



Chinney Investments, Limited

Stock Code: 216

Annual Report 2017/18

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CORPORATE INFORMATION

DIRECTORS

James Sai-Wing Wong (*Chairman*)
Yuen-Keung Chan (*Vice Chairman and
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 (*Chairman*)
Clement Kwok-Hung Young
Richard Chi-Ho Lo

REMUNERATION COMMITTEE

Clement Kwok-Hung Young (*Chairman*)
James C. Chen
Yuen-Keung Chan

COMPANY SECRETARY

Ka-Yee Wan

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

REGISTRAR

Tricor Tengis Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

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Wing On Centre
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Hong Kong

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STOCK CODE

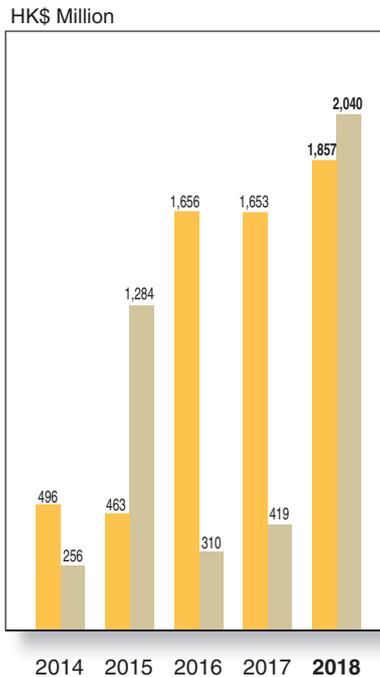
SEHK 216

WEBSITE

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

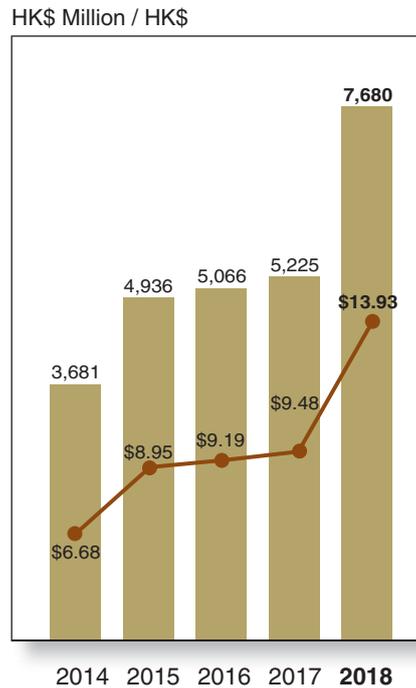
FINANCIAL HIGHLIGHTS

Turnover / Net Profit



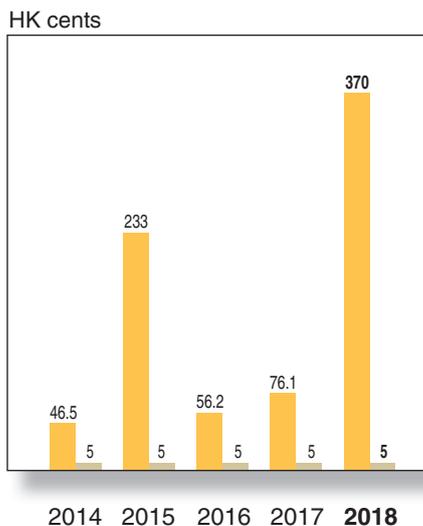
- Turnover
- Net profit attributable to shareholders

Shareholders' Funds / Net Assets per Share



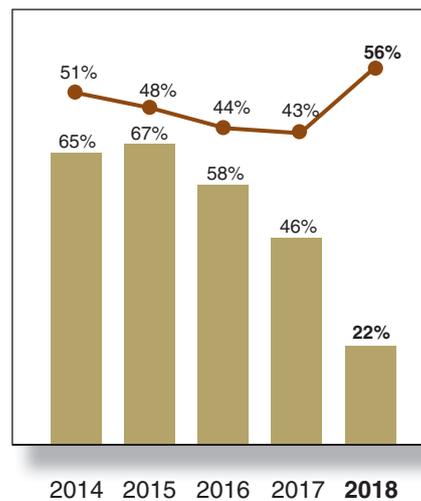
- Shareholders' funds
- Net assets per share (HK\$)

Earnings / Dividend per Share



- Earnings per share
- Dividend per share

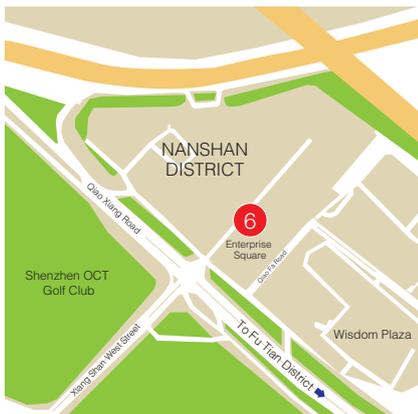
Gearing / Equity Funding



- Gearing ratio (*)
- % of total assets financed by equity

(*) Representing ratio of "bank borrowings – bank balances" to "shareholders' funds + non-controlling interests".

LOCATION OF PROPERTY PROJECTS IN MAINLAND CHINA



● Projects under Development

- 1 Botanica 寶翠園
- 2 Adjacent site to No. 5 Residence 北京路5號公館
- 3 Second adjacent site to No. 5 Residence 北京路5號公館
- 4 Metropolitan Oasis 雅瑤綠洲, Nanhai (not shown above)
- 5 Hon Kwok City Commercial Centre 漢國城市商業中心
- 6 Enterprise Square 僑城坊

■ Completed Projects

- 7 Millennium Oasis 城市綠洲花園 Phase I 2001, Phases II & III 2002
- 8 City Square 城市天地廣場 2005
- 9 Chongqing Hon Kwok Centre 重慶漢國中心 2009, held as investment property
- 10 No. 5 Residence 北京路5號公館 2009
- 11 Chongqing Jinshan Shangye Zhongxin 重慶金山商業中心 2016, held as investment property

■ Hotel/Service Apartments

- 12 City Suites 寶軒公寓, held as investment property
- 13 The Bauhinia Hotel (Shenzhen) 寶軒酒店 (深圳), held as investment property

◆ Acquired Properties

- 14 Ganhui Dasha 港滙大廈, held as investment property

◆ Disposed Properties

- 15 Dong Guan Zhuan 東莞莊 project
- 16 Jie Fang Building 解放大廈

CHAIRMAN'S STATEMENT

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.

CHAIRMAN'S STATEMENT *(Continued)*

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 constituted 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 解放大廈 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 解放大廈** 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.

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

Property Development and Investment

Guangzhou, PRC



The Botanica project – full view

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.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

Property Development and Investment *(Continued)*

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.



Metropolitan Oasis project – full view

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

Property Development and Investment *(Continued)*

Shenzhen, PRC



Hon Kwok City Commercial Centre

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.



Enterprise Square

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.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

Property Development and Investment *(Continued)*

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.



Chongqing Jinshan Shangye Zhongxin

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%.

BUSINESS REVIEW *(Continued)*

2. Garment

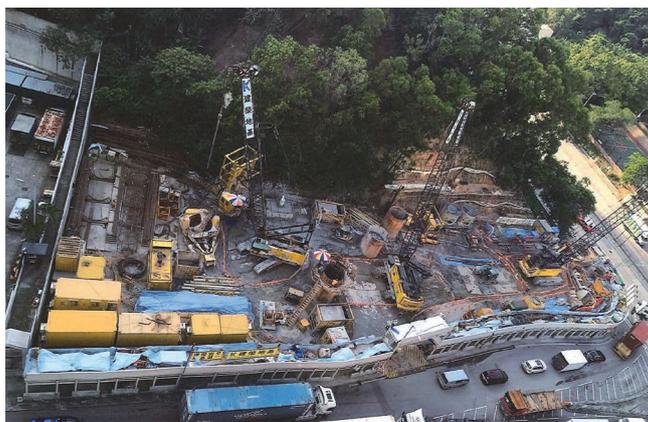
J.L. Garment Group, a wholly-owned subsidiary of the Company with garment factory situated at Dongguan, the Mainland China, reported revenue of HK\$76 million (2017: HK\$79 million) with net profit of HK\$6.8 million (2017: net loss of HK\$2.4 million) for the year ended 31 March 2018.

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



Foundation piling works at K.C.T.L. No. 495, Kin Chuen Street, Kwai Chung, New Territories

Chinney Alliance Group Limited ("Chinney Alliance"), 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"), 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.

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, 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.



Main contract works – The Hong Kong Polytechnic University

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.

CHAIRMAN'S STATEMENT *(Continued)*

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

James Sai-Wing Wong

Aged 80, was appointed as a director and the Chairman of the Company in 1987. He is a director of Chinney Holdings Limited (“Chinney Holdings”) and Lucky Year Finance Limited (“Lucky Year”), both being substantial shareholders of the Company. He is also the Chairman of Hon Kwok and Chinney Alliance. Both Hon Kwok and Chinney Alliance are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). He was appointed a Justice of the Peace for Hong Kong in 1987.

Yuen-Keung Chan

Aged 63, was appointed as the managing director and executive director of the Company on 1 April 2018 and subsequently the Vice Chairman of the Company on 13 July 2018. He was an executive director of Hon Kwok during the period from January 2007 to July 2018. Mr. Chan is also the Vice Chairman, the Managing Director and executive director of Chinney Alliance and an executive director and the Chairman of Chinney Kin Wing. Hon Kwok, Chinney Alliance and Chinney Kin Wing are all listed on the Main Board of the Stock Exchange. He is also a director of various subsidiaries and associates of the Company. He has 44 years of experience in the construction industry. He is a member of the Chartered Institute of Building.

Paul Hon-To Tong

Aged 72, was appointed as a non-executive director of the Company in 2010. He has many years of senior management experience in manufacturing and trading businesses with global operations. He was formerly executive vice president and general counsel of Johnson Electric Holdings Limited. He also served for many years as a member of the Board of Review (Inland Revenue Ordinance) Hong Kong. Since 19 August 2007, he has served as a non-executive director of Wing Tai Holdings Limited, which is listed on the Singapore Stock Exchange. He obtained his BSc (Economics) and postgraduate certificate of Management Studies from the University of London and the University of Oxford in England respectively. He was admitted as a barrister of the Middle Temple in England, the Supreme Court of Hong Kong and the High Court of Australia. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Institute of Chartered Secretaries and Administrators.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

DIRECTORS *(Continued)*

Emily Yen Wong

Aged 52, was appointed as a non-executive director of the Company on 25 August 2017. Dr. Emily Wong holds a Doctor of Medicine degree and an Executive Masters of Health Administration degree from the University of Washington and is a Diplomate of the American Board of Internal Medicine.

Dr. Emily Wong serves on the Executive Committee of Qiu Shi Science & Technologies Foundation. She is currently an Honorary Associate Professor of Department of Family Medicine and Primary Care in The University of Hong Kong Faculty of Medicine and is the Past Chief of Medical Staff at the University of Washington Medical Center.

Dr. Emily Wong was a director of Hon Kwok during the period from November 2011 to August 2017. Hon Kwok is listed on the Main Board of the Stock Exchange.

Dr. Emily Wong is a director of Lucky Year and Chinney Holdings, both of which are substantial shareholders of the Company. She is the daughter of Dr. James Sai-Wing Wong, the Chairman and a substantial shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Clement Kwok-Hung Young

Aged 84, was appointed as an independent non-executive director of the Company in 1999. He obtained his Ph.D. Degree from The University of Texas, USA and served as university professor and administrator before his retirement from the Hong Kong Baptist University. He was the supervisor of Pui Ching Academy, Pui Ching Middle and Primary Schools and a court member of the Hong Kong Baptist University. He is a director of Pui Ching Academy.

Richard Chi-Ho Lo

Aged 50, was appointed as an independent non-executive director of the Company in 2017. He obtained his Bachelor of Arts degree in Economics from the University of California, Los Angeles in the United States, Master of Business Administration (Investment and Finance) degree from the University of Hull in the United Kingdom, and an Executive Program Certificate from Stanford University Graduate School of Business in the United States and a Sustainability Leadership Program Certificate from University of Cambridge in the United Kingdom. Mr. Lo has over 27 years of experience in the investment and real estate industry. He is currently the chief executive officer of Fulldiamond Group, an investment and consulting company specializing in real estate, finance, securities, project and fund raising. Mr. Lo is the vice president cum chairman of Commercial Liaison of The Hong Kong Real Property Federation, founder and vice president of the World Outstanding Chinese Youth Association and a member of the Hong Kong Pei Hua Education Foundation. He is also a committee member of the Chinese People's Political Consultative Conference Jiangxi Provincial Committee. Mr. Lo is an independent non-executive director of Heng Sheng Holdings Limited (formerly known as Kong Shum Union Property Management (Holding) Limited) which is listed on GEM of the Stock Exchange.

James C. Chen

Aged 68, was appointed as an independent non-executive director of the Company in 2007. He has over 40 years of experience in accounting, financial management and multinational business. He held various senior executive positions in several multinational companies in Hong Kong and is responsible for the overall management and strategic planning. Mr. Chen holds a Bachelor of Arts Degree, Cum Laude (majors in Accounting, Business Administration and International Business) from Carthage College, Wisconsin, USA. He is also a fellow member of the Hong Kong Institute of Directors and a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the American Institute of Certified Public Accountants and the Chartered Global Management Accountant.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

SENIOR MANAGEMENT

Kai-Nor Siu

Aged 52, joined the Company in 2005 and is the Financial Controller of the Company and Director of Finance of Hon Kwok. She has 29 years of experience in the accounting field. She holds a Bachelor's degree in Accountancy from the City University of Hong Kong and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Calvin Ming-Yui Ng

Aged 46, joined the Company in 2010 and is the Director – Corporate Finance of the Company. He has 23 years of experience in investment banking and accounting sectors. He graduated from The University of Hong Kong with a Bachelor of Business Administration degree and obtained a Master of Science (Financial Management) degree from the University of London. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Ka-Yee Wan

Aged 44, was appointed as the Company Secretary of the Company in May 2018. She is also the Company Secretary of Hon Kwok. Ms. Wan has over 20 years of experience in company secretarial and corporate governance practices. She has obtained a Bachelor of Arts degree from The Chinese University of Hong Kong in December 1997 and a postgraduate diploma in corporate administration from The City University of Hong Kong in 2001. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

CORPORATE GOVERNANCE REPORT

The board of directors of the Company (the “Board”) is committed to maintain and ensure high standards of corporate governance and is continuously reviewing and improving the corporate governance practices and standards of the Group to ensure that business activities and decision making processes are regulated in a proper manner.

In the opinion of the Board, the Company has applied applicable principles and complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) for the year under review, except for the deviations as disclosed in this report.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to 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.

BOARD OF DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors

James Sai-Wing Wong (*Chairman*)

Yuen-Keung Chan (*Managing Director*)

(*appointed on 1 April 2018*)

Herman Man-Hei Fung (*Managing Director*)

(*retired on 1 April 2018*)

Non-Executive Directors

Paul Hon-To Tong

Emily Yen Wong

(*appointed on 25 August 2017*)

William Chung-Yue Fan

(*retired on 25 August 2017*)

James Sing-Wai Wong

(*resigned on 25 August 2017*)

Independent Non-Executive Directors

Clement Kwok-Hung Young

James C. Chen

Richard Chi-Ho Lo

(*appointed on 3 November 2017*)

Peter Man-Kong Wong

(*retired on 25 August 2017*)

Details of background and qualifications of each director are set out in the section headed “Biographical Details of Directors and Senior Management” on pages 14 to 17 of this annual report.

CORPORATE GOVERNANCE REPORT *(Continued)*

BOARD OF DIRECTORS *(Continued)*

The Board is responsible for the overall strategic development of the Group. It also monitors the financial performance and the internal controls of the Group's business operations. Executive directors are responsible for running the Group and executing the strategies adopted by the Board. The day-to-day operation of the Group is delegated to the management with department heads responsible for different aspects of the business and functions.

Non-executive directors (including the independent non-executive directors) serve the relevant function of bringing independent judgement on the development, performance and risk management of the Group through their contributions in board meetings.

The Board considers that each independent non-executive director of the Company is independent in character and judgement. The Company has received from each independent non-executive director a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules.

The Board meets at least twice each year at approximately half a year interval to discuss the Group's business development, operation and financial performance. Notice of at least 14 days is given to all directors for all regular board meetings to give all directors an opportunity to attend. All regular board meetings adhere to a formal agenda in which a schedule of matters is addressed to the Board. All directors have access to board papers and related materials, and are provided with adequate information which enable the Board to make an informed decision on the matters to be discussed and considered at the board meetings. Minutes of board meetings are kept by the Company Secretary and are open for inspection by any director at any reasonable time.

To the best knowledge of the directors, there is no financial, business and family relationships among the members of the Board except that Emily Yen Wong is the daughter of and James Sing-Wai Wong is the son of James Sai-Wing Wong.

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, two full board meetings were held. 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, thus only two full board meetings were held for the year ended 31 March 2018.

CORPORATE GOVERNANCE REPORT *(Continued)*

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of the Chairman and the Managing Director are held by two different individuals.

James Sai-Wing Wong is the Chairman whereas Yuen-Keung Chan is the Managing Director of the Company. There is a clear division of responsibilities between the Chairman and the Managing Director, in that the Chairman bears primary responsibility for the functioning of the Board, by ensuring its effective operation, while the Managing Director bears executive responsibility for the business and the management of the day-to-day operations of the Company.

NON-EXECUTIVE DIRECTORS

The non-executive directors of the Company are not appointed for a specific term as stipulated in CG Code provision A.4.1, but are subject to retirement by rotation and re-election at the annual general meeting 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 the 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.

At the forthcoming annual general meeting, in accordance with article 95 of the Articles of Association, Emily Yen Wong, Richard Chi-Ho Lo and Yuen-Keung Chan being directors appointed by the Board effective from 25 August 2017, 3 November 2017 and 1 April 2018 respectively shall retire and, being eligible, offer themselves for re-election and in accordance with article 104 of the Articles of Association, Paul Hon-To Tong shall retire by rotation and, being eligible, shall offer himself for re-election.

CORPORATE GOVERNANCE REPORT *(Continued)*

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

The Company Secretary updates directors on the latest developments and changes to the Listing Rules and the applicable legal and regulatory requirements as well as the business environment regarding subjects necessary in the discharge of their duties. All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills.

Directors are required to submit to the Company annually details of training sessions undertaken by them in each financial year for the Company to maintain a training record for its directors. According to the training records maintained by the Company, the training received by each of the existing directors during the year ended 31 March 2018 is summarised as follows:

Name of director	Type of training
Executive Directors	
James Sai-Wing Wong	A, B
Yuen-Keung Chan <i>(appointed on 1 April 2018)</i>	N/A
Non-Executive Directors	
Paul Hon-To Tong	A, B
Emily Yen Wong <i>(appointed on 25 August 2017)</i>	A, B
Independent Non-Executive Directors	
Clement Kwok-Hung Young	B
James C. Chen	A, B
Richard Chi-Ho Lo <i>(appointed on 3 November 2017)</i>	A, B

A: attending seminars/conferences/forums

B: reading newspapers, journals and updates relating to the economy, general business, investment, corporate governance and director's duties and responsibilities

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.

CORPORATE GOVERNANCE REPORT *(Continued)*

CORPORATE GOVERNANCE FUNCTION

The Board is collectively responsible for performing the corporate governance duties including:

- (a) to develop, review and update the Company's policy and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of directors and senior management;
- (c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;
- (d) to review the Company's compliance with the CG Code and disclosure in the "Corporate Governance Report"; and
- (e) to perform such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board is responsible.

REMUNERATION OF DIRECTORS

The Remuneration Committee was established in 2005. The Remuneration Committee currently comprises three members, namely Clement Kwok-Hung Young, James C. Chen and Yuen-Keung Chan. The Chairman of the Remuneration Committee is Clement Kwok-Hung Young.

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).

During the year under review, the Remuneration Committee held one meeting, during which the existing remuneration of all directors have been reviewed individually.

Draft minutes of the Remuneration Committee meeting are circulated to members of Remuneration Committee for comments and the signed minutes are kept by the Company Secretary.

AUDIT COMMITTEE

The Audit Committee was established in 2001. The Audit Committee currently comprises three members, namely James C. Chen, Clement Kwok-Hung Young and Richard Chi-Ho Lo and they are all independent non-executive directors of the Company. The Chairman of the Audit Committee is James C. Chen. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management in the Audit Committee.

The Audit Committee's functions include:

- to review and monitor financial reporting and the reporting judgement contained in them; and
- to review financial and internal controls, accounting policies and practices with management and external auditor.

The Audit Committee held two meetings during the year under review, which were attended by the external auditor, Ernst & Young and the work performed by the Audit Committee included the review of the following:

- the half-yearly and annual results and the related financial reporting matters;
- the financial and accounting policies and practices of the Group;
- the relationships with external auditor, including remuneration, independence, objectivity and effectiveness of the audit process; and
- the effectiveness of the Group's financial and internal controls and risk management system.

Draft minutes of the Audit Committee meetings are circulated to members of Audit Committee for comments and the signed minutes are kept by the Company Secretary.

CORPORATE GOVERNANCE REPORT *(Continued)*

ATTENDANCE AT MEETINGS OF THE BOARD, REMUNERATION AND AUDIT COMMITTEES AND GENERAL MEETINGS

CG Code provision A.6.7 stipulates that, amongst others, 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. Attendance record of Directors during the year ended 31 March 2018 is set out below:

	Number of meetings attended during the year ended 31 March 2018				
	Board Meetings	Remuneration Committee Meeting	Audit Committee Meetings	Extraordinary General Meeting held on 25 May 2017	Annual General Meeting held on 25 August 2017
Number of meetings held during the year ended 31 March 2018	2	1	2	1	1
James Sai-Wing Wong	2	N/A	N/A	0	1
Yuen-Keung Chan <i>(appointed on 1 April 2018)</i>	N/A	N/A	N/A	N/A	N/A
William Chung-Yue Fan <i>(retired on 25 August 2017)</i>	0	N/A	1	0	0
Herman Man-Hei Fung <i>(retired on 1 April 2018)</i>	2	1	2	1	1
Paul Hon-To Tong	2	N/A	N/A	0	1
James Sing-Wai Wong <i>(resigned on 25 August 2017)</i>	1	N/A	N/A	1	1
Emily Yen Wong <i>(appointed on 25 August 2017)</i>	1	N/A	N/A	N/A	N/A
Clement Kwok-Hung Young	2	1	2	0	0
Peter Man-Kong Wong <i>(retired on 25 August 2017)</i>	1	N/A	1	0	1
James C. Chen	2	1	2	0	1
Richard Chi-Ho Lo <i>(appointed on 3 November 2017)</i>	1	N/A	1	N/A	N/A

CORPORATE GOVERNANCE REPORT *(Continued)*

NOMINATION OF DIRECTORS

CG Code provision A.5.1 stipulates that, amongst others, 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. In view of his expertise in general investment and property industry, 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.

AUDITOR'S REMUNERATION

During the year, the Group had engaged its external auditor, Ernst & Young, to provide the following services and their respective fees charged are set out as below:

	Fees paid/payable <i>HK\$'000</i>
Types of services	
Audit services	3,719
Non-audit services (tax compliance services and other services)	<u>816</u>
	<u><u>4,535</u></u>

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the members of the senior management (excluding directors) by band for the year ended 31 March 2018 is set out below:

Remuneration band (HK\$)	Number of persons
\$1,500,001 to \$2,000,000	1
\$2,000,001 to \$2,500,000	1
\$2,500,001 to \$3,000,000	—
\$3,000,001 to \$3,500,000	<u>1</u>
	<u><u>3</u></u>

CORPORATE GOVERNANCE REPORT *(Continued)*

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE ACCOUNTS

The Directors acknowledge their responsibility for the accounts and they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The directors' responsibilities for the accounts and the responsibilities of the external auditor to the shareholders are set out in the Independent Auditor's Report on pages 41 to 45 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibilities for maintaining the Group's systems of internal control and reviewing their effectiveness. The internal control systems of the Group are designed to provide reasonable assurance to minimize risk of failure in operational systems, and to assist in the achievement of the Group's goals. The systems are also structured to safeguard the Group's assets, to ensure the maintenance of proper accounting records and compliance with applicable laws, rules and regulations. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives. The Group has dedicated internal audit function which reviews the effectiveness of the risk management and internal control systems from time to time in order to ensure that they meet with the dynamic and ever changing business environment.

During the year, the Audit Committee has reviewed the Group's internal control system and considered the internal audit report with the Group's executive directors and finance executive. The review covers all material controls, including financial, operational and compliance controls and risk management of the Group and such systems have been considered reasonably effective and adequate.

The Group regularly reminds the directors and relevant employees for the compliance of policies regarding the inside information, and provide them with updates on the appropriate guidelines or policies to ensure the compliance with regulatory requirements.

COMPANY SECRETARY

The Company Secretary is responsible for advising the Board on corporate governance and other related matters as well as ensuring good information flow within the Board.

During the year, the Company Secretary undertook no less than 15 hours of relevant professional training.

CONSTITUTIONAL DOCUMENTS

During the year, there was no change in the Company's constitutional documents.

SHAREHOLDERS' RIGHTS

1. Convening of extraordinary general meeting on requisition by shareholders

Pursuant to Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "CO"), shareholders representing at least 5% of the total voting rights of all the shareholders are entitled to send a request to the Company to convene an extraordinary general meeting. Such request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. A request may be sent to the Company in hard copy form or in electronic form and must also be authenticated by the person or persons making it.

2. Procedures for sending enquiries to the Board

Shareholders may send their enquiries and concerns in writing to the Board by addressing them to the Company Secretary at the registered office of the Company and the Company Secretary shall then forward the same to the appropriate executives of the Company or members of the Board for further handling.

3. Procedures for putting forward proposals at an annual general meeting by shareholders

Pursuant to Section 615 of the CO, shareholders representing at least 2.5% of the total voting rights of all the shareholders or at least 50 shareholders can request the Company to give notice of a resolution that may properly be moved and is intended to be moved at an annual general meeting. A request may be sent to the Company in hard copy form or in electronic form and must identify the resolution of which notice is to be given. It must be authenticated by the person or persons making it and be received by the Company not later than 6 weeks before the annual general meeting to which the requests relate; or if later, the time at which notice is given of that meeting.

CORPORATE GOVERNANCE REPORT *(Continued)*

COMMUNICATIONS WITH SHAREHOLDERS

The Board recognises the importance of good communications with all shareholders and is committed to maintaining a policy of open and timely disclosure of relevant information on its attributes to shareholders and other stakeholders through the publication of interim and annual reports, public announcements and other public circulars, all of which are available on the Company's website.

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' prior notice is given. The Chairman of the Board as well as the chairman of the board committees (or in their absence, other members of the committees) together with the external auditor are available to answer shareholders' questions at the meeting. At the general meeting, each substantially separate issue will be considered by a separate resolution, including the election of individual director, and the poll procedures will be clearly explained.

Hong Kong, 27 June 2018

REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

FINANCIAL RESULTS

The Group's profit for the year ended 31 March 2018 and the Group's financial position at that date are set out in the financial statements on pages 46 to 149.

BUSINESS REVIEW

The Group is principally engaged in the businesses of property development and property investment mainly focused in Mainland China and the garment business mainly exports to the European markets. The Group targets to generate stable and recurrent rental income from investment properties to help cover its operating overheads and expenses whereas property sales will enhance additional cash inflows to the Group. Besides, the Group continues to strengthen the profitability and competitiveness of the garment operation.

A business review of the Group for the year ended 31 March 2018 and outlook are set out in the "Chairman's Statement" on pages 5 to 13 and an analysis using financial key performance indicators are set out in the "Financial Highlights" on page 3 of this Annual Report. While the Group's capital and financial risk management objectives and policies are set out in note 43 to the financial statements on pages 140 to 146 of this Annual Report.

The Group is committed to build an environmental-friendly corporation with the aim to conserve natural resources. The Group has taken initiatives to reduce energy consumption and encourage recycle of office supplies and other materials. The Group will continue to review and promote its environmental policies.

During the year ended 31 March 2018, there were no material breach of or non-compliance with applicable laws and regulations by the Group that have significant impact on the business and operations of the Group.

REPORT OF THE DIRECTORS *(Continued)*

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group's relationship with its employees is set out in the "Employees and remuneration policies" below.

The Group recognises the importance of maintaining a good relationship with business partners, customers, suppliers and contractors to achieve its long-term business growth and development. Accordingly, the Group has kept good communication and shared business updates with them when appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The Group's revenue was primarily derived from the business segments: (i) property development, (ii) property investment and (iii) garment. Revenue increased by 12% to HK\$1,857 million in the year under review from HK\$1,653 million in last year. 84% of the Group's revenue was generated from the sales of properties (2017: 82%), 12% from property rental and management income (2017: 13%) and 4% from garment business (2017: 5%). Property development business recorded a growth as a result of increased property contracted sales whereas the property investment business and garment business maintained a stable revenue.

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 subsidiaries during the 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.

REPORT OF THE DIRECTORS *(Continued)*

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Liquidity and financial resources *(Continued)*

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.

Contingent liabilities

Particulars of the contingent liabilities of the Group are set out in note 36 to the financial statements.

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.

REPORT OF THE DIRECTORS *(Continued)*

KEY RISK FACTORS

The following content lists out the key risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties which are not identified for the time being or turn out to be material in future.

Risks Pertaining to the Property Market in Mainland China

A substantial part of the Group's property portfolio is located in Mainland China, and a major part of the Group's revenue is derived in Mainland China. Therefore, the Group is exposed to the risks associated with China's property market including risks of policy changes, currency fluctuation and interest rate changes. The Group continues to implement strategies and strengthen its financial position to withstand any adverse impact when the business environment deteriorates.

Risks Pertaining to the Property Market in Hong Kong

A portion of the Group's investment property portfolio is located in Hong Kong, earning rental and management income. Therefore, the Group is susceptible to changes in economic conditions, consumer consumption and the tourist market in Hong Kong. Besides, the local government may introduce further regulatory measures on the property market, thus adversely affecting the local business environment.

Interest Rate Risks

The Group's bank borrowings mainly bear floating rates. The Group's finance and treasury operation is affected by the change in interest rates and market condition. To reduce our exposure due to volatility in interest rates, the Group has closely monitored the interest rate movements and refinanced existing banking facilities when favourable pricing opportunities arise.

Counterparty Risks

The Group relies on contractors in carrying out its property developing activities. While the Group has been careful in selecting its contractors, there can be no assurance that the contractors will perform satisfactorily. Any unsatisfactory performance of the contractors may potentially lead to construction cost overrun, project delay and contract disputes, which can adversely affect the profitability of the project. The Group has procedures in place in selecting and managing the performance of the contractors to reduce the negative impact that may arise.

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.

REPORT OF THE DIRECTORS *(Continued)*

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.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on page 150. This summary does not form part of the audited financial statements.

SHARE CAPITAL

There were no movements in the share capital of the Company during the year.

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.

DISTRIBUTABLE RESERVES

At 31 March 2018, the Company's reserves available for distribution, calculated in accordance with the provisions of Sections 291, 297 and 299 of the CO, amounted to HK\$679,999,000, of which HK\$27,568,000 has been proposed as a final dividend for the year.

REPORT OF THE DIRECTORS *(Continued)*

MAJOR CUSTOMERS AND SUPPLIERS

During the year, purchases from the Group's five largest suppliers accounted for 73% of the total purchases for the year. Purchases from the Group's largest supplier included herein totalled 46%. Sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

James Sai-Wing Wong	
Yuen-Keung Chan	<i>(appointed on 1 April 2018)</i>
Paul Hon-To Tong	
Emily Yen Wong	<i>(appointed on 25 August 2017)</i>
Clement Kwok-Hung Young*	
James C. Chen*	
Richard Chi-Ho Lo*	<i>(appointed on 3 November 2017)</i>
William Chung-Yue Fan	<i>(retired on 25 August 2017)</i>
Herman Man-Hei Fung	<i>(retired on 1 April 2018)</i>
James Sing-Wai Wong	<i>(resigned on 25 August 2017)</i>
Peter Man-Kong Wong*	<i>(retired on 25 August 2017)</i>

* *Independent non-executive directors*

In accordance with article 95 of the Articles of Association, Emily Yen Wong, Richard Chi-Ho Lo and Yuen-Keung Chan will hold office until the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

In accordance with article 104 of the Articles of Association, Paul Hon-To Tong will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

The Company has received from each of its independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and still considers them as independent.

The persons who were directors of the subsidiaries of the Company during the year (not including those directors listed above) were Joseph Hung-Leung Chan, Hai-Ou Gao, Ying-Hua Guo, Rebecca Wing-Man Ho, Xiao-Wen Hong, Yiu Hong, Chi-Kin Lam, Stephen Chun-Piu Lee, Xiao-Ping Li, Calvin Ming-Yui Ng, Kai-Nor Siu, May-Kwan Yim, Pei-Kun Zhu, Tim Bermingham and Julie Di Lorenzo.

REPORT OF THE DIRECTORS *(Continued)*

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 14 to 17 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group.

The remuneration of the directors of the Company is reviewed by the Remuneration Committee having regard to the Company's operating results, individual performance of the directors and comparable market statistics.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as disclosed in note 40 to the financial statements, no director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which any of the Company's holding companies, subsidiaries or fellow subsidiaries was a party during the year.

REPORT OF THE DIRECTORS *(Continued)*

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2018, the interests and short positions of the directors of the Company in the share, 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 (Chapter 571 of Laws of Hong Kong) (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 pursuant to 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	Through controlled corporation	9,900,000	99.00
	1	Chinney Holdings	Beneficially owned	100,000	1.00
	1	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

REPORT OF THE DIRECTORS *(Continued)*

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 31 March 2018, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS *(Continued)*

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

As at 31 March 2018, so far as is known to the directors of the Company, the following substantial shareholders and other persons (other than the 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

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 31 March 2018, 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.

CONNECTED TRANSACTION

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 a 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 at a fixed fee of HK\$16,200,000. As James Sai-Wing Wong is the controlling shareholder of the Company, Hon Kwok and Chinney Alliance, the transaction constituted a connected transaction under the Listing Rules and is subject to the reporting and announcement requirements.

REPORT OF THE DIRECTORS *(Continued)*

DISCLOSURE PURSUANT TO RULE 13.18 OF 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 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 were obtained for the purpose of refinancing the outstanding syndicated bank loan of HK\$402 million and providing additional working capital for the Hon Kwok Group.

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.

- (b) In October 2016, Chinney Treasury Limited, 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 are 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.

REPORT OF THE DIRECTORS *(Continued)*

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total number of issued shares was held by the public as at the date of this report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, James Sai-Wing Wong, Chairman of the Company, has deemed interests and holds directorships in companies engaged in the businesses of property investment. In this respect, James Sai-Wing Wong is regarded as being interested in businesses which might compete with the Group.

As the Board is independent from the board of those entities and maintains sufficient number of independent non-executive directors, the Group is therefore capable of carrying on its businesses independently of, and at arm's length with, the businesses of those entities.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event of the Group after the reporting period are set out in note 45 to the financial statements.

PERMITTED INDEMNITY PROVISION

Subject to the applicable laws, every director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group throughout the year.

AUDITOR

Ernst & Young retire and a resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Yuen-Keung Chan
Managing Director

Hong Kong, 27 June 2018

INDEPENDENT AUDITOR'S REPORT



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To the members of Chinney Investments, Limited

(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Chinney Investments, Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 46 to 149, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT *(Continued)*

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<i>Estimation of fair value of investment properties</i>	
<p>As at 31 March 2018, the Group's investment properties (including completed investment properties and investment properties under construction) measured at fair value amounted to approximately HK\$12,991 million, with net gains arising from fair value change recognised in the statement of profit or loss of approximately HK\$249 million. The valuation process is inherently subjective, and dependent on a number of estimates such as market rent, market yield, market price per unit, developer's profit margin, stabilised growth rate, etc. To support management's determination of the fair value, the Group has engaged an independent professionally qualified valuer to perform the valuation of investment properties.</p> <p>The significant accounting judgements and estimates and disclosures about the fair value measurement of investment properties are included in notes 3 and 16 to the financial statements.</p>	<p>Among our audit procedures, we evaluated the objectivity, independence and competence of the valuer by examining the valuer's qualification and assessed the valuation methodologies and assumptions adopted by the valuer with assistance from our internal valuation expert. For completed investment properties, we evaluated the data used as inputs for the valuation, which included reference to the market unit selling price of comparable properties nearby and the rental value of existing tenancies, by benchmarking against market values of comparable properties and checking the relevant tenancy agreements.</p> <p>For investment properties under construction, we also evaluated the cost to completion by checking management's budget and contracts entered into with contractors.</p>

INDEPENDENT AUDITOR'S REPORT *(Continued)*

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
<i>Impairment assessment for properties held for sale under development and completed properties held for sale</i>	
<p>As at 31 March 2018, the Group has recorded properties held for sale under development and completed properties held for sale of approximately HK\$2,554 million in aggregate. Properties held for sale under development and completed properties held for sale are stated at the lower of cost and net realisable value. Management's impairment assessment is significant to our audit, considering the degree of judgement involved in estimating the sales proceeds and selling expenses, and the level of complexity involved in making those assumptions in estimation.</p> <p>The significant accounting judgements and estimates and disclosures about the balances of properties held for sale under development and completed properties held for sale are included in notes 3 and 21 to the financial statements.</p>	<p>Our audit procedures included the understanding and review of management's impairment assessment process and assumptions adopted with reference to externally available industry and market data and actual sales transactions of properties during the year and subsequent to the end of the reporting period. For properties held for sale under development, we also reviewed the costs incurred to date and future costs to completion against the latest project development cost budgets prepared by management to assess the total costs of properties for impairment assessment purpose. We tested the basis of preparing those budgets taking into account the accuracy of previous budgets of similar projects and the construction quotations, agreements or invoices and historical data supporting the underlying assumptions.</p>

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT *(Continued)*

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT *(Continued)*

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ki Wing Yee, Winnie.

Ernst & Young
Certified Public Accountants
Hong Kong

27 June 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2018

	<i>Notes</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
REVENUE	5	1,857,039	1,652,964
Cost of sales		<u>(957,195)</u>	<u>(1,007,362)</u>
Gross profit		899,844	645,602
Other income and gains	5	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	7	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	6	(123,964)	(131,805)
Share of profits and losses of associates		<u>165,220</u>	<u>60,489</u>
PROFIT BEFORE TAX	7	3,505,499	1,023,726
Income tax expense	10	<u>(385,203)</u>	<u>(301,748)</u>
PROFIT FOR THE YEAR		<u>3,120,296</u>	<u>721,978</u>
Attributable to:			
Owners of the Company		2,040,243	419,415
Non-controlling interests		<u>1,080,053</u>	<u>302,563</u>
		<u>3,120,296</u>	<u>721,978</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic and diluted		<u>HK\$3.70</u>	<u>HK\$0.76</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2018

	<i>Note</i>	2018 HK\$'000	2017 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	34	(78,064)	–
Exchange differences on translation of foreign operations		<u>740,310</u>	<u>(479,606)</u>
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		<u>679,727</u>	<u>(487,862)</u>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gain on property revaluation		<u>–</u>	<u>88,538</u>
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods:		<u>–</u>	<u>88,538</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		<u>679,727</u>	<u>(399,324)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>3,800,023</u>	<u>322,654</u>
Attributable to:			
Owners of the Company		2,480,463	186,517
Non-controlling interests		<u>1,319,560</u>	<u>136,137</u>
		<u>3,800,023</u>	<u>322,654</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2018

	<i>Notes</i>	2018 HK\$'000	2017 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	123,567	125,934
Prepaid land lease payments	15	6,438	6,869
Investment properties	16	13,832,790	12,599,604
Investment in a joint venture	18	199	199
Investments in associates	19	<u>845,787</u>	<u>671,580</u>
Total non-current assets		<u>14,808,781</u>	<u>13,404,186</u>
CURRENT ASSETS			
Inventories	20	3,954	2,677
Properties held for sale under development and completed properties held for sale	21	2,553,549	2,223,805
Prepaid land lease payments	15	1,199	1,174
Trade and bills receivables	22	32,107	28,571
Prepayments, deposits and other receivables	23	167,753	192,976
Equity investments at fair value through profit or loss	24	791	799
Tax recoverable		97	227
Cash and bank balances	25	<u>2,716,141</u>	<u>2,417,193</u>
		5,475,591	4,867,422
Assets of a disposal group classified as held for sale	11	<u>–</u>	<u>482,001</u>
Total current assets		<u>5,475,591</u>	<u>5,349,423</u>
CURRENT LIABILITIES			
Trade payables and accrued liabilities	26	606,291	644,469
Customer deposits		1,222,514	2,335,704
Due to an associate	19	26,002	31,740
Obligation under a finance lease	27	81	157
Interest-bearing bank borrowings	28	2,399,172	1,915,408
Tax payable		<u>420,962</u>	<u>115,436</u>
		4,675,022	5,042,914
Liabilities directly associated with the assets classified as held for sale	11	<u>–</u>	<u>120</u>
Total current liabilities		<u>4,675,022</u>	<u>5,043,034</u>
NET CURRENT ASSETS		<u>800,569</u>	<u>306,389</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>15,609,350</u>	<u>13,710,575</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

31 March 2018

	<i>Notes</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Obligation under a finance lease	27	–	81
Interest-bearing bank borrowings	28	2,799,370	4,248,699
Deferred tax liabilities	29	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	30	405,411	405,411
Reserves	31	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

James Sai-Wing Wong
Director

Yuen-Keung Chan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2018

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Other reserve	Asset revaluation reserve [#]	Exchange fluctuation reserve	Retained profits	Total		
	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 year	-	-	-	-	419,415	419,415	302,563	721,978
Other comprehensive income/(loss) for the year:								
Exchange differences on translation of foreign operations	-	-	-	(321,436)	-	(321,436)	(166,426)	(487,862)
Revaluation reserve	-	-	88,538	-	-	88,538	-	88,538
Total comprehensive income/(loss) for the year	-	-	88,538	(321,436)	419,415	186,517	136,137	322,654
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	(28,740)	(28,740)
Final 2016 dividend declared	-	-	-	-	(27,568)	(27,568)	-	(27,568)
At 31 March 2017 and 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 year	-	-	-	-	2,040,243	2,040,243	1,080,053	3,120,296
Other comprehensive income/(loss) for the year:								
Release of exchange fluctuation reserve upon disposal of subsidiaries (note 34)	-	-	-	(53,154)	-	(53,154)	(24,910)	(78,064)
Exchange differences on translation of foreign operations	-	-	-	493,374	-	493,374	264,417	757,791
Total comprehensive income for the year	-	-	-	440,220	2,040,243	2,480,463	1,319,560	3,800,023
Issuance of a convertible bond by an associate ^{**}	-	1,891	-	-	-	1,891	-	1,891
Disposal of subsidiaries (note 34(a))	-	-	-	-	-	-	(64,621)	(64,621)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	(442,611)	(442,611)
Final 2017 dividend declared	-	-	-	-	(27,568)	(27,568)	-	(27,568)
At 31 March 2018	405,411	442,109*	94,027*	369,457*	6,368,826*	7,679,830	3,720,403	11,400,233

* These reserve accounts comprise the consolidated reserves of HK\$7,274,419,000 (2017: HK\$4,819,633,000) in the consolidated statement of financial position.

The asset revaluation reserve arose from a change in use from an owner-occupied property to an investment property carried at fair value. In accordance with HKAS 16, the balance was frozen and was not available to offset the current and future years' revaluation deficits on investment properties until the retirement or disposal of these assets.

** Other reserve included the share of equity component of a convertible bond issued by Chinney Alliance Group Limited, an associate of the Group.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		3,505,499	1,023,726
Adjustments for:			
Finance costs	6	123,964	131,805
Share of profits and losses of associates		(165,220)	(60,489)
Interest income	5	(13,833)	(6,779)
Depreciation	7	9,749	8,510
Gain on disposal of subsidiaries	7	(2,495,927)	–
Amortisation of prepaid land lease payments	7	1,199	1,174
Fair value losses on equity investments at fair value through profit or loss, net	7	8	73
Loss/(gain) on disposal of investment properties, net	7	244	(541)
Fair value gains on investment properties, net	7	(248,931)	(662,992)
Loss/(gain) on disposal of items of property, plant and equipment, net	7	(300)	130
Impairment of trade receivables	7	–	2,861
		716,452	437,478
Decrease/(increase) in inventories		(1,277)	2,010
Decrease in properties held for sale under development and completed properties held for sale		122,071	206,855
Decrease/(increase) in trade and bills receivables, prepayments, deposits and other receivables		50,510	(19,553)
Increase/(decrease) in trade payables and accrued liabilities		(338,356)	126,003
Decrease in an amount due to an associate		(5,738)	(5,750)
Increase/(decrease) in customer deposits		(1,313,810)	910,574
Cash generated from/(used in) operations		(770,148)	1,657,617
Hong Kong profits tax refunded		311	31
Overseas taxes paid		(127,860)	(148,188)
Net cash flows from/(used in) operating activities		<u>(897,697)</u>	<u>1,509,460</u>

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

Year ended 31 March 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Net cash flows from/(used in) operating activities		<u>(897,697)</u>	<u>1,509,460</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		(1,006)	(63,008)
Dividends received from an associate		10,386	8,655
Interest received		13,833	6,779
Proceeds from disposal of items of property, plant and equipment		343	375
Proceeds from disposal of investment properties		3,073	61,619
Additions to investment properties		(326,829)	(230,660)
Decrease in pledged deposits		–	142,207
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		202,552	(290,830)
Disposal of subsidiaries	34	3,589,281	–
Direct transaction costs paid in relation to disposal of subsidiaries	34	(520,446)	–
Acquisition of subsidiaries		<u>–</u>	<u>(136,455)</u>
Net cash flows from/(used in) investing activities		<u>2,971,187</u>	<u>(501,318)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(205,395)	(231,059)
Dividends paid to non-controlling shareholders		(442,611)	(28,740)
Dividend paid		(27,568)	(27,568)
New bank loans		633,308	521,661
Repayment of bank loans		(1,718,618)	(765,638)
Capital element of finance lease payments		(157)	(153)
Net cash flows used in financing activities		<u>(1,761,041)</u>	<u>(531,497)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		2,074,016	1,677,500
Effect of foreign exchange rate changes, net		188,818	(80,129)
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>2,575,283</u></u>	<u><u>2,074,016</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	2,575,283	2,070,768
Non-pledged time deposits	25	<u>140,858</u>	<u>346,425</u>
Cash and bank balances as stated in the consolidated statement of financial position		2,716,141	2,417,193
Non-pledged time deposits with original maturity of more than three months when acquired		(140,858)	(343,410)
Cash attributable to a disposal group classified as held for sale		<u>–</u>	<u>233</u>
Cash and cash equivalents at end of year		<u><u>2,575,283</u></u>	<u><u>2,074,016</u></u>

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

1. CORPORATE AND GROUP INFORMATION

Chinney Investments, Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 23rd Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.

During the year, the Group was involved in the following principal activities:

- property development
- property investment for rental purposes
- manufacture and trading of garments

The immediate holding company of the Company is Chinney Holdings Limited, a company incorporated in Hong Kong.

In the opinion of the directors, the ultimate holding company of the Company is Lucky Year Finance Limited (“Lucky Year”), a company incorporated in the British Virgin Islands (the “BVI”).

Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Allwin Group Holdings Limited [#]	BVI	US\$1	–	100.00	Sourcing agent for garment
Champion Fine International Investments Inc. [#]	Canada	Canadian dollar (“CAD”) ¹	–	68.09	Investment holding
Chinney Property Management Limited	Hong Kong	HK\$100	–	68.09	Property management
CP Parking Limited	Hong Kong	HK\$2,060,000	–	68.09	Carpark management
Crown Honour Developments Limited	Hong Kong	HK\$2	–	68.09	Nominee services
Dongguan Chinney Garments Limited ^{#1}	People’s Republic of China (“PRC”)/ Mainland China	HK\$16,000,000	–	100.00	Garment manufacturing
Dongguan Marigold Industry City Developing Co., Ltd. ^{#1}	PRC/Mainland China	HK\$50,000,000	–	100.00	Property holding and letting

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Foshan Nanhai XinDa Land Development Ltd. ^{#1}	PRC/Mainland China	HK\$300,000,000	–	68.09	Property development
Full Yip Development Limited	BVI/Hong Kong	US\$1	–	68.09	Property holding and letting
Gold Famous Development Limited	Hong Kong	HK\$1	–	68.09	Property development
Guangzhou De Jin Land Investment Co. Ltd. ^{#1}	PRC/Mainland China	Renminbi (“RMB”) 1,000,000	–	68.09	Property holding and letting
Guangzhou Honkwok Fuqiang Land Development Ltd. ^{#1}	PRC/Mainland China	RMB185,000,000	–	40.85 ²	Property development
Guangzhou Hua Yin Land Development Co., Ltd. ^{#1}	PRC/Mainland China	RMB80,000,000	–	68.09	Property development
Guangzhou Sheng Jin Real Estate Co., Ltd. ^{#1}	PRC/Mainland China	RMB52,114,000	–	68.09	Property development
Guangzhou Tungfu Property Management Co., Ltd. ^{#1}	PRC/Mainland China	RMB44,400,000	–	68.09	Property holding and letting
Hon Kwok Land Investment (China) Limited	Hong Kong	HK\$2	–	68.09	Investment holding
Hon Kwok Land Investment Company, Limited (“Hon Kwok”)	Hong Kong	HK\$720,429,301	68.09	–	Investment holding
Hon Kwok Land Investment (Shenzhen) Co., Ltd. ^{#1}	PRC/Mainland China	HK\$30,000,000	–	68.09	Property development

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hon Kwok Project Management Limited	Hong Kong	HK\$2	–	68.09	Project management
Hon Kwok Treasury Limited	Hong Kong	HK\$2	–	68.09	Financing
Honour Well Development Limited	Hong Kong	HK\$2	–	68.09	Property holding and letting
Hotwin Investment (Chongqing) Co., Ltd. ^{#1}	PRC/Mainland China	US\$14,300,000	–	68.09	Property holding and letting
Island Parking Limited	BVI/Hong Kong	US\$10	–	68.09	Property holding and letting
J.L. Chinney (Holdings) Company Limited	BVI	US\$1,250,000	100.00	–	Investment holding
J.L. Group Company Limited	Hong Kong	HK\$8,000,000	–	100.00	Garment trading
J.L. Investment Company Limited	Hong Kong	HK\$10,000	–	100.00	Property holding and letting
King Capital Development Limited	Hong Kong	HK\$2	–	68.09	Property holding and letting
King Champion Limited	Hong Kong	HK\$2	–	68.09	Property holding and letting
Lido Parking Limited	BVI/Hong Kong	US\$1	–	68.09	Property holding and letting
Multi-Investment Group Limited	BVI	US\$1	–	100.00	Investment holding

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shenzhen Guanghai Investment Co., Ltd. ^{#1}	PRC/Mainland China	RMB880,000,000	-	68.09	Property development
Shenzhen Honkwok Huaye Development Co., Ltd. ^{#1}	PRC/Mainland China	RMB50,000,000	-	68.09	Property holding and letting
The Bauhinia Hotel Management Limited	Hong Kong	HK\$2	-	68.09	Property letting
The Bauhinia Hotel (TST) Management Limited	Hong Kong	HK\$2	-	68.09	Property letting
Vast Champ Investment (Chongqing) Co., Ltd. ^{#1}	PRC/Mainland China	US\$30,000,000	-	68.09	Property development
Wide Fame Investment Limited	Hong Kong	HK\$2	-	68.09	Financing
Wise Pacific Investment Limited	Hong Kong	HK\$10,000	-	68.09	Money lending

[#] *Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.*

¹ *These subsidiaries are registered in the PRC as foreign-owned enterprises with business duration of 25 to 50 years.*

² *Guangzhou Honkwok Fuqiang Land Development Limited is a subsidiary of a non-wholly-owned subsidiary of the Company and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain investment properties 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 their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

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. Disclosure of the changes in liabilities arising from financing activities is provided in note 35(b) to the financial statements.
- (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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions¹</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts¹</i>
HKFRS 9	<i>Financial Instruments¹</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation²</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
HKFRS 15	<i>Revenue from Contracts with Customers¹</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers¹</i>
HKFRS 16	<i>Leases²</i>
HKFRS 17	<i>Insurance Contracts³</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement²</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures²</i>
Amendments to HKAS 40	<i>Transfers of Investment Property¹</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration¹</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments²</i>
<i>Annual Improvements 2014-2016 Cycle</i>	Amendments to HKFRS 1 and HKAS 28 ¹
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after 1 January 2021

⁴ No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described as below.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 April 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 April 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 April 2018. During 2017, The Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through profit or loss as the investments are intended to be held for trading in the foreseeable future and the Group expects to apply the option to present fair value changes in profit or loss. Gains and losses recorded in profit or loss for the equity investments.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade and bills receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The directors of the Company have assessed the impact on application of HKFRS 15 and determined that the application of HKFRS 15 will not have significant impact on the timing and amounts of revenue recognised in the respective reporting periods. However, the application of HKFRS 15 in the future may result in more disclosures.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

The Group's principal activities consist of the property development, property investment and property related activities. The expected impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:

(a) Sale of properties

Income from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties sold. Upon the adoption of HKFRS 15, revenue from the sale of properties could be recognised over time if the Group has met the criteria in paragraph 35(c) of HKFRS 15 or at a point in time when control of the asset is transferred to the customer, generally on delivery of the properties. Since the Group has been implementing the point in time approach and expect to apply the same policy in the coming years, so no significant impact is expected upon the adoption of HKFRS 15.

(b) Presentation and disclosure

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in HKFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by HKFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

HKFRS 16, issued in May 2016, replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 April 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 38(b) to the financial statements, at 31 March 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK\$12,624,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new right-of-use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short-term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

Amendments to HKAS 28 issued in January 2018 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 April 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 April 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 April 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 April 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 April 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and a joint venture

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and a joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint venture are eliminated to the extent of the Group's investments in the associates or joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or a joint venture is included as part of the Group's investments in associates or a joint venture.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures certain of its investment properties and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties, investment properties under construction, properties held for sale under development and completed properties held for sale and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for “Non-current assets and disposal groups held for sale”. The cost of an item of property, plant and equipment comprises its purchase price and any directly and disposal groups attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	2% to 5% or over the unexpired terms of the leases, whichever is shorter
Leasehold improvements	20% or over the unexpired terms of the leases, whichever is shorter
Plant and machinery	10% to 30%
Motor vehicles	20% to 30%
Furniture, fixtures and equipment	20% to 33 $\frac{1}{3}$ %

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Properties under construction or development for future use as investment properties are classified as investment properties under construction. If the fair value cannot be reliably determined, the investment properties under construction will be measured at cost until such time as fair value can be determined or construction is completed. The Group has concluded that the fair value of certain investment properties under construction cannot be measured reliably at the end of the reporting period, therefore, certain of the Group's investment properties under construction continue to be measured at cost.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Non-current assets and disposal groups held for sale *(Continued)*

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Properties held for sale under development and properties held for sale

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and buildings costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

Properties held for sale under development

Properties held for sale under development are intended to be held for sale after completion. Properties held for sale under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

On completion of construction, the properties are transferred to completed properties held for sale. Properties held for sale under development are classified as current assets.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other operating expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets *(Continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost (Continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash balances comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods and properties, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods and properties sold;
- (b) rental income, on a time proportion basis over the lease terms;
- (c) property management income, on an accrual basis, in the period in which services are rendered;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;
- (e) dividend income, when the shareholders' right to receive payment has been established; and
- (f) management fee income, on an accrual basis, in the period in which services are rendered.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group’s employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The Group also operates a defined contribution retirement benefit scheme for those employees who are eligible and have elected to participate in the scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the participating employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the scheme. When an employee leaves the scheme prior to his/her interest in the Group’s employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

The functional currencies of certain overseas subsidiaries, a joint venture and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Revenue recognition

The Group recognises revenue from the sale of properties held for sale as disclosed in note 2.4 to the financial statements. The assessment of when an entity has transferred the significant risks and rewards of ownership associated with the properties to buyers requires the examination of the circumstances of the transactions.

Classification between investment properties and properties held for sale

The Group determines whether a property qualifies as an investment property or a property held for sale, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both.

Properties held for sale are properties held by the Group with intention for sale in the Group's ordinary course of business.

Judgement is made on an individual property basis to determine whether leased out properties are classified as properties held for sale or investment properties.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Investment properties under construction

Properties under construction or development for future use as investment properties are classified as investment properties under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined or construction is completed. Based on the construction progress, the directors have concluded that the fair value of certain investment properties under construction cannot be measured reliably and, therefore, certain investment properties under construction continue to be measured at cost until construction is substantially completed or the remaining construction cost can be accurately estimated.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolio and concluded that the Group's investment properties located in Hong Kong were held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through sale. Therefore, in measuring the Group's deferred taxation on investment properties located in Hong Kong, the directors of the Company have determined that the presumption that the carrying values of investment properties measured using the fair value model are recovered entirely through sale is not rebutted.

For the Group's investment properties located in the PRC, the directors of the Company concluded that the Group's investment properties located in the PRC were held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties located in the PRC, the directors of the Company have determined that the presumption that the carrying values of investment properties measured using the fair value model are recovered entirely through sale is rebutted.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Estimation of net realisable values of properties held for sale under development and completed properties held for sale

The Group considers information from a variety of sources, including recent prices of similar properties in the same location and condition, with adjustments to reflect any changes in economic conditions since the dates of transactions that occurred at those prices. Particulars of the properties held for sale under development and completed properties held for sale of the Group are set out in note 21 to the financial statements.

Estimation of total budgeted costs and costs to completion for properties held for sale under development

Total budgeted costs for properties held for sale under development comprise (i) prepaid land lease payments; (ii) building costs; and (iii) any other direct costs attributable to the development of the properties. In estimating the total budgeted costs for properties held for sale under development, management refers to information such as (i) current offers from contractors and suppliers; (ii) recent offers agreed with contractors and suppliers; and (iii) professional estimation on construction and material costs.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Further details, including the key assumptions used for fair value measurement, are given in note 16 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Current income taxes and deferred income taxes

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the amount of the provision for tax and the timing of payment of the related taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provisions in the periods in which such determination is made.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 29 to the financial statements.

Land appreciation tax

Under the Provisional Regulations on land appreciation tax (“LAT”) implemented upon the issuance of the Provisional Regulations of the PRC on 27 January 1995, all gains arising from the transfer of real estate properties in Mainland China with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

The subsidiaries of the Group engaging in the property development business in Mainland China are subject to LAT, which has been included in income tax. However, the implementation of Provisional Regulations on LAT varies amongst various Mainland China cities and the Group has not finalised certain of its LAT returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management’s best estimates. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and provisions for LAT in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

4. 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, share of profits and losses of associates, gain on disposal of subsidiaries 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, assets of a disposal group classified as held for sale and equity investments at fair value through profit or loss, 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 sales as these liabilities are managed on a group basis.

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

4. OPERATING SEGMENT INFORMATION *(Continued)*

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					
<i>Reconciliation:</i>					
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					<u>3,505,499</u>
Segment assets					
	181,587	2,811,157	14,092,159	1,848,307	18,933,210
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(2,211,853)
Investments in associates					845,787
Investment in a joint venture					199
Corporate and other unallocated assets					<u>2,717,029</u>
Total assets					<u>20,284,372</u>
Segment liabilities					
	11,735	2,554,429	1,055,476	445,020	4,066,660
<i>Reconciliation:</i>					
Elimination of intersegment payables					(2,211,853)
Corporate and other unallocated liabilities					<u>7,029,332</u>
Total liabilities					<u>8,884,139</u>
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*	<u>12</u>	<u>104</u>	<u>399,869</u>	<u>227</u>	<u>400,212</u>

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

4. OPERATING SEGMENT INFORMATION *(Continued)*

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
<i>Reconciliation:</i>					
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					<u>1,023,726</u>
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>
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*	<u>2,589</u>	<u>2,238</u>	<u>315,039</u>	<u>57,467</u>	<u>377,333</u>

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue

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

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

(b) Non-current assets

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; income from the sale of properties; gross rental income and property management income during the year.

An analysis of revenue, other income and gains is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue		
Sale of goods	75,996	78,520
Sale of properties	1,567,499	1,361,320
Gross rental income	212,022	211,701
Property management income	<u>1,522</u>	<u>1,423</u>
	<u>1,857,039</u>	<u>1,652,964</u>
Other income and gains		
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	<u>9,058</u>	<u>11,637</u>
	<u>27,441</u>	<u>22,960</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

6. FINANCE COSTS

An analysis of finance costs is as follows:

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

7. PROFIT BEFORE TAX

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

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Cost of properties sold		789,941	845,791
Cost of inventories sold		65,196	66,554
Depreciation	14	9,749	8,510
Amortisation of prepaid land lease payments	15	1,199	1,174
Minimum lease payments under operating leases [#]		19,682	21,542
Auditor's remuneration		3,719	3,484
Employee benefit expense (including directors' remuneration (<i>note 8</i>)):			
Wages, salaries, allowances and benefits in kind		129,471	103,265
Pension scheme contributions		<u>2,918</u>	<u>2,805</u>
		132,389	106,070
Less: Amount capitalised under property development projects		<u>(23,300)</u>	<u>(20,800)</u>
		<u>109,089</u>	<u>85,270</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

7. PROFIT BEFORE TAX *(Continued)*

	<i>Notes</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
Gross rental income included in the following categories:			
Rental income		(212,022)	(211,701)
Other income and gains		(81)	(88)
		(212,103)	(211,789)
Less: Outgoing expenses*#		102,058	95,017
		(110,045)	(116,772)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties			
		80,900	72,094
Foreign exchange differences, net		(2,796)	(2,514)
Fair value gains on investment properties, net	<i>16</i>	(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	<i>34</i>	(2,495,927)	–
Loss/(gain) on disposal of investment properties, net		244	(541)
Interest income		(13,833)	(6,779)
Impairment of trade receivables	<i>22</i>	–	2,861
Loss/(gain) on disposal of items of property, plant and equipment, net		(300)	130

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

Included in the amount are rental expenses for carpark operations of HK\$13,496,000 (2017: HK\$14,780,000) which are included in "Cost of sales" in the consolidated statement of profit or loss.

* *The outgoing expenses for the year are included in "Cost of sales" in the consolidated statement of profit or loss.*

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018	2017
	HK\$'000	HK\$'000
Fees	416	450
Other emoluments:		
Salaries, allowances and benefits in kind	27,209	15,337
Discretionary performance-related bonuses*	5,000	4,000
	32,209	19,337
	32,625	19,787

* *The performance-related bonuses are determined with reference to the operating results, individual performance and comparable market statistics during both years.*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2018	2017
	HK\$'000	HK\$'000
Clement Kwok-Hung Young	75	75
Peter Man-Kong Wong (retired on 25 August 2017)	50	75
James C. Chen	75	75
Richard Chi-Ho Lo (appointed on 3 November 2017)	13	–
	213	225

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and non-executive directors

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary performance- related bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2018					
Executive directors:					
James Sai-Wing Wong	–	8,500	2,500	–	11,000
Herman Man-Hei Fung (retired on 1 April 2018)	–	18,709	2,500	–	21,209
Yuen-Keung Chan (appointed on 1 April 2018)	–	–	–	–	–
	<u>–</u>	<u>27,209</u>	<u>5,000</u>	<u>–</u>	<u>32,209</u>
Non-executive directors:					
William Chung-Yue Fan (retired on 25 August 2017)	50	–	–	–	50
Paul Hon-To Tong	75	–	–	–	75
James Sing-Wai Wong (resigned on 25 August 2017)	50	–	–	–	50
Emily Yen Wong (appointed on 25 August 2017)	28	–	–	–	28
	<u>203</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>203</u>
	<u>203</u>	<u>27,209</u>	<u>5,000</u>	<u>–</u>	<u>32,412</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and non-executive directors *(Continued)*

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Discretionary performance- related bonuses <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
2017					
Executive directors:					
James Sai-Wing Wong	–	8,000	2,000	–	10,000
Herman Man-Hei Fung	–	7,337	2,000	–	9,337
	–	15,337	4,000	–	19,337
Non-executive directors:					
William Chung-Yue Fan	75	–	–	–	75
Paul Hon-To Tong	75	–	–	–	75
James Sing-Wai Wong	75	–	–	–	75
	225	–	–	–	225
	225	15,337	4,000	–	19,562

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2017: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2017: three) non-director, highest paid employees for the year are as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	16,779	14,415
Discretionary performance-related bonuses	4,500	3,500
Pension scheme contributions	221	221
	<u>21,500</u>	<u>18,136</u>

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2018	2017
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$4,000,001 to HK\$4,500,000	1	–
HK\$6,500,001 to HK\$7,000,000	–	1
HK\$7,500,001 to HK\$8,000,000	1	1
HK\$9,500,001 to HK\$10,000,000	1	–
	<u>3</u>	<u>3</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

10. INCOME TAX

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

LAT 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.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	–	158
Current – Elsewhere		
Charge for the year	138,841	104,007
LAT in Mainland China	249,765	71,818
Deferred (<i>note 29</i>)	<u>(3,403)</u>	<u>125,765</u>
Total tax charge for the year	<u><u>385,203</u></u>	<u><u>301,748</u></u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit before tax	<u><u>3,505,499</u></u>	<u><u>1,023,726</u></u>
Tax at the statutory tax rate	654,641	239,556
Income not subject to tax	(459,161)	(34,121)
Expenses not deductible for tax	18,966	28,360
Tax losses utilised from previous periods	(1,035)	(1,704)
Tax losses not recognised	21,876	12,909
Profits and losses attributable to associates	(36,933)	(9,931)
LAT	249,765	71,818
Others	<u>(62,916)</u>	<u>(5,139)</u>
Tax charge at the Group's effective rate of 11% (2017: 29%)	<u><u>385,203</u></u>	<u><u>301,748</u></u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

10. INCOME TAX *(Continued)*

The share of net tax charge attributable to associates amounting to HK\$110,593,000 (2017: HK\$12,616,000) is included in “Share of profits and losses of associates” in the consolidated statement of profit or loss. There was no share of tax attributable to a joint venture during the year ended 31 March 2018 (2017: Nil).

11. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 19 January 2017, Hon Kwok 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 the property development business. The disposal of Smooth Ever Group was scheduled to be completed in August 2017, subject to fulfilment of certain conditions precedent. 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 are 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	<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 FINANCIAL STATEMENTS *(Continued)*

31 March 2018

11. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *(Continued)*

The land use right of a portion of the above properties held for sale under development with a site area of 24,067 square metres located in the PRC was subject to a freeze order by a court in the PRC for a value equivalent to approximately HK\$63 million, following a legal action taken by one of the previous interested parties of the land. In this connection, a written legal opinion was obtained from a PRC law firm which opined that the claim filed by the said previous interested party had no legal basis and was not valid. Based on external legal opinion, the directors consider that the freeze order did not have a significant impact on the financial statements of the Group.

During the year ended 31 March 2018, the disposal of Smooth Ever Group was completed on 6 September 2017, resulting a gain on disposal of subsidiaries of approximately HK\$2,378,589,000 (note 34(a)).

12. DIVIDEND

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed final – 5 HK cents (2017: 5 HK cents) per ordinary share	<u>27,568</u>	<u>27,568</u>

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

13. 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 had no potentially dilutive ordinary shares in issue during the years ended 31 March 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings		Leasehold improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Total
	Hong Kong	Mainland China					
	HK\$'000	HK\$'000					
31 March 2018							
At 31 March 2017 and at 1 April 2017:							
Cost	30,440	121,270	11,737	10,380	10,243	19,254	203,324
Accumulated depreciation	(1,200)	(37,279)	(9,902)	(10,360)	(4,787)	(13,862)	(77,390)
Net carrying amount	<u>29,240</u>	<u>83,991</u>	<u>1,835</u>	<u>20</u>	<u>5,456</u>	<u>5,392</u>	<u>125,934</u>
At 1 April 2017, net of accumulated depreciation							
	29,240	83,991	1,835	20	5,456	5,392	125,934
Additions	-	-	-	-	514	492	1,006
Disposal of subsidiaries (note 34)	-	-	-	-	-	(1,369)	(1,369)
Disposals	-	-	-	-	-	(43)	(43)
Depreciation provided during the year	(1,081)	(5,144)	(437)	(18)	(1,773)	(1,296)	(9,749)
Exchange realignment	-	7,261	-	1	266	260	7,788
At 31 March 2018, net of accumulated depreciation	<u>28,159</u>	<u>86,108</u>	<u>1,398</u>	<u>3</u>	<u>4,463</u>	<u>3,436</u>	<u>123,567</u>
At 31 March 2018:							
Cost	30,440	132,554	12,331	11,488	11,114	18,968	216,895
Accumulated depreciation	(2,281)	(46,446)	(10,933)	(11,485)	(6,651)	(15,532)	(93,328)
Net carrying amount	<u>28,159</u>	<u>86,108</u>	<u>1,398</u>	<u>3</u>	<u>4,463</u>	<u>3,436</u>	<u>123,567</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold land and buildings		Leasehold improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Total
	Hong Kong	Mainland China					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
31 March 2017							
At 1 April 2016:							
Cost	51,800	68,634	15,063	11,161	10,688	22,212	179,558
Accumulated depreciation	(22,332)	(35,187)	(14,905)	(11,095)	(6,112)	(17,939)	(107,570)
Net carrying amount	<u>29,468</u>	<u>33,447</u>	<u>158</u>	<u>66</u>	<u>4,576</u>	<u>4,273</u>	<u>71,988</u>
At 1 April 2016, net of accumulated depreciation	29,468	33,447	158	66	4,576	4,273	71,988
Additions	-	56,734	1,988	-	3,041	1,245	63,008
Acquisition of subsidiaries (note 33)	-	-	-	-	-	1,348	1,348
Assets included in a disposal group classified as held for sale (note 11)	-	-	-	-	(33)	(10)	(43)
Disposals	-	-	-	-	(428)	(76)	(504)
Depreciation provided during the year	(1,066)	(4,256)	(311)	(43)	(1,578)	(1,256)	(8,510)
Surplus on revaluation	88,538	-	-	-	-	-	88,538
Transfer from investment properties	29,240	-	-	-	-	-	29,240
Transfer to investment properties	(116,940)	-	-	-	-	-	(116,940)
Exchange realignment	-	(1,934)	-	(3)	(122)	(132)	(2,191)
At 31 March 2017, net of accumulated depreciation	<u>29,240</u>	<u>83,991</u>	<u>1,835</u>	<u>20</u>	<u>5,456</u>	<u>5,392</u>	<u>125,934</u>
At 31 March 2017:							
Cost	30,440	121,270	11,737	10,380	10,243	19,254	203,324
Accumulated depreciation	(1,200)	(37,279)	(9,902)	(10,360)	(4,787)	(13,862)	(77,390)
Net carrying amount	<u>29,240</u>	<u>83,991</u>	<u>1,835</u>	<u>20</u>	<u>5,456</u>	<u>5,392</u>	<u>125,934</u>

The net carrying amount of the Group's fixed assets held under a finance lease included in the total amount of motor vehicles at 31 March 2018 was HK\$140,000 (2017: HK\$419,000).

At 31 March 2018, certain of the Group's leasehold land and buildings with a net carrying amount of approximately HK\$86,749,000 (2017: HK\$84,941,000) were pledged to secure general banking facilities granted to the Group as detailed in note 28(a)(v).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

15. PREPAID LAND LEASE PAYMENTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
At beginning of year	8,043	9,792
Recognised during the year	(1,199)	(1,174)
Exchange realignment	793	(575)
At end of year	7,637	8,043
Current portion	(1,199)	(1,174)
Non-current portion	<u>6,438</u>	<u>6,869</u>

16. INVESTMENT PROPERTIES

	2018			Total <i>HK\$'000</i>
	Completed investment properties at fair value <i>HK\$'000</i>	Investment properties under construction at fair value <i>HK\$'000</i>	Investment property under construction at cost <i>HK\$'000</i>	
At 1 April 2017	6,473,647	5,409,091	716,866	12,599,604
Additions	9,304	265,305	124,615	399,224
Disposal of a subsidiary <i>(note 34(b))</i>	(217,284)	–	–	(217,284)
Disposals	(3,317)	–	–	(3,317)
Net gains from fair value adjustments	231,881	17,050	–	248,931
Exchange realignment	<u>324,238</u>	<u>481,394</u>	–	<u>805,632</u>
At 31 March 2018	<u><u>6,818,469</u></u>	<u><u>6,172,840</u></u>	<u><u>841,481</u></u>	<u><u>13,832,790</u></u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

16. INVESTMENT PROPERTIES *(Continued)*

	2017			Total HK\$'000
	Completed investment properties at fair value HK\$'000	Investment properties under construction at fair value HK\$'000	Investment property under construction at cost HK\$'000	
At 1 April 2016	5,826,563	5,336,145	702,270	11,864,978
Additions	1,933	297,796	14,596	314,325
Acquisition of subsidiaries (note 33)	227,683	–	–	227,683
Disposals	(61,078)	–	–	(61,078)
Transfer	497,223	(497,223)	–	–
Net gains from fair value adjustments	113,373	549,619	–	662,992
Transfer from owner-occupied property	116,940	–	–	116,940
Transfer to owner-occupied property	(29,240)	–	–	(29,240)
Exchange realignment	(219,750)	(277,246)	–	(496,996)
At 31 March 2017	<u>6,473,647</u>	<u>5,409,091</u>	<u>716,866</u>	<u>12,599,604</u>

The directors of the Company have determined that the Group's completed investment properties and investment properties under construction are commercial properties, based on the nature, characteristics and risks of each property. The Group's completed investment properties and certain investment properties under construction were revalued on 31 March 2018 based on valuations performed by Savills Valuation and Professional Services Limited and AA Property Services Limited, independent professionally qualified valuers, at an aggregate value of HK\$12,991,309,000. Each year, the Group's management decides to appoint which external valuers to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for the interim and annual financial reporting.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

16. INVESTMENT PROPERTIES *(Continued)*

Certain completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 38(a) to the financial statements.

Investment properties under construction included interest expense of HK\$72,394,000 (2017: HK\$83,664,000) that was incurred and capitalised during the year.

Investment properties under construction are measured at cost until such time as fair value can be determined reliably or construction is completed. Based on the construction progress and the percentage of rentable area that has been pre-leased, the Group has concluded that the fair value of certain of these investment properties under construction cannot be measured reliably due to the construction and letting risks and they were therefore measured at cost in the consolidated statement of financial position.

At 31 March 2018, the Group's investment properties with an aggregate carrying value of HK\$13,828,690,000 (2017: HK\$12,593,004,000) were pledged to secure the banking facilities granted to the Group as detailed in note 28(a)(i) to the financial statements. In addition, certain of the Group's bank loans are secured by assignments of rental income from the leases of the Group's investment properties as detailed in note 28(a)(iv) to the financial statements.

Based on the property ownership certificates, a portion of the completed investment properties with a total gross floor area of approximately 3,023 sq.m. is designated as non-market commodity housing which is not freely transferable in the market. As at 31 March 2018, the carrying amount of such portion was HK\$107,901,000 (2017: HK\$96,591,000).

Further particulars of the Group's investment properties are included in "Particulars of Properties" on pages 151 to 155.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

16. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's completed investment properties and investment properties under construction at fair value:

	Fair value measurement as at 31 March 2018 using			Total HK\$'000	
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000		
	Recurring fair value measurement for:				
	Commercial properties	–	–		12,991,309
	<u>–</u>	<u>–</u>	<u>12,991,309</u>		

	Fair value measurement as at 31 March 2017 using			Total HK\$'000	
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000		
	Recurring fair value measurement for:				
	Commercial properties	–	–		11,882,738
	<u>–</u>	<u>–</u>	<u>11,882,738</u>		

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

16. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	HK\$'000
Carrying amount at 1 April 2016	11,162,708
Additions	299,729
Acquisition of subsidiaries	227,683
Disposals	(61,078)
Net gains from fair value adjustments	662,992
Transfer from owner-occupied property	116,940
Transfer to owner-occupied property	(29,240)
Exchange realignment	(496,996)
	<hr/>
Carrying amount at 31 March 2017 and 1 April 2017	11,882,738
Additions	274,609
Disposal of a subsidiary <i>(note 34(b))</i>	(217,284)
Disposals	(3,317)
Net gains from fair value adjustments	248,931
Exchange realignment	805,632
	<hr/>
Carrying amount at 31 March 2018	12,991,309

Below is a summary of the valuation techniques used and the key inputs to the valuation of completed investment properties and investment properties under construction at fair value:

	Valuation techniques	Significant unobservable inputs	Range	
			2018	2017
Commercial properties				
Completed	Income capitalisation approach	Estimated rental value per sq.ft. per month (HK\$) per sq.m. per month (RMB) Capitalisation rate	22 to 160 52 to 427 3.1% to 6.5%	23 to 155 52 to 417 3.1% to 6.5%
	Direct comparison approach	Unit price (HK\$/unit) Unit price (RMB/unit) Price per sq.ft. (HK\$)	1,300,000 to 2,800,000 80,000 to 460,000 6,800 to 12,700	1,100,000 to 2,300,000 80,000 to 460,000 5,684 to 11,600
	Discounted cash flow approach	Room tariff (RMB) Occupancy rate Stabilised growth rate Terminal capitalisation rate Discount rate	441 71% 3% 5.5% 8.5%	460 70% 3% 5.5% 8.5%
Under construction	Direct comparison approach and discounted cash flow approach	Interest rate Estimated cost to completion per sq.m. (RMB) Developer's profit margin	4.35% 920 2%	4.35% 1,310 3%

16. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

Income capitalisation approach

Under the income capitalisation approach, fair value is estimated on the basis of capitalisation of existing rental income and reversionary market rental income.

The market rentals of the investment properties are assessed and capitalised at market yield expected by investors for this type of properties. The market rents are assessed by reference to the rentals achieved in the investment properties as well as other lettings of similar properties in the neighbourhood. The market yield, which is the capitalisation rate adopted, is made by reference to the yields derived from analysing the sales transactions of similar properties and adjusted to take account of the valuers' knowledge of the market expectation from property investors to reflect factors specific to the Group's investment properties.

The key inputs were the market rent and the market yield, which a significant increase/decrease in the market rent in isolation would result in a significant increase/decrease in the fair value of the investment properties and a significant increase/decrease in the market yield in isolation would result in a significant decrease/increase in the fair value of the investment properties.

Direct comparison approach

Under the market approach, fair value is estimated by the direct comparison method on the assumption of the sale of the property interest with the benefit of vacant possession and by referring to comparable sales transactions as available in the market.

The valuation takes into account the characteristics of the investment properties, which included the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the market price per unit.

The key input was the market price per unit, which a significant increase/decrease in the market price would result in a significant increase/decrease in the fair value of the investment properties.

Discounted cash flow approach

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

16. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

Discounted cash flow approach (Continued)

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

The key inputs were the room tariff, the occupancy rate, the terminal capitalisation rate, the discount rate, the interest rate, the estimated cost to completion, the developer's profit margin and the stabilised growth rate, where a significant increase/decrease in the room tariff, the occupancy rate, developer's profit margin and the growth rate in isolation would result in a significant increase/decrease in the fair value of the investment properties. A significant increase/decrease in the terminal capitalisation rate, the discount rate, the interest rate and the estimated cost of completion in isolation would result in a significant decrease/increase in the fair value of the investment properties.

17. GOODWILL

	HK\$'000
<hr/>	
At 1 April 2016, 31 March 2017, 1 April 2017 and 31 March 2018:	
Cost	2,463
Accumulated impairment	<u>(2,463)</u>
Net carrying amount	<u><u>–</u></u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

18. INVESTMENT IN A JOINT VENTURE

	2018	2017
	HK\$'000	HK\$'000
Share of net assets	199	199

The investment in a joint venture is indirectly held by the Company.

Particulars of the Group's joint venture are as follows:

Name	Particulars of issued share capital	Place of incorporation and business	Percentage of			Principal activity
			Ownership interest	Voting power	Profit sharing	
Two City Hall Place Limited [#]	Common share capital of CAD100	Canada	34.05	34.05	34.05	Dormant

[#] *Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network*

The following table illustrates the financial information of the Group's joint venture that is not material:

	2018	2017
	HK\$'000	HK\$'000
Share of the joint venture's profit for the year	—	—
Share of the joint venture's other comprehensive income	—	—
Share of the joint venture's total comprehensive income	—	—
Carrying amount of the Group's investment in the joint venture	199	199

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

19. INVESTMENTS IN ASSOCIATES/DUE TO AN ASSOCIATE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Goodwill on acquisition	18,374	18,374
Share of net assets	827,413	653,206
	<u>845,787</u>	<u>671,580</u>
Due to an associate	<u>26,002</u>	<u>31,740</u>

Particulars of the associates are as follows:

Name	Particulars of issued share capital	Place of incorporation and business	Percentage of ownership interest attributable to the Group	Principal activities
Chinney Alliance Group Limited ("Chinney Alliance") [#]	HK\$59,490,000	Bermuda/ Hong Kong	29.10	Investment holding
Chinney Trading Company Limited ("Chinney Trading")	HK\$615,425,000	Hong Kong	13.62	Property development

[#] *Chinney Alliance is an investment holding company with its subsidiaries engaged in the manufacture and sale of industrial products and building related contracting business, and superstructure and substructure foundation piling work.*

The financial statements of Chinney Alliance have a financial year end date of 31 December. The consolidated financial statements are adjusted for the material transactions between Chinney Alliance and the group companies between 1 January and 31 March.

The Group's shareholdings in Chinney Alliance are held through a wholly-owned subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

19. INVESTMENTS IN ASSOCIATES/DUE TO AN ASSOCIATE *(Continued)*

The amount due to an associate is unsecured, interest-free and has no fixed terms of repayment.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Share of the associates' profit for the year	165,220	60,489
Share of the associates' other comprehensive profit/(loss)	17,481	(8,256)
Share of the associates' total comprehensive income	182,701	52,233
Aggregate carrying amount of the Group's investments in the associates	<u>845,787</u>	<u>671,580</u>

20. INVENTORIES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Raw materials	1,638	1,385
Work in progress	2,195	1,292
Finished goods	<u>121</u>	<u>—</u>
	<u>3,954</u>	<u>2,677</u>

21. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Completed properties held for sale	1,527,735	836,845
Properties held for sale under development	<u>1,025,814</u>	<u>1,386,960</u>
	<u>2,553,549</u>	<u>2,223,805</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

21. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE *(Continued)*

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Properties held for sale under development		
– expected to be recovered:		
Within one year	225,065	610,545
After one year	416,958	426,195
– pending construction expected to be recovered:		
After one year	<u>383,791</u>	<u>350,220</u>
	<u>1,025,814</u>	<u>1,386,960</u>

Properties held for sale under development and completed properties held for sale included interest expense of HK\$9,037,000 (2017: HK\$15,590,000) that was incurred and capitalised during the year prior to the completion of the development of the properties.

In the prior year, certain of the Group's properties held for sale under development and completed properties held for sale with an aggregate carrying value amounting to HK\$114,837,000 at the end of the reporting period were pledged to secure the banking facilities granted to the Group as detailed in note 28(a)(ii) to the financial statements.

The Group is subject to a risk that certain land relating to the properties held for sale under development situated in the PRC, with a carrying amount of HK\$518,594,000 (2017: HK\$456,776,000) at the end of the reporting period, could be appropriated by the relevant government authorities in the PRC as a result of the non-compliance with the requirement to complete the construction works on the land in prior years. In the opinion of the directors, the chance that the land administration bureau will appropriate the property without paying compensation is remote because the Group had fully paid the land premium in prior years and was granted approval from the relevant government authorities for the modification and application for extension of several Construction Works Planning Permits and Construction Works Commencement Permits, and the construction works on the land have already commenced. In addition, the construction of certain property units of a different phase of the above development project was completed and those property units were delivered to purchasers from the financial year 2012/13.

Further particulars of the Group's properties held for sale under development and completed properties held for sale are included in "Particulars of Properties" on pages 151 to 155.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

22. TRADE AND BILLS RECEIVABLES

	2018	2017
	HK\$'000	HK\$'000
Trade and bills receivables	35,040	31,504
Impairment	(2,933)	(2,933)
	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 receivable balances. Trade and bills receivables are non-interest-bearing.

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
	32,107	28,571

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

22. TRADE AND BILLS RECEIVABLES *(Continued)*

The movements in provision for impairment of trade receivables are as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
At beginning of year	2,933	788
Impairment losses recognised (<i>note 7</i>)	–	2,861
Amount written off as uncollectible	–	(716)
At end of year	<u>2,933</u>	<u>2,933</u>

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK\$2,933,000 (2017: HK\$2,933,000) with a carrying amount before provision of HK\$2,933,000 (2017: HK\$2,933,000). The individually impaired trade receivables relate to customers that were in financial difficulties and the receivables are not expected to be recovered.

The ageing analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Neither past due nor impaired	5,395	6,289
Less than 30 days past due	7,192	2,161
30 to 90 days past due	2,370	2,986
Over 90 days past due	<u>17,150</u>	<u>17,135</u>
	<u>32,107</u>	<u>28,571</u>

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Prepayments	88,107	127,878
Deposits	7,431	8,306
Other receivables	82,739	67,316
Impairment	<u>(10,524)</u>	<u>(10,524)</u>
	<u>167,753</u>	<u>192,976</u>

None of the deposits is either past due or impaired. The provision for impairment relates to other receivables.

The movements in provision for impairment of other receivables are as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
At beginning of year	10,524	10,579
Amount written off as uncollectible	<u>–</u>	<u>(55)</u>
At end of year	<u>10,524</u>	<u>10,524</u>

Included in the above provision for impairment of other receivables is a provision for an impaired other receivable of HK\$10,524,000 (2017: HK\$10,524,000) with a carrying amount before provision of HK\$10,524,000 (2017: HK\$10,524,000) whose receivable was considered by the directors to be irrecoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The remaining balance of other receivables that were neither past due nor impaired relate to a large number of independent parties for whom there was no recent history of default.

24. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Listed equity investments at market value	<u>791</u>	<u>799</u>

The above equity investments at 31 March 2018 and 2017 were classified as held for trading.

The fair values of the above listed equity investments are determined based on the quoted bid prices on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

25. CASH AND BANK BALANCES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Cash and bank balances	2,575,283	2,070,768
Time deposits	140,858	346,425
	<u>2,716,141</u>	<u>2,417,193</u>

Included in cash and bank balances are restricted bank deposits of HK\$259,682,000 (2017: HK\$750,470,000) which can only be applied in the designated property development projects prior to their completion of construction.

At the end of the reporting period, the cash and bank balances including time deposits of the Group denominated in RMB amounted to HK\$1,507,217,000 (2017: HK\$1,840,723,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between three months and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

26. 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 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 30 days	24,118	26,944
31 to 60 days	705	402
61 to 90 days	901	21
Over 90 days	454	721
	<u>26,178</u>	<u>28,088</u>

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

27. OBLIGATION UNDER A FINANCE LEASE

The Group leases a motor vehicle for its garment business. The lease is classified as a finance lease and has remaining lease term of one year.

At 31 March 2018, the total future minimum lease payments under the finance lease and their present values are as follows:

	Minimum lease payments 2018 HK\$'000	Minimum lease payments 2017 HK\$'000	Present value of minimum lease payments 2018 HK\$'000	Present value of minimum lease payments 2017 HK\$'000
Amounts payable:				
Within one year	81	162	81	157
In the second year	<u>–</u>	<u>81</u>	<u>–</u>	<u>81</u>
Total minimum finance lease payments	81	243	<u>81</u>	<u>238</u>
Future finance charges	<u>–</u>	<u>(5)</u>		
Total net finance lease payables	81	238		
Portion classified as current liabilities	<u>–</u>	<u>(157)</u>		
Non-current portion	<u>81</u>	<u>81</u>		

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

28. INTEREST-BEARING BANK BORROWINGS

	31 March 2018			31 March 2017		
	Effective annual interest rate (%)	Maturity	HK\$'000	Effective annual interest rate (%)	Maturity	HK\$'000
Current						
Trust receipt loans	3.8-4.0	On demand	1,563	–	–	–
Bank loans – unsecured	2.7-4.6	2018-2019 or on demand	621,950	2.8-4.2	2017-2018 or on demand	328,950
Bank loans – secured	1.9-5.9	2018-2019 or on demand	1,775,659	1.7-5.8	2017-2018 or on demand	1,586,458
			<u>2,399,172</u>			<u>1,915,408</u>
Non-current						
Bank loans – unsecured	2.7-3.6	2019-2020	470,425	2.7-4.2	2018-2020	1,252,375
Bank loans – secured	2.4-5.9	2019-2027	2,328,945	2.3-5.8	2018-2026	2,996,324
			<u>2,799,370</u>			<u>4,248,699</u>
			<u>5,198,542</u>			<u>6,164,107</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

28. INTEREST-BEARING BANK BORROWINGS *(Continued)*

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Analysed into:		
Bank loans repayable:		
Within one year or on demand	2,399,172	1,915,408
In the second year	976,073	2,815,455
In the third to fifth years, inclusive	1,731,479	1,381,749
Beyond five years	91,818	51,495
	5,198,542	6,164,107

Notes:

- (a) *Certain of the Group's bank loans are secured by:*
- (i) *mortgages over certain of the Group's investment properties, which had an aggregate carrying value at the end of the reporting period of HK\$13,828,690,000 (2017: HK\$12,593,004,000);*
 - (ii) *mortgages over certain of the Group's properties held for sale under development and completed properties held for sale, which had an aggregate carrying value at the end of the reporting period amounting to nil (2017: HK\$114,837,000);*
 - (iii) *charges over shares of certain subsidiaries of the Group;*
 - (iv) *assignments of rental income from the leases of certain of the Group's investment properties; and*
 - (v) *the pledge of certain of the Group's leasehold land and buildings, which had an aggregate carrying value at the end of the reporting period of approximately HK\$86,749,000 (2017: HK\$84,941,000).*
- (b) *Except for certain bank loans denominated in RMB equivalent to HK\$1,057,303,000 (2017: HK\$1,373,698,000), all bank borrowings at the end of the reporting period were denominated in Hong Kong dollars.*

As further explained in note 43 to the financial statements, the Group's interest-bearing bank borrowings in the amount of HK\$155,250,000 (2017: HK\$198,250,000) containing a repayment on demand clause have been classified as current liabilities. For the purpose of the above analysis, the loans are included within current interest-bearing bank borrowings and analysed into bank loans repayable within one year or on demand.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

28. INTEREST-BEARING BANK BORROWINGS *(Continued)*

Based on the maturity terms of the loans, the amounts repayable in respect of the loans are: HK\$2,274,922,000 (2017: HK\$1,749,158,000) within one year or on demand; HK\$989,073,000 (2017: HK\$2,828,455,000) in the second year; HK\$1,798,729,000 (2017: HK\$1,438,999,000) in the third to fifth years, inclusive; and HK\$135,818,000 (2017: HK\$147,495,000) beyond five years.

All bank loans of the Group bear interest at floating rates.

The carrying amounts of the Group's current and non-current bank borrowings approximate to their fair values.

29. DEFERRED TAX

The movements in deferred tax assets/(liabilities) during the year are as follows:

	Depreciation allowance in excess of related depreciation <i>HK\$'000</i>	Revaluation of investment properties <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2016	(14,404)	(1,229,621)	577	(3,289)	(1,246,737)
Deferred tax charged to the statement of profit or loss during the year (<i>note 10</i>)	(1,888)	(123,877)	–	–	(125,765)
Acquisition of assets through acquisition of subsidiaries (<i>note 33</i>)	–	(26,562)	–	–	(26,562)
Exchange realignment	–	70,388	–	–	70,388
At 1 April 2017	(16,292)	(1,309,672)	577	(3,289)	(1,328,676)
Deferred tax credited/(charged) to the statement of profit or loss during the year (<i>note 10</i>)	(2,773)	6,176	–	–	3,403
Disposal of a subsidiary (<i>note 34(b)</i>)	–	28,333	–	–	28,333
Exchange realignment	–	(112,807)	–	–	(112,807)
Net deferred tax liabilities at 31 March 2018	(19,065)	(1,387,970)	577	(3,289)	(1,409,747)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

29. DEFERRED TAX *(Continued)*

At the end of the reporting period, the Group had unrecognised deductible temporary differences of HK\$993,000 (2017: HK\$948,000) and unrecognised tax losses arising in Hong Kong of HK\$1,477,996,000 (2017: HK\$1,398,589,000) and in Mainland China of HK\$141,001,000 (2017: HK\$105,905,000). Tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose and tax losses arising in Mainland China will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these deductible temporary differences and tax losses as they have arisen in the companies that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the deductible temporary differences and tax losses can be utilised.

At 31 March 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China and in Canada. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China and in Canada for which deferred tax liabilities have not been recognised totalled HK\$1,429,240,000 at 31 March 2018 (2017: HK\$896,029,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. SHARE CAPITAL

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Issued and fully paid:		
551,368,153 (2017: 551,368,153) ordinary shares	<u>405,411</u>	<u>405,411</u>

31. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

32. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2018	2017
Percentage of equity interest held by non-controlling interests:		
Hon Kwok	<u>31.91%</u>	<u>31.91%</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

32. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit for the year allocated to non-controlling interests:		
Hon Kwok	<u>1,080,053</u>	<u>302,563</u>
Dividends paid to non-controlling interests of Hon Kwok	<u>442,611</u>	<u>28,740</u>
Accumulated balances of non-controlling interests at the reporting date:		
Hon Kwok	<u>3,720,403</u>	<u>2,908,075</u>

The following tables illustrate the summarised financial information of Hon Kwok. The amounts disclosed are before any inter-company eliminations:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	1,781,043	1,574,444
Total expenses	(1,529,318)	(1,537,123)
Other income	18,641	18,066
Fair value gains on investment properties, net	229,091	645,452
Gain on disposal of subsidiaries	2,495,927	–
Gain/(loss) on disposal of investment properties, net	(244)	541
Share of profit/(loss) of an associate	113,780	(601)
Profit for the year	3,108,920	700,779
Total comprehensive income for the year	<u>3,787,803</u>	<u>213,998</u>
Current assets	5,417,704	5,185,665
Non-current assets	14,243,546	12,900,132
Current liabilities	(4,459,723)	(4,757,207)
Non-current liabilities	<u>(3,738,397)</u>	<u>(5,084,718)</u>
Net cash flows from/(used in) operating activities	(858,603)	1,545,585
Net cash flows from/(used in) investing activities	3,098,688	(507,497)
Net cash flows used in financing activities	<u>(1,678,566)</u>	<u>(678,653)</u>
Net increase in cash and cash equivalents	<u>561,519</u>	<u>359,435</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

33. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 9 May 2016, an indirect wholly-owned subsidiary of Hon Kwok acquired a 100% equity interest in and the assignment of related shareholders' loan of HK\$9,360,000 of Right Colour Limited ("Right Colour") and Network Success Limited ("Network Success") from a related party and an independent third party, respectively, at a total consideration of HK\$137,590,000.

Right Colour and Network Success are investment holding companies incorporated in the British Virgin Islands. They hold 100% equity interest in Right Cheer Limited ("Right Cheer"), which directly holds the entire equity interest in Guangzhou Jian Zhao Land Investment Co., Ltd. ("Jian Zhao"). The principal asset of Jian Zhao was a completed 15-storey commercial and office building situated in Guangzhou.

The above transactions were accounted for as purchase of assets and liabilities rather than as business combination because the acquired entities and assets did not constitute the carrying on of a business. The net outflow of cash and cash equivalents from the acquisition has been reflected in the consolidated statement of cash flows as part of the cash flow movement of the individual assets and liabilities acquired.

The net assets acquired in the above acquisition were as follows:

	<i>Notes</i>	2017 <i>HK\$'000</i>
Property, plant and equipment	14	1,348
Investment property	16	227,683
Prepayments, deposits and other receivables		4,480
Cash and bank balances		1,135
Due to shareholders		(9,360)
Trade payables and accrued liabilities		(4,092)
Interest-bearing bank borrowings		(56,438)
Deferred tax liabilities	29	(26,562)
		138,194
Assignment of shareholders' loan		9,360
		<u>147,554</u>
Satisfied by:		
Cash		137,590
Tax provision		9,964
		<u>147,554</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

33. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2017 <i>HK\$'000</i>
Cash consideration	(137,590)
Cash and bank balances acquired	<u>1,135</u>
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<u><u>(136,455)</u></u>

34. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Smooth Ever Investments Limited (“Smooth Ever”)

On 19 January 2017, Hon Kwok 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 the property development business. The above transaction was subsequently completed in September 2017.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

34. DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Disposal of Smooth Ever Investments Limited (“Smooth Ever”) *(Continued)*

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

	<i>Note</i>	2018 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 group 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 group company		<u>375,080</u>
		440,488
Tax provision		322,945
Direct transaction costs incurred		513,120
Exchange fluctuation reserve		(69,606)
Gain on disposal of subsidiaries	7	<u>2,378,589</u>
Consideration received		<u><u>3,585,536</u></u>
Satisfied by:		
Cash		<u><u>3,585,536</u></u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

34. DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Disposal of Smooth Ever Investments Limited (“Smooth Ever”) *(Continued)*

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

	2018 <i>HK\$’000</i>
Cash consideration	3,585,536
Tax provision	(302,945)
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>3,282,422</u></u>

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

During the current year, in January 2018, Hon Kwok entered into a sales and purchase agreement with an independent third party to dispose of its entire equity in Jian Zhao, a wholly-owned subsidiary of Hon Kwok for a consideration of RMB260,000,000 (equivalent to HK\$322,185,000).

	<i>Notes</i>	2018 <i>HK\$’000</i>
Net assets disposed of:		
Property, plant and equipment	14	1,369
Investment property	16	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		<u>(28,333)</u>
		154,188
Assignment of loans from a group company		<u>37,037</u>
		191,225
Tax provision		14,754
Direct transaction costs incurred		7,326
Exchange fluctuation reserve		(8,458)
Gain on disposal of a subsidiary	7	<u>117,338</u>
Consideration received		<u><u>322,185</u></u>
Satisfied by:		
Cash		<u><u>322,185</u></u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

34. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of Guangzhou Jian Zhao Land Investment Co., Ltd (“Jian Zhao”) *(Continued)*

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

	2018 <i>HK\$'000</i>
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

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

Certain additions of properties held for sale under development and completed properties held for sale of HK\$263,131,000 (2017: Nil) were not paid at the end of the reporting period and were recorded as accrued liabilities.

(b) Changes in liabilities arising from financing activities

	Finance lease <i>HK\$'000</i>	Interest-bearing bank borrowings <i>HK\$'000</i>
At 1 April 2017	238	6,164,107
Changes from financing cash flows	(157)	(1,085,310)
Amortisation of bank loan front-end fee	–	3,050
Exchange realignment	–	116,695
At 31 March 2018	81	5,198,542

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

36. CONTINGENT LIABILITIES

- (a) At the end of the reporting period, contingent liability not provided for in the financial statements were as follows:

	2018	2017
	HK\$'000	HK\$'000
Guarantee given to a bank in connection with the facility granted to an associate	<u>32,000</u>	<u>36,000</u>

As at 31 March 2018, the banking facility guaranteed by the Group to an associate was utilised 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.

The fair value of the guarantees is not significant and the directors of the Company consider that, in case of default in payments by the purchasers, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties and therefore no provision has been made in the financial statements for the years ended 31 March 2018 and 2017 for the guarantees.

37. PLEDGE OF ASSETS

Details of the Group's bank loans, which are secured by the assets of the Group, are included in note 28 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

38. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16 to the financial statements) 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 31 March 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within one year	127,935	109,039
In the second to fifth years, inclusive	190,759	182,977
After five years	<u>305,894</u>	<u>279,333</u>
	<u><u>624,588</u></u>	<u><u>571,349</u></u>

Certain of the Group's bank loans are secured by assignments of rental income from the leases of the Group's properties as detailed in note 28(a)(iv).

(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 31 March 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within one year	8,648	17,754
In the second to fifth years, inclusive	<u>3,976</u>	<u>3,722</u>
	<u><u>12,624</u></u>	<u><u>21,476</u></u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

39. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 38(b) above, the Group had the following capital commitments at the end of the reporting period:

	2018 HK\$'000	2017 HK\$'000
Contracted, but not provided for:		
Property development expenditure	248,970	298,529

40. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material related party transaction during the year:

	<i>Notes</i>	2018 HK\$'000	2017 HK\$'000
Management fee income received from an associate	<i>(i)</i>	4,500	4,500
Purchase of a property from a related company	<i>(ii)</i>	–	68,795
Development cost paid to a related company	<i>(iii)</i>	98,690	–

Notes:

- (i) *The management fees were charged to Chinney Alliance based on the time involvement of the personnel providing the services. James Sai-Wing Wong, a director of the Company, is also a director of and has beneficial interest in Chinney Alliance. Herman Man-Hei Fung is a director of the Company and Chinney Alliance.*
- (ii) *On 9 May 2016, True Light Enterprises Limited (“True Light”), an indirectly wholly-owned subsidiary of Hon Kwok, entered into a sale and purchase agreement with Rich Fate Limited (“Rich Fate”), pursuant to which True Light conditionally agreed to acquire and Rich Fate conditionally agreed to sell the entire issued share capital of Right Colour and the assignment of a related shareholder’s loan to True Light for an aggregate cash consideration of HK\$68,795,000, net of PRC tax which Rich Fate was required to pay in connection with the sale of the entire issued share capital of Right Colour. Right Colour indirectly holds a 50% interest in an investment property in Guangzhou, PRC. As Rich Fate was beneficially owned by James Sai-Wing Wong, the Chairman and substantial shareholder of Hon Kwok and the Company, the related transaction constituted a connected transaction of Hon Kwok and the Company under the Listing Rules and the approval of the independent shareholders had been obtained at the extraordinary general meeting held on 6 July 2016. The above transaction was completed on 12 July 2016.*

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

40. RELATED PARTY TRANSACTIONS *(Continued)*

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material related party transaction during the year: *(Continued)*

Notes: *(Continued)*

- (iii) On 20 September 2016, the Company, Hon Kwok, Chinney Alliance and Chinney Kin Wing jointly announced that a wholly-owned subsidiary of Hon Kwok conditionally agreed to engage and a wholly-owned subsidiary of Chinney Kin Wing conditionally agreed to carry out foundation construction works on the vacant site at K.C.T.L. No. 495, Kin Chuen Street, Kwai Chung, New Territories, Hong Kong for a contract sum of HK\$210,000,000. James Sai-Wing Wong is the controlling shareholder of each of the Company, Hon Kwok, Chinney Alliance and Chinney Kin Wing and thus, the above companies are connected persons to one another under the Listing Rules. The related transactions constituted a connected transaction of each of the above companies under the Listing Rules and the approval of the respective independent shareholders had been obtained at the respective extraordinary/special general meetings held on 7 November 2016. During the year, the Group paid development expenditure relating to foundation construction works to an indirectly wholly-owned subsidiary of Chinney Kin Wing. The transaction was negotiated between the concerned parties by reference to prevailing market rate.

(b) Outstanding balance with a related party

The Group has an outstanding balance with an associate as at the end of the reporting period. Particulars of the terms of the balance with the associate are set out in note 19 to the financial statements.

(c) Compensation of key management personnel of the Group

	2018 HK\$'000	2017 HK\$'000
Short term employee benefits	53,904	37,702
Post-employment benefits	221	221
	<u>54,125</u>	<u>37,923</u>

Further details of directors' emoluments are included in note 8 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each category of financial instruments as at the end of the reporting period are as follows:

2018

Financial assets

	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Loans and receivables <i>HK\$'000</i>	Total <i>HK\$'000</i>
Equity investments at fair value through profit or loss	791	–	791
Trade and bills receivables	–	32,107	32,107
Financial assets included in prepayments, deposits and other receivables	–	79,646	79,646
Cash and bank balances	–	2,716,141	2,716,141
	<u>791</u>	<u>2,827,894</u>	<u>2,828,685</u>

Financial liabilities

	Financial liabilities at amortised cost <i>HK\$'000</i>
Financial liabilities included in trade payables and accrued liabilities	598,692
Financial liabilities included in customer deposits	30,952
Due to an associate	26,002
Obligation under a finance lease	81
Interest-bearing bank borrowings	<u>5,198,542</u>
	<u>5,854,269</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

41. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2017

Financial assets

	Financial assets at fair value through profit or loss <i>HK\$'000</i>	Loans and receivables <i>HK\$'000</i>	Total <i>HK\$'000</i>
Equity investments at fair value through profit or loss	799	–	799
Trade and bills receivables	–	28,571	28,571
Financial assets included in prepayments, deposits and other receivables	–	65,098	65,098
Cash and bank balances	–	2,417,193	2,417,193
	<u>799</u>	<u>2,510,862</u>	<u>2,511,661</u>

Financial liabilities

	Financial liabilities at amortised cost <i>HK\$'000</i>
Financial liabilities included in trade payables and accrued liabilities	637,482
Financial liabilities included in customer deposits	25,060
Due to an associate	31,740
Obligation under a finance lease	238
Interest-bearing bank borrowings	<u>6,164,107</u>
	<u>6,858,627</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

42. 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	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Equity investments at fair value through profit or loss	<u>791</u>	<u>799</u>	<u>791</u>	<u>799</u>
Financial liabilities				
Obligation under a finance lease	81	238	81	238
Interest-bearing bank borrowings	<u>5,198,542</u>	<u>6,164,107</u>	<u>5,198,542</u>	<u>6,164,107</u>

Management has assessed that the fair values of cash and bank balances, 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 as at 31 March 2018 was assessed to be insignificant.

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

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

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 March 2018	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Equity investments at fair value through profit or loss	<u>791</u>	<u>–</u>	<u>–</u>	<u>791</u>

As at 31 March 2017	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Equity investments at fair value through profit or loss	<u>799</u>	<u>–</u>	<u>–</u>	<u>799</u>

The Group did not have any financial liabilities measured at fair value as at 31 March 2018 and 31 March 2017. As at 31 March 2018, 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\$2,799,370,000 (2017: HK\$4,248,699,000). As at 31 March 2018, there was no non-current portion of obligation under a finance lease (2017: 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 year, 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 (2017: Nil).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include equity investments at fair value through profit or loss, other receivables, cash and bank balances, other payables, customer deposits and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, equity price risk, interest rate risk, credit risk and liquidity risk. Management reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from revenue or expenses by operating units in currencies other than the units' functional currencies. The Group's monetary assets, financing and transactions are principally denominated in RMB and HK\$. The Group is exposed to foreign exchange risk arising from changes in the exchange rate of HK\$ against RMB. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, the Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in future as may be necessary.

The following table demonstrates the sensitivity to a reasonably possible change in the RMB exchange rate at the end of the reporting period, with all other variables held constant, of the Group's profit after tax and the Group's equity (due to changes in the fair value of monetary assets and liabilities).

	Change in exchange rate %	Increase/ (decrease) in profit after tax and equity HK\$'000
2018		
If Hong Kong dollar weakens against RMB	5	(176)
If Hong Kong dollar strengthens against RMB	5	176
2017		
If Hong Kong dollar weakens against RMB	5	(221)
If Hong Kong dollar strengthens against RMB	5	221

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as trading equity investments (note 24) as at 31 March 2018. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to every 10% change in the fair value of the equity investments, with all other variables held constant, and based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments <i>HK\$'000</i>	Increase in profit after tax <i>HK\$'000</i>	Increase in equity* <i>HK\$'000</i>
2018			
Investments listed in:			
Hong Kong – held-for-trading	791	79	–
2017			
Investments listed in:			
Hong Kong – held-for-trading	799	80	–

* *Excluding retained profits*

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates. The interest rates and terms of repayment of the Group's borrowings are disclosed in note 28 to the financial statements. The Group's policy is to obtain the most favourable interest rates available for its borrowings. Management monitors interest rate exposure and will consider hedging significant interest rate exposures should the need arise.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk *(Continued)*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates at the end of the reporting period, with all other variables held constant, of the Group's profit after tax and the Group's equity (through the impact on floating rate borrowings) and after the effect of interest being capitalised under property development projects of HK\$11,723,000 (2017: HK\$18,527,000).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit after tax and equity HK\$'000
2018		
Hong Kong dollar	100	3,172
RMB	50	(1,047)
Hong Kong dollar	(100)	(3,172)
RMB	(50)	1,047
2017		
Hong Kong dollar	100	(22,859)
RMB	50	(1,235)
Hong Kong dollar	(100)	22,859
RMB	(50)	1,235

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise equity investments at fair value through profit or loss, cash and bank balances and deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 22 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings and other fund raising exercises. The Group will consistently maintain a prudent financing policy and ensure that it maintains sufficient cash and credit lines to meet its liquidity requirements. 46% (2017: 31%) of the Group's debts, which comprise interest-bearing bank borrowings and an obligation under a finance lease, would mature in less than one year as at 31 March 2018 based on the carrying values of the borrowings reflected in the financial statements. If based on the maturity dates as set out in the loan agreements, 44% (2017: 28%) of the Group's debts would mature in less than one year.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand HK\$'000	Less than 12 months HK\$'000	2018 1 to 2 years HK\$'000	Over 2 years HK\$'000	Total HK\$'000
Financial liabilities included in trade payables and accrued liabilities	5,105	593,587	–	–	598,692
Financial liabilities included in customer deposits	30,952	–	–	–	30,952
Due to an associate	26,002	–	–	–	26,002
Obligation under a finance lease	–	81	–	–	81
Interest-bearing bank borrowings	197,250	2,338,587	1,043,835	1,899,988	5,479,660
Guarantee given to a bank in connection with the facility granted to an associate	32,000	–	–	–	32,000
Guarantees given to banks in respect of mortgage facilities granted to certain purchasers of the Group's properties	1,078,000	–	–	–	1,078,000
	<u>1,369,309</u>	<u>2,932,255</u>	<u>1,043,835</u>	<u>1,899,988</u>	<u>7,245,387</u>
	On demand HK\$'000	Less than 12 months HK\$'000	2017 1 to 2 years HK\$'000	Over 2 years HK\$'000	Total HK\$'000
Financial liabilities included in trade payables and accrued liabilities	4,991	632,491	–	–	637,482
Financial liabilities included in customer deposits	25,060	–	–	–	25,060
Due to an associate	31,740	–	–	–	31,740
Obligation under a finance lease	–	162	81	–	243
Interest-bearing bank borrowings	372,255	1,722,501	2,908,842	1,511,365	6,514,963
Guarantee given to a bank in connection with the facility granted to an associate	36,000	–	–	–	36,000
Guarantees given to banks in respect of mortgage facilities granted to certain purchasers of the Group's properties	2,145,000	–	–	–	2,145,000
	<u>2,615,046</u>	<u>2,355,154</u>	<u>2,908,923</u>	<u>1,511,365</u>	<u>9,390,488</u>

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

In respect of interest-bearing bank borrowings of HK\$197,250,000 (2017: HK\$372,255,000), the loan agreements contain a repayment on demand clause giving the bank the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as “on demand”.

Notwithstanding the above clause, the directors do not believe that the loans will be called in their entirety within 12 months, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the loan agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements; the Group’s compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time.

In accordance with the terms of the loans, the contractual undiscounted payments at 31 March 2018 for the interest-bearing bank borrowings in respect of the Group are, HK\$2,416,868,000 (2017: HK\$1,935,703,000) within one year, HK\$1,058,800,000 (2017: HK\$2,924,725,000) in the second year and HK\$2,015,695,000 (2017: HK\$1,676,796,000) beyond two years.

Capital management

The primary objectives of the Group’s capital management are to safeguard the Group’s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders’ value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is net interest-bearing debt divided by the equity attributable to owners of the Company plus non-controlling interests. Net interest-bearing debt includes interest-bearing bank borrowings and an obligation under a finance lease less cash and bank balances. The gearing ratios as at the end of the reporting periods were as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest-bearing bank borrowings	5,198,542	6,164,107
Obligation under a finance lease	81	238
Less: Cash and bank balances	<u>(2,716,141)</u>	<u>(2,417,193)</u>
Net interest-bearing debt	<u>2,482,482</u>	<u>3,747,152</u>
Equity attributable to owners of the Company	7,679,830	5,225,044
Non-controlling interests	<u>3,720,403</u>	<u>2,908,075</u>
Equity attributable to owners of the Company and non-controlling interests	<u>11,400,233</u>	<u>8,133,119</u>
Gearing ratio	<u>22%</u>	<u>46%</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	18	4
Investments in subsidiaries	<u>1,522,819</u>	<u>1,522,819</u>
Total non-current assets	<u>1,522,837</u>	<u>1,522,823</u>
CURRENT ASSETS		
Prepayments, deposits and other receivables	130	130
Due from subsidiaries	224,378	246,028
Cash and bank balances	<u>26,759</u>	<u>12,572</u>
Total current assets	<u>251,267</u>	<u>258,730</u>
CURRENT LIABILITIES		
Trade payables and accrued liabilities	4,584	6,024
Due to a subsidiary	–	195,000
Interest-bearing bank borrowings	<u>50,000</u>	<u>50,000</u>
Total current liabilities	<u>54,584</u>	<u>251,024</u>
NET CURRENT ASSETS	<u>196,683</u>	<u>7,706</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,719,520</u>	<u>1,530,529</u>
NON-CURRENT LIABILITY		
Due to a subsidiary	<u>634,110</u>	<u>439,110</u>
Net assets	<u><u>1,085,410</u></u>	<u><u>1,091,419</u></u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2018

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
EQUITY		
Share capital	405,411	405,411
Retained profits (<i>note</i>)	<u>679,999</u>	<u>686,008</u>
Total equity	<u><u>1,085,410</u></u>	<u><u>1,091,419</u></u>

James Sai-Wing Wong
Director

Yuen-Keung Chan
Director

Note:

A summary of the Company's retained profits is as follows:

	Retained profits <i>HK\$'000</i>
Balance at 1 April 2016	679,983
Total comprehensive income for the year	33,593
Final 2016 dividend paid	<u>(27,568)</u>
At 31 March 2017 and 1 April 2017	686,008
Total comprehensive income for the year	21,559
Final 2017 dividend paid	<u>(27,568)</u>
At 31 March 2018	<u><u>679,999</u></u>

45. EVENT AFTER REPORTING PERIOD

On 12 June 2018, Gold Famous Development Limited (“Gold Famous”), an indirectly wholly-owned subsidiary of Hon Kwok Group, entered into a consultancy agreement with Shun Cheong Data Centre Solutions Company Limited (“Shun Cheong Data Centre Solutions”), an indirectly wholly-owned subsidiary of Chinney Alliance, pursuant to which Shun Cheong Data Centre Solutions was appointed by Gold Famous as a 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 Group 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.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 27 June 2018.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

	Year ended 31 March				
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
RESULTS					
REVENUE	<u>1,857,039</u>	<u>1,652,964</u>	<u>1,655,688</u>	<u>462,905</u>	<u>496,323</u>
Profit before tax	<u>3,505,499</u>	<u>1,023,726</u>	<u>892,008</u>	<u>2,531,417</u>	<u>626,998</u>
Tax charge	<u>(385,203)</u>	<u>(301,748)</u>	<u>(370,035)</u>	<u>(649,439)</u>	<u>(187,902)</u>
PROFIT FOR THE YEAR	<u>3,120,296</u>	<u>721,978</u>	<u>521,973</u>	<u>1,881,978</u>	<u>439,096</u>
Attributable to:					
Owners of the Company	<u>2,040,243</u>	<u>419,415</u>	<u>309,615</u>	<u>1,283,791</u>	<u>256,490</u>
Non-controlling interests	<u>1,080,053</u>	<u>302,563</u>	<u>212,358</u>	<u>598,187</u>	<u>182,606</u>
	<u>3,120,296</u>	<u>721,978</u>	<u>521,973</u>	<u>1,881,978</u>	<u>439,096</u>
	As at 31 March				
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	<u>20,284,372</u>	<u>18,753,609</u>	<u>17,763,663</u>	<u>15,890,985</u>	<u>11,561,255</u>
TOTAL LIABILITIES	<u>(8,884,139)</u>	<u>(10,620,490)</u>	<u>(9,896,890)</u>	<u>(8,241,955)</u>	<u>(5,721,572)</u>
NET ASSETS	<u>11,400,233</u>	<u>8,133,119</u>	<u>7,866,773</u>	<u>7,649,030</u>	<u>5,839,683</u>
NON-CONTROLLING INTERESTS	<u>(3,720,403)</u>	<u>(2,908,075)</u>	<u>(2,800,678)</u>	<u>(2,713,294)</u>	<u>(2,158,883)</u>
SHAREHOLDERS' FUNDS	<u>7,679,830</u>	<u>5,225,044</u>	<u>5,066,095</u>	<u>4,935,736</u>	<u>3,680,800</u>

PARTICULARS OF PROPERTIES

31 March 2018

GROUP I – PROPERTIES HELD FOR DEVELOPMENT

Location	Use	Site area (sq.m./sq.ft.)	Gross floor area (sq.m./sq.ft.)	Development progress (up to 27 June 2018)	Estimated completion date	Attributable interest of the Group (%)
MAINLAND CHINA						
1. Metropolitan Oasis (雅瑤綠洲) Da Li District Nanhai Guangdong Province	Low density residential	247,987 sq.m. (2,668,340 sq.ft.)	272,786 sq.m. (2,935,177 sq.ft.)	Phase 2 remaining town houses of ~18,500 sq.m. – Construction works completed, pending issuance of completion certificate Remaining phase of ~81,100 sq.m. – Superstructure works in progress	2019	68.09
2. 45-65 Beijing Nan Road Yue Xiu District Guangzhou Guangdong Province	Commercial/ Residential	5,430 sq.m. (58,427 sq.ft.)	36,013 sq.m. (387,500 sq.ft.)	Foundation works to commence	2021	68.09
3. 67-107 Beijing Nan Road Yue Xiu District Guangzhou Guangdong Province	Commercial/ Office	4,025 sq.m. (43,309 sq.ft.)	41,366 sq.m. (445,098 sq.ft.)	Foundation works to commence	2021	68.09
4. Hon Kwok City Commercial Centre (漢國城市商業中心) Junction of Shen Nan Zhong Road and Fu Ming Road Fu Tian District Shenzhen Guangdong Province	Commercial/ Office	7,845 sq.m. (84,412 sq.ft.)	128,000 sq.m. (1,377,280 sq.ft.)	Internal finishing works in progress	2018	68.09

For illustration purposes, sq.m. has been translated into sq.ft. at the rate of 1 sq.m. ≈ 10.76 sq.ft.

PARTICULARS OF PROPERTIES *(Continued)*

31 March 2018

GROUP I – PROPERTIES HELD FOR DEVELOPMENT *(Continued)*

Location	Use	Site area (sq.m./sq.ft.)	Gross floor area (sq.m./sq.ft.)	Development progress (up to 27 June 2018)	Estimated completion date	Attributable interest of the Group (%)
MAINLAND CHINA						
5. Enterprise Square (橋城坊) Qiaoxiang Road North Nanshan District Shenzhen Guangdong Province	Composite	48,764 sq.m. (524,700 sq.ft.)	224,500 sq.m. (2,415,620 sq.ft.)	Phase 1 of 128,000 sq.m. – Completed Phase 2 of 96,500 sq.m. – Finishing works in progress	– 2018	13.62
HONG KONG						
6. Kwai Chung Town Lot No. 495 Kin Chuen Street Kwai Chung New Territories (New Grant No. 22041)	Non- residential	29,934 sq.ft.	228,033 sq.ft.	Foundation works in progress	2019	68.09
7. Lot 716 & Others in DD111, Yuen Long New Territories	–	35,386 sq.ft.	–	Temporary open storage	–	68.09

For illustration purposes, sq.m. has been translated into sq.ft. at the rate of 1 sq.m. ≈ 10.76 sq.ft.

PARTICULARS OF PROPERTIES *(Continued)*

31 March 2018

GROUP II – COMPLETED PROPERTIES

Location	Use	Remaining unsold units	Gross floor area <i>(sq.m./sq.ft.)</i>	Car parking spaces	Attributable interest of the Group <i>(%)</i>
MAINLAND CHINA					
8. Ganghui Huating (港滙華庭) 5 Beijing Road Yue Xiu District Guangzhou Guangdong Province	Commercial	4-storey of commercial podium	4,157 sq.m. (44,729 sq.ft.)	71	68.09
9. Botanica Phases 1, 2, 3 & 4 (寶翠園一、二、三及四期) Tian He District Guangzhou Guangdong Province	Commercial	6 ground floor shops	338 sq.m. (3,637 sq.ft.)	2,145	40.85
10. Metropolitan Oasis Phases 1 & 2 (雅瑤綠洲第一及二期) Da Li District Nanhai Guangdong Province	Low density residential	13 apartment units and 57 town houses	18,210 sq.m. (195,940 sq.ft.)	930	68.09

For illustration purpose, sq.m. has been translated into sq.ft. at the rate of 1 sq.m. ≈ 10.76 sq.ft.

PARTICULARS OF PROPERTIES *(Continued)*

31 March 2018

GROUP III – PROPERTIES HELD FOR INVESTMENT

Location	Use	Gross floor area <i>(sq.m./sq.ft.)</i>	No. of apartments/ hotel rooms	Ownership status	Attributable interest of the Group <i>(%)</i>
MAINLAND CHINA					
11. City Square (城市天地廣場)/ The Bauhinia Hotel (Shenzhen) (寶軒酒店(深圳)) Jia Bin Road Luo Hu District Shenzhen Guangdong Province	5-storey of commercial podium comprising hotel and commercial	20,308 sq.m. (218,514 sq.ft.)	162 hotel rooms	Medium term lease	68.09
12. City Suites (寶軒公寓) Jia Bin Road Luo Hu District Shenzhen Guangdong Province	Serviced apartments	3,692 sq.m. (39,725 sq.ft.)	64 apartment units	Medium term lease	68.09
13. Chongqing Hon Kwok Centre (重慶漢國中心) Lot no. B-01-03 Jin Shan Pian Qu Jin Kai Yuan Bei Bu Xin Qu Chongqing	Commercial/ Office	107,802 sq.m. (1,159,949 sq.ft.)	–	Medium term lease	68.09
14. Chongqing Jinshan Shangye Zhongxin (重慶金山商業中心) Lot no. B-01-02 Jin Shan Pian Qu Jin Kai Yuan Bei Bu Xin Qu Chongqing	Commercial/ Office/Hotel	173,291 sq.m. (1,864,611 sq.ft.)	~300 hotel rooms (under interior fitting out)	Medium term lease	68.09
15. Ganghui Dasha (港滙大廈) 3 Beijing Road Yue Xiu District Guangzhou Guangdong Province	Commercial/ Office	13,053 sq.m. (140,450 sq.ft.)	–	Medium term lease	68.09

For illustration purpose, sq.m. has been translated into sq.ft. at the rate of 1 sq.m. ≈ 10.76 sq.ft.

PARTICULARS OF PROPERTIES *(Continued)*

31 March 2018

GROUP III – PROPERTIES HELD FOR INVESTMENT *(Continued)*

Location	Use	Gross floor area <i>(sq.m./sq.ft.)</i>	No. of apartments/ hotel rooms	Ownership status	Attributable interest of the Group <i>(%)</i>
HONG KONG					
16. Hon Kwok Jordan Centre (漢國佐敦中心) 5, 7 & 7A Hillwood Road Tsim Sha Tsui Kowloon	Commercial/ Office	62,127 sq.ft.	–	Medium term lease	68.09
17. The Bauhinia (寶軒)/ The Bauhinia Hotel (Central) (寶軒酒店(中環)) 119-121 Connaught Road Central & 237-241 Des Voeux Road Central Hong Kong	Serviced apartments/ Hotel/ Commercial	123,283 sq.ft.	112 apartment units and 42 hotel rooms with a total of 213 rooms	Long term lease	68.09
18. The Bauhinia Hotel (TST) (寶軒酒店(尖沙咀)) 5-9 Observatory Court Tsim Sha Tsui Kowloon	Hotel/ Commercial	60,893 sq.ft.	98 hotel rooms	Medium term lease	68.09
19. Hilder Centre (富德中心) 2 Sung Ping Street Hung Hom Kowloon	Commercial/ Office	22,572 sq.ft.	1 unit	Medium term lease	100

For illustration purpose, sq.m. has been translated into sq.ft. at the rate of 1 sq.m. ≈ 10.76 sq.ft.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Chinney Investments, Limited (the “Company”) will be held at Full Moon Shanghai Restaurant, Macau Jockey Club, 3rd Floor, East Wing, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Friday, 24 August 2018 at 4:30 p.m. for the following purposes:

1. To receive and consider the audited financial statements, the report of the directors and the independent auditor’s report for the year ended 31 March 2018.
2. To declare a final dividend for the year ended 31 March 2018.
3. To re-elect directors and to authorise the directors to fix the directors’ remuneration.
4. To re-appoint auditor and to authorise the directors to fix the auditor’s remuneration.
5. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“**THAT** the exercise by the directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares of the Company and to make or grant offers, agreements and options, including warrants to subscribe for shares, which would or might require shares to be allotted, issued or dealt with, whether during or after the end of the Relevant Period be and is hereby generally and unconditionally approved, provided that, otherwise than pursuant to: (a) a rights issue where shares of the Company are offered for a period fixed by the directors to shareholders on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any legal restrictions under the laws of the relevant place, or the requirements of the relevant regulatory body or any stock exchange in that place); or (b) any scrip dividend or similar arrangement providing for the allotment of securities in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company; or (c) the exercise of any options under any share option scheme of the Company or similar arrangement for the grant or issue to the employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (d) a specific authority granted by the shareholders of the Company in general meeting, the additional shares allotted, issued or dealt with (including shares agreed conditionally or unconditionally to be allotted, issued or dealt with, whether pursuant to an option or otherwise) shall not in aggregate exceed 20% of the number of issued shares of the Company at the date of passing this Ordinary Resolution (subject to adjustment in the case of any conversion of all or any of the shares of the Company into a larger or smaller number of shares in accordance with Section 170(2)(e) of the Companies Ordinance after the passing of this Ordinary Resolution) and the said approval shall be limited accordingly.

NOTICE OF ANNUAL GENERAL MEETING *(Continued)*

For the purpose of this Ordinary Resolution, “Relevant Period” means the period from the passing of this Ordinary Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting is required by any applicable laws or the Company’s Articles of Association to be held; and
- (iii) the revocation or variation of the authority given under this Ordinary Resolution by an ordinary resolution of the shareholders in general meeting.”

By Order of the Board
Ka-Yee Wan
Company Secretary

Hong Kong, 25 July 2018

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to represent respectively the number of shares held by such member, to attend and to speak and vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a proxy form, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be completed and deposited with the Company’s share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. In the case of joint holders of a share, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders be present at the above meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
4. All the resolutions set out in this notice will be decided by poll.
5. With regard to resolution 3 in this notice, Dr. Emily Yen Wong (“Dr. Emily Wong”), Mr. Richard Chi-Ho Lo (“Mr. Lo”) and Mr. Yuen-Keung Chan (“Mr. Chan”), who were appointed subsequent to the last annual general meeting of the Company, will hold office until the meeting, being eligible, offer themselves for re-election in accordance with article 95 of the Articles of Association of the Company.

Mr. Paul Hon-To Tong (“Mr. Tong”) will retire by rotation at the meeting in accordance with article 104 of the Articles of Association of the Company. Mr. Tong, being eligible, will offer himself for re-election at the meeting.
6. Details of the directors who stand for re-election at the meeting are set out below:–

NOTICE OF ANNUAL GENERAL MEETING *(Continued)*

Emily Yen Wong

Aged 52, was appointed as a non-executive director of the Company in August 2017. Dr. Emily Wong holds a Doctor of Medicine degree and an Executive Masters of Health Administration degree from the University of Washington and is a Diplomate of the American Board of Internal Medicine.

Dr. Emily Wong serves on the Executive Committee of Qiu Shi Science & Technologies Foundation. She is currently an Honorary Associate Professor of Department of Family Medicine and Primary Care in The University of Hong Kong Faculty of Medicine and is the Past Chief of Medical Staff at the University of Washington Medical Center.

Dr. Emily Wong was a director of Hon Kwok Land Investment Company, Limited (“Hon Kwok”) during the period from November 2011 to August 2017. Hon Kwok is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Dr. Emily Wong is a director of Lucky Year Finance Limited (“Lucky Year”) and Chinney Holdings Limited (“Chinney Holdings”), both of which are substantial shareholders of the Company and deemed to be interested in the same parcel of 341,439,324 shares of the Company (representing 61.93% interests in the issued shares of the Company) at the date hereof. She is the daughter of Dr. James Sai-Wing Wong, the Chairman and a substantial shareholder of the Company.

At the date hereof, Dr. Emily Wong does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the “SFO”). Save as disclosed above, Dr. Emily Wong does not hold any other positions in the Company or any members of the Group, did not hold any directorships in any listed public companies in the past three years and does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company.

There is no service contract between the Company and Dr. Emily Wong and she is not appointed for a specific term but is subject to retirement by rotation and re-election at the Company’s annual general meeting. Dr. Emily Wong is entitled to a director’s fee of HK\$75,000 per annum which is based on the Company’s remuneration policy adopted for non-executive directors of the Company.

Save as disclosed above, there is no other information relating to Dr. Emily Wong which is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and there is no other matter that needs to be brought to the attention of the shareholders of the Company.

NOTICE OF ANNUAL GENERAL MEETING *(Continued)*

Richard Chi-Ho Lo

Aged 50, was appointed as an independent non-executive director and a member of the audit committee of the Company in November 2017. He obtained his Bachelor of Arts degree in Economics from the University of California, Los Angeles in the United States, Master of Business Administration (Investment and Finance) degree from the University of Hull in the United Kingdom, and an Executive Program Certificate from Stanford University Graduate School of Business in the United States and a Sustainability Leadership Program Certificate from University of Cambridge in the United Kingdom. Mr. Lo has over 27 years of experience in the investment and real estate industry. He is currently the chief executive officer of Fulldiamond Group, an investment and consulting company specializing in real estate, finance, securities, project and fund raising. Mr. Lo is the vice president cum chairman of Commercial Liaison of The Hong Kong Real Property Federation, founder and vice president of the World Outstanding Chinese Youth Association and a member of the Hong Kong Pei Hua Education Foundation. He is also a committee member of the Chinese People's Political Consultative Conference Jiangxi Provincial Committee.

Mr. Lo is an independent non-executive director of Heng Sheng Holdings Limited (formerly known as Kong Shum Union Property Management (Holding) Limited) which is listed on GEM of the Stock Exchange.

At the date hereof, Mr. Lo does not have any interests in the shares of the Company within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Lo does not hold any other positions in the Company or any members of the Group, and did not hold any directorships in any listed public companies in the past three years. He does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company.

There is no service contract between the Company and Mr. Lo and he is not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting. Mr. Lo is entitled to a director's fee of HK\$75,000 per annum which is based on the Company's remuneration policy adopted for independent non-executive directors of the Company.

Save as disclosed above, there is no other information relating to Mr. Lo which is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention of the shareholders of the Company.

NOTICE OF ANNUAL GENERAL MEETING *(Continued)*

Yuen-Keung Chan

Aged 63, was appointed as the managing director and executive director and a member of the remuneration committee of the Company in April 2018 and subsequently the Vice Chairman of the Company on 13 July 2018.

Mr. Chan graduated from Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) in 1974 and is a member of the Chartered Institute of Building. He has 44 years of experience in the construction industry. Mr. Chan was an executive director of Hon Kwok during the period from January 2007 to July 2018, an executive director, the vice chairman and the managing director of Chinney Alliance Group Limited and an executive director and the chairman of Chinney Kin Wing Holdings Limited, all of which are listed on the Main Board of the Stock Exchange. He is also a director of various subsidiaries and associates of the Company.

At the date hereof, Mr. Chan does not have any interests in the shares of the Company within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Chan does not hold any other positions in the Company or any members of the Group and did not hold any directorships in any listed public companies in the past three years. He does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company.

There is no service contract of a fixed term entered into between the Company and Mr. Chan. His directorship is not subject to retirement by rotation at the Company's annual general meeting in accordance with article 104 of the Articles of Association of the Company. Mr. Chan's remuneration will be determined by the Board with reference to his position, his level of responsibilities and remuneration policy of the Group.

Save as disclosed above, there is no other information relating to Mr. Chan which is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention of the shareholders of the Company.

Paul Hon-To Tong

Aged 72, was appointed as a non-executive director of the Company in 2010. Mr. Tong was not appointed for a specific term but is subject to retirement for rotation and re-election at the Company's annual general meeting.

Mr. Tong has many years of senior management experience in manufacturing and trading businesses with global operations. He was formerly executive vice president and general counsel of Johnson Electric Holdings Limited. He also served for many years as a member of the Board of Review (Inland Revenue Ordinance) Hong Kong. Since 19 August 2007, he has served as a non-executive director of Wing Tai Holdings Limited, which is listed on the Singapore Stock Exchange. He obtained his BSc (Economics) and postgraduate certificate of Management Studies from the University of London and the University of Oxford in England respectively. He was admitted as a barrister of the Middle Temple in England, the Supreme Court of Hong Kong and the High Court of Australia. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Institute of Chartered Secretaries and Administrators.

At the date hereof, Mr. Tong did not have any interests in the shares of the Company within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Tong does not hold any other positions in the Company or any members of the Group, and did not hold any directorships in any listed public companies in the past three years. He does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company.

No service contract has been signed between the Company and Mr. Tong. He is entitled to a director's fee of HK\$75,000 per annum which is based on the Company's remuneration policy adopted for non-executive directors of the Company.

Save as disclosed above, there is no other information relating to Mr. Tong which is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention of the shareholders of the Company.