1,471,542
Europe	**51,195**	57,668
North America	**224**	420
	1,857,039	1,652,964

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

(b) Non-current assets

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**3,849,225**	3,452,806
Mainland China	**10,113,570**	9,279,601
	13,962,795	12,732,407

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

3. **Other Income and Gains**

	2018	2017
	HK$'000	*HK$'000*
Bank interest income	**13,833**	6,779
Dividend income from listed investments at fair value through profit or loss	**50**	44
Management fee income received from an associate	**4,500**	4,500
Others	**9,058**	11,637
	27,441	22,960

4. Gain on disposal of subsidiaries

(a) Disposal of Smooth Ever Investments Limited ("Smooth Ever")

During the year ended 31 March 2018, Hon Kwok Group disposed of Smooth Ever Investments Limited, a wholly-owned subsidiary of Hon Kwok Group, and its subsidiaries ("Smooth Ever Group"). Smooth Ever Group was engaged in property development business. The transaction was completed in September 2017.

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

	2018
	HK$'000
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 group company	**(375,080)**
Other payables and accrued liabilities	**(21)**
Non-controlling interests	**(64,621)**
	65,408
Assignment of loans from a shareholder and a group company	**375,080**
	440,488
Tax provision	**322,945**
Direct transaction costs incurred	**513,120**
Exchange fluctuation reserve	**(69,606)**
Gain on disposal of subsidiaries	**2,378,589**
Consideration received	**3,585,536**
Satisfied by:	
Cash	**3,585,536**

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

	HK$'000
Cash consideration	**3,585,536**
Tax provision	**(302,945)**
Cash and bank balances disposed of	**(169)**
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**3,282,422**

4. **Gain on disposal of subsidiaries** *(Continued)*

(b) Disposal of Guangzhou Jian Zhao Land Investment Co., Ltd ("Jian Zhao")

During the year ended 31 March 2018**,** Hon Kwok Group disposed of its entire equity in Jian Zhao, a wholly-owned subsidiary of Hon Kwok Group. The transaction was completed in January 2018.

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

	2018
	HK$'000
Net assets disposed of:	
Property, plant and equipment	**1,369**
Investment property	**217,284**
Prepayments, deposits and other receivables	**549**
Cash and bank balances	**572**
Due to a group company	**(37,037)**
Other payables and accrued liabilities	**(216)**
Deferred tax liabilities	**(28,333)**
	154,188
Assignment of a loan from a group company	**37,037**
	191,225
Tax provision	**14,754**
Direct transaction costs incurred	**7,326**
Exchange fluctuation reserve	**(8,458)**
Gain on disposal of a subsidiary	**117,338**
Consideration received	**322,185**
Satisfied by:	
Cash	**322,185**

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

	HK$'000
Cash consideration	**322,185**
Tax provision	**(14,754)**
Cash and bank balances disposed of	**(572)**
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**306,859**

5. Finance Costs

	2018	2017
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other loans	**205,395**	231,059
Less: Interest capitalised under property development projects	**(81,431)**	(99,254)
	123,964	131,805

6. Profit Before Tax

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

	2018	2017
	HK$'000	*HK$'000*
Cost of properties sold	**789,941**	845,791
Cost of inventories sold	**65,196**	66,554
Depreciation	**9,749**	8,510
Amortisation of prepaid land lease payments	**1,199**	1,174
Minimum lease payments under operating leases	**19,682**	21,542
Auditor's remuneration	**3,719**	3,484
Foreign exchange differences, net	**(2,796)**	(2,514)
Loss/(gain) on disposal of items of property, plant and equipment, net	**(300)**	130
Loss/(gain) on disposal of investment properties, net	**244**	(541)
Employee benefit expense (including directors' remuneration):		
Wages, salaries, allowances and benefits in kind	**129,471**	103,265
Pension scheme contributions	**2,918**	2,805
	132,389	106,070
Less: Amount capitalised under property development projects	**(23,300)**	(20,800)
	109,089	85,270
Gross rental income included in the following categories:		
Rental income	**(212,022)**	(211,701)
Other income	**(81)**	(88)
	(212,103)	(211,789)
Less: Outgoing expenses	**102,058**	95,017
	(110,045)	(116,772)
Interest income	**(13,833)**	(6,779)

At 31 March 2018 and 31 March 2017, the amount of forfeited pension scheme contributions available to the Group for future utilisation was not significant.

7. Income Tax

	2018	2017
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**-**	158
Mainland China corporate income tax	**138,939**	103,679
Land appreciation tax in Mainland China	**249,765**	71,818
Overseas profits tax	**(98)**	328
	388,606	175,983
Deferred tax	**(3,403)**	125,765
Total tax charge for the year	**385,203**	301,748

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year. In the prior year, Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

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 year attributable to ordinary equity holders of the Company of HK$2,040,243,000 (2017: HK$419,415,000) and the weighted average number of ordinary shares in issue during the year of 551,368,153 (2017: 551,368,153).

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2018 and 2017 in respect of a dilution as the Group has no potential dilutive ordinary shares in issue during the years ended 31 March 2018 and 2017.

9. Dividend

	2018	2017
	HK$'000	*HK$'000*
Proposed final – 5 HK cents (2017: 5 HK cents) per ordinary share	**27,568**	27,568

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

10. Trade and Bills Receivables

An ageing 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:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**6,414**	6,471
31 to 60 days	**6,815**	3,452
61 to 90 days	**1,619**	1,487
Over 90 days	**17,259**	17,161
Total	**32,107**	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 the 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.

11. Disposal Group classified as held for sale

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

12. Trade Payables and Accrued Liabilities

Included in trade payables and accrued liabilities are trade payables of HK$26,178,000 (2017: HK$28,088,000). An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**24,118**	26,944
31 to 60 days	**705**	402
61 to 90 days	**901**	21
Over 90 days	**454**	721
Total	**26,178**	28,088

13. Contingent Liabilities

(a) As at 31 March 2018, the Group has given a guarantee of HK$32,000,000 (2017: 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 (2017: HK$36,000,000).

(b) As at 31 March 2018, the Group has given guarantees of HK$1,078,000,000 (2017: 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.

14. Event after the Reporting Period

On 12 June 2018, Gold Famous Development Limited ("Gold Famous"), an indirect wholly-owned subsidiary of Hon Kwok, entered into a consultancy agreement with Shun Cheong Data Centre Solutions Company Limited ("Shun Cheong Data Centre Solutions"), an indirect wholly-owned subsidiary of Chinney Alliance, pursuant to which Shun Cheong Data Centre Solutions was appointed by Gold Famous as the consultant to provide consultancy services in respect of the construction and development of a data centre on a parcel of land owned by Gold Famous in Kwai Chung, Hong Kong for a fixed fee of HK$16,200,000. As Dr. James Sai-Wing Wong is the controlling shareholder of the Company, Hon Kwok and Chinney Alliance, the related transaction constituted a connected transaction under the Listing Rules and is subject to the reporting and announcement requirements. For details, please refer to the Company's announcement dated 12 June 2018.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK$5,199 million as at 31 March 2018 (2017: HK$6,164 million), of which approximately 46% (2017: 31%) of the debts were classified as current liabilities. Included therein were debts of HK$123 million related to bank loans with repayable on demand clause and HK$1,932 million related to project or term loans which will be refinanced during the forthcoming financial year. Based on the repayment schedules pursuant to the related loan agreements and assuming that the aforesaid refinancing will be completed on schedule, the current portion of the total interest-bearing debts was approximately 7%. The decrease in total debts was mainly due to the repayment of bank loans with proceeds arising from the disposal of properties during year.

Total cash and bank balances including time deposits were approximately HK$2,716 million as at 31 March 2018 (2017: HK$2,417 million). Included in cash and bank balances are restricted bank deposits of HK$260 million (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$2,220 million at year end available for its working capital purpose.

Total shareholders' funds as at 31 March 2018 were approximately HK$7,680 million (2017: HK$5,225 million). The increase was mainly due to current year's profit attributable to shareholders and the appreciation in value of assets less liabilities denominated in Renminbi.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK$2,482 million (2017: HK$3,747 million) over total shareholders' funds plus non-controlling interests totalling of approximately HK$11,400 million (2017: HK$8,133 million), was 22% as at 31 March 2018 (2017: 46%).

Funding and treasury policies

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

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

Foreign currency exposure is closely monitored by management and hedged to the extent desirable. As at 31 March 2018, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

Pledge of assets

Properties with an aggregate carrying value of approximately HK$13,915 million as at 31 March 2018 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 540 employees as at 31 March 2018. Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually with discretionary bonuses being paid depending on individual performance. The Group also provides other benefits including medical cover, provident fund, personal accident insurance and educational subsidies to all eligible staff.

CORPORATE GOVERNANCE

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for directors' securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 March 2018.

Compliance with the Corporate Governance Code

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules for the year ended 31 March 2018, except for the following deviations:

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

   During the year ended 31 March 2018, the board of directors of the Company (the "Board") met twice for approving the annual results of the Company for the year ended 31 March 2017 and the interim results of the Company for the period ended 30 September 2017. As business operations were under the management and supervision of the executive directors of the Company, who had from time to time held meetings to resolve all material business or management issues, only two regular board meetings were held for the year ended 31 March 2018.

2. 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 the 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.

3. 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.

4. CG Code provision A.6.1 stipulates that, amongst others, every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on appointment.

   During the year, the Company appointed two new directors. They are (i) Dr. Emily Yen Wong who was a former director of Hon Kwok and (ii) Mr. Richard Chi-Ho Lo. Induction program has not been provided to Dr. Emily Yen Wong as she is familiar with the Group's operations and businesses by way of her experience in listed company, she is well aware of her responsibility under the Listing Rules and other regulatory requirements.

5. CG Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

   Certain directors were unable to attend the annual general meeting of the Company held on 25 August 2017 and/or the extraordinary general meeting of the Company held on 25 May 2017 due to their own business engagements or other commitments. The attendance of each of the directors will be set out in the section headed Corporate Governance Report contained in the Annual Report 2017/18.

6. CG Code provision B.1.2 stipulates that the terms of reference of the remuneration committee should include, as a minimum, those specific duties as set out in the CG Code provisions.

   The Company has adopted the revised terms of reference of the Remuneration Committee on 30 March 2012 with certain deviations from the CG Code provisions. Pursuant to the revised terms of reference, the Remuneration Committee reviews and makes recommendations to the Board on the remuneration packages of directors (as opposed to directors and senior management).

Audit committee

Regular meetings have been held by the Audit Committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Audit Committee has reviewed with management the annual results of the Group for the year ended 31 March 2018.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 March 2018.

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 27 June 2018

At the date of this announcement, the directors of the Company are Dr. James Sai-Wing Wong (Chairman) and Mr. Yuen-Keung Chan (Managing Director) as executive directors; Mr. Paul Hon-To Tong and Dr. Emily Yen Wong as non-executive directors; and Dr. Clement Kwok-Hung Young, Mr. James C. Chen and Mr. Richard Chi-Ho Lo as independent non-executive directors.