Chinney Investments, Limited

Stock Code: 216

Interim Report 2018/19

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CORPORATE INFORMATION

DIRECTORS

James Sai-Wing Wong *(Chairman)*
Yuen-Keung Chan *(Vice Chairman and Managing Director)*
James Sing-Wai Wong
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
CMB Wing Lung 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

AUDITOR

Ernst & Young

REGISTRAR

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

REGISTERED OFFICE

23rd Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

Tel : (852) 2877 3307
Fax : (852) 2877 2035
E-mail : general@chinneyhonkwok.com

STOCK CODE

SEHK 216

WEBSITE

http://www.chinney.com.hk

FINANCIAL RESULTS

For the six months ended 30 September 2018, the Group's unaudited consolidated revenue was HK$1,204 million (2017: HK$1,001 million) and net profit attributable to shareholders was HK$375 million (2017: HK$1,708 million), including an increase in fair value of investment properties net of deferred tax charges of HK$191 million (2017: an increase in fair value of investment properties net of deferred credit of HK$26 million). Basic earnings per share was HK$0.68 (2017: HK$3.10). As at 30 September 2018, the shareholders' equity amounted to HK$7,543 million (as at 31 March 2018: HK$7,680 million) and net assets per share attributable to shareholders was HK$13.7 (as at 31 March 2018: HK$13.9).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2018 (2017: Nil).

BUSINESS REVIEW

1. Property

The Group's property development and investment activities are conducted by Hon Kwok Land Investment Company, Limited ("Hon Kwok") (Stock Code: 160) and its subsidiaries ("Hon Kwok Group"). Hon Kwok Group reported revenue of HK$1,184 million (2017: HK$968 million) and net profit attributable to their shareholders of HK$576 million (2017: HK$2,500 million) for the six months ended 30 September 2018. The increase in revenue was mainly due to an increase in property sales from Hon Kwok Group's projects in Mainland China whilst the decrease in profit was mainly due to the recognition of gain on disposal of a bare site in Guangzhou amounted to HK$2.4 billion in the prior period which is non-recurring in nature.

Property Development

For the six months ended 30 September 2018, the property development segment revenue was HK$1,067 million compared with HK$863 million in 2017. Segment profit before taxation was HK$538 million compared with HK$359 million in 2017. The increase in revenue and profit was mainly attributable to delivery of the sold units in Botanica and Metropolitan Oasis.

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

Property Development *(Continued)*

Hon Kwok Group's property development projects are located in Mainland China comprising mainly (i) The Botanica in the Tian He District of Guangzhou in which Hon Kwok Group owns 60% interest; (ii) Metropolitan Oasis, Hon Kwok Group's wholly owned project in the Da Li District of Nanhai; (iii) 45-107 Beijing Nan Road, Hon Kwok Group's wholly owned project in the Yue Xiu District of Guangzhou; and (iv) Enterprise Square in the Nan Shan District of Shenzhen in which Hon Kwok Group owns 20% interest.

The Botanica with a total gross floor area of approximately 229,000 square meters was developed in phases. The final phase of the development was completed in December 2016 with all residential units being sold out in prior years. For the six months ended 30 September 2018, Hon Kwok Group booked revenue of HK$945 million (2017: HK$723 million) from the units delivered during the period. As at 30 September 2018, the contracted property sales but not yet booked amounted to RMB236 million.

Metropolitan Oasis with a total gross floor area of approximately 273,000 square meters was also developed in phases. The final phase of the project, comprising 19 blocks of high rise apartments of approximately 550 units, is scheduled for completion in 2020. The project was launched to the market for presale in prior years with satisfactory results. For the six months ended 30 September 2018, Hon Kwok Group booked revenue of HK$122 million (2017: HK$140 million) from the units delivered during the period. In September 2018, Hon Kwok Group launched some of the units in the final phase of the project for presale and achieved contract revenue of RMB165 million up to the date hereof. As at 30 September 2018, the contracted property sales but not yet booked, excluding those relating to the final phase of the project, amounted to RMB88 million.

The site at 45-107 Beijing Nan Road, which is adjacent to a pedestrian street and the Pearl River, is to be developed into a 30-storey residential building and a 32-storey commercial/office building. It is expected that the foundation works for the project will commence in the second half of the financial year.

Enterprise Square, situated at Qiaoxiang Road North, Nan Shan District, covers a site area of approximately 49,000 square meters and a total gross floor area of approximately 224,500 square meters. It is being developed into a commercial complex comprising office towers, a residential apartment tower and a commercial mall offering dining and entertainment facilities to the tenants. Development for the entire project was completed in June 2018. The office portion of the project has been launched to the market for presale since January 2017. For the six months ended 30 September 2018, the project realised revenue of RMB1,751 million (2017: Nil) from the units delivered during the period. As at 30 September 2018, the contracted property sales but not yet booked amounted to RMB194 million. Net profit attributable to Hon Kwok Group in respect of Enterprise Square, including an increase in fair value of the commercial mall which is classified as an investment property, amounted to HK$149 million (2017: Nil) for the six months ended 30 September 2018.

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

Property Investment

For the six months ended 30 September 2018, the property investment segment revenue was HK$103 million compared with HK$94 million in 2017. Segment profit before taxation was HK$402 million compared with HK$49 million in 2017. Excluding the change in fair value of investment properties, segment profit before taxation was HK$53 million compared with HK$42 million in 2017. The increase in revenue and profit was mainly attributable to increased occupancy and positive rental reversions.

Hon Kwok Group's completed investment property portfolio in Hong Kong with a total gross floor area of approximately 246,000 square feet comprises (i) Hon Kwok Jordan Centre, a commercial/office building at Hillwood Road, Tsim Sha Tsui; (ii) The Bauhinia, a hotel cum serviced apartment property at Connaught Road Central and Des Voeux Road Central; and (iii) The Bauhinia Hotel (TST), a hotel property at Observatory Court, Tsim Sha Tsui. Average occupancy of the properties remained at a high level of 95% for the six months ended 30 September 2018 (2017: 90%).

Hon Kwok Group's investment property under development in Hong Kong comprises a development site at Kin Chuen Street, Kwai Chung, New Territories, which is to be developed into a data centre providing a gross floor area of approximately 228,000 square feet. The project, currently at the stage of substructure and superstructure works, is scheduled for completion in 2020. On 12 June 2018, Hon Kwok Group entered into a connected transaction regarding the appointment of Shun Cheong Data Centre Solutions Company Limited ("Shun Cheong Data Centre Solutions"), an indirect wholly-owned subsidiary of Chinney Alliance Group Limited ("Chinney Alliance") (Stock Code: 385), as a consultant to provide consultancy services in respect of the development of the data centre at a fixed fee of HK$16.2 million. The transaction was subject to the reporting and announcement requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). For details, please refer to the Company's announcement dated 12 June 2018. On 12 July 2018, Hon Kwok Group entered into another connected transaction regarding the appointment of Chinney Construction Company, Limited ("Chinney Construction"), an indirect wholly-owned subsidiary of Chinney Alliance, as the contractor for carrying out the substructure and superstructure works for the data centre at a total contract sum not exceeding HK$757.8 million. The transaction was approved by the independent shareholders of the Company, Hon Kwok and Chinney Alliance at the general meetings held by each of the companies on 24 August 2018. For details, please refer to the Company's announcement dated 12 July 2018 and the circular of the Company dated 8 August 2018.

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

Property Investment *(Continued)*

Hon Kwok Group's completed investment property portfolio in Mainland China with a total gross floor area of approximately 318,000 square meters comprises (i) City Square/The Bauhinia Hotel (Shenzhen), a commercial podium comprising shops and hotel rooms at the Luo Hu District of Shenzhen, (ii) City Suites, serviced apartment units atop of City Square at the Luo Hu District of Shenzhen, (iii) Ganghui Dasha, a commercial/office building at the Yue Xiu District of Guangzhou, (iv) Chongqing Hon Kwok Centre, a twin-tower office building atop of a commercial podium at the Bei Bu Xin Qu of Chongqing and (v) Chongqing Jinshan Shangye Zhongxin, an office tower and a hotel/office tower each with a commercial podium at the Bei Bu Xin Qu of Chongqing. The properties, excluding the hotel/office tower in Chongqing Jinshan Shangye Zhongxin which was at the refurbishment stage during the period, achieved an average occupancy of 74% for the six months ended 30 September 2018 (2017: 69%).

Hon Kwok Group's investment property under development in Mainland China comprises Hon Kwok City Commercial Centre, which is situated at the junction of Shen Nan Zhong Road and Fu Ming Road, Fu Tian District of Shenzhen. The property, being one of the tallest buildings in Shenzhen at a height of approximately 330 meters, offers Grade A office and retail space totaling approximately 128,000 square meters. Development of the project was completed with the issue of the property ownership certificate in October 2018. The property is currently vacant but under refurbishment. Leasing of Hon Kwok City Commercial Centre has been progressing at full speed. It is expected that tenants will start to move in early next year.

Hon Kwok Group's investment properties, apart from the data center project which is stated at cost at the early stage of development, were fair valued at period end. There has been no change in valuation methodology of Hon Kwok Group's investment properties, including the capitalisation rates. After netting off the additions to investment properties and the exchange loss arising from depreciation in Renminbi during the period, the increase in fair value of Hon Kwok Group's investment properties amounted to HK$349 million (2017: HK$7 million) for the six months ended 30 September 2018.

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

Property and carpark management

For the six months ended 30 September 2018, the property and carpark management segment revenue in Hon Kwok Group was HK$14 million compared with HK$11 million in 2017. Segment profit before taxation was HK$0.9 million compared with segment loss before taxation of HK$0.2 million in 2017. The increase in revenue was mainly due to more parking spaces being managed by Hon Kwok Group. As at 30 September 2018, Hon Kwok Group managed 10 car parks (31 March 2018: 11 car parks) with approximately 1,900 parking spaces (31 March 2018: 1,700 parking spaces). The increase in profit was mainly due to improved profitability of the property management services in Mainland China.

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$20 million (2017: HK$34 million) with a net loss of HK$17.3 million (2017: loss HK$3.1 million) for the six months ended 30 September 2018.

The Group's garment business, which focused on fashionable garment production in Mainland China and exported mainly to European market, continued to face a challenging environment. The Eurozone economy has experienced a gradual but slow upturn during the period under review. Nevertheless, recent data showed that economic activity is decelerating and market sentiment has declined. This continued dampened domestic demand in the European countries and the sales generated by our garment business has diminished. In order to rationalise and optimise its resources in the long run, J.L. Garment Group underwent a significant reduction in labour force and incurred compensation expenses to employees in the period under review. The Group will continue to contemplate different restructuring plans and explore new business opportunities to enhance profitability.

In the course of business restructuring, J.L. Garment Group reduced the office plan in the Hong Kong operation and the whole floor of vacated office space was held for investment/rental purpose. Due to the moderating demand on the local property market, there was no change in fair value of J.L. Garment Group's investment properties (2017: gain HK$5.9 million) during the period under review.

BUSINESS REVIEW *(Continued)*

3. Construction and Trading

Chinney Alliance, a 29.1% owned associate recorded revenue and net profit attributable to shareholders for the six months ended 30 June 2018 of HK$2,820 million (2017: HK$2,618 million) and HK$80.0 million (2017: HK$95.3 million).

Chinney Alliance's foundation piling and ground investigation businesses are conducted by Chinney Kin Wing Holdings Limited ("Chinney Kin Wing") (Stock Code: 1556), a 74.5% owned subsidiary listed on the Main Board of The Stock Exchange of Hong Kong Limited. Chinney Kin Wing reported a revenue of HK$539 million (2017: HK$591 million) and operating profit of HK$37.3 million (2017: HK$58.8 million). The decrease in revenue and operating profit was due to the reduced contract sum of the foundation projects amid the highly competitive foundation market. To enhance the profitability, the foundation division implemented stringent cost control to reduce overheads. On the other hand, the drilling division of the segment, which was specialised in ground investigation, recorded improved revenue and profit margin. Given the long-term demands in the construction industry, the segment's performance remained stable and optimistic.

The Building Construction division, mainly consists of Chinney Construction and its subsidiaries, engaged in superstructure construction works in Hong Kong and Macau, contributed a revenue of HK$852 million (2017: HK$822 million) and operating profit of HK$41.5 million (2017: HK$35.7 million). The increase in operating profit was attributable to strenuous cost savings measures implemented in construction projects. The division continues to actively seeking tender opportunities in Hong Kong and Macau.

The Building related contracting services division, consists of Shun Cheong Investments Limited and its subsidiaries, engaged in the electrical and mechanical contracting businesses, contributed a revenue of HK$1,135 million (2017: HK$940 million, restated) and operating profit of HK$43.3 million (2017: HK$47.2 million, restated). Due to preliminary expenses incurred in the commencement of projects, profit dropped despite revenue increased. The construction of the internet data centre through the newly acquired subsidiaries is underway and is expected to complete in the second half of the year.

The Plastic Trading division, consists of Jacobson van den Berg (Hong Kong) Limited, contributed a revenue of HK$288 million (2017: HK$258 million) and operating profit of HK$3.1 million (2017: HK$5.3 million). Profit margin was eroded mainly due to the devaluation of Renminbi. Furthermore, under the threat of the trade dispute and uncertain market condition, customers became cautious in placing orders. Nevertheless, the division continues to broaden its product lines and explores more markets.

OUTLOOK

The global economy is expected to sustain its solid but moderating growth. Nevertheless, the intensification of trade disputes between the United States and China, rising policy uncertainties and the recent financial market volatility pose further downside risks and cloud the growth prospect. In the United States, the economy remained robust with GDP grew over 3 percent in 2017 and unemployment fell amid the rising fiscal stimulus and strengthening U.S. dollar condition. Having foreseen that the economy was gaining momentum, the Federal Reserve prompted rising the interest rates in the near term. It is likely that the policy uncertainties remain the key threats to its economic growth. For the Eurozone countries, economic growth remained stabilised with domestic demand rose. Nonetheless, the European Central Bank has announced to end its asset purchases program in this year. Coupled with the impact of Brexit negotiation, further uncertainty is induced on the economic upturn in the Eurozone.

In the Mainland China, GDP eased to 6.5 percent in the third quarter of 2018, showing softening in economic growth. Downside risks have increased due to the escalating trade tension with the U.S., as well as the tightened monetary condition under the prevailing debt deleveraging policies. It is anticipated that the Central Government will implement stimulus measures to boost domestic demand in the near term in order to develop a healthy and stable property market.

In Hong Kong, the economy recorded solid growth supported by strong domestic demand, robust inbound tourism and stable employment conditions. Nevertheless, the local market sentiment is highly susceptible to external factors including the rising trade protectionism, rising borrowing costs under the interest rate hikes and the stock market volatility. Recently, the local government announced its commitment to increase public housing supply and will contemplate different measures to alleviate land shortage in the long term. It is believed that the local economy can maintain its sustainable growth driven by the Government's investment in public works whereas the local property market will continue to remain erratic.

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

James Sai-Wing Wong
Chairman

Hong Kong, 27 November 2018

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2018, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, 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	341,439,324	61.93
	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 corporations	502,262,139	69.72
	1 & 4	Guangzhou Honkwok Fuqiang Land Development Ltd.	Through controlled corporations	RMB185,000,000	100.00
	1 & 5	Chinney Alliance	Through controlled corporations	436,860,216	73.43
	1 & 6	Chinney Holdings Limited ("Chinney Holdings")	Through controlled corporation	9,900,000	99.00
	1	Chinney Holdings	Beneficially owned	100,000	1.00
	1	Lucky Year Finance Limited ("Lucky Year")	Beneficially owned	20,000	100.00
	1 & 7	Chinney Trading Company Limited	Through controlled corporations	10,400	80.00

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 paid up by a wholly-owned subsidiary of Hon Kwok and RMB74,000,000 is paid up 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 13,000 issued shares of Chinney Trading Company Limited, 2,600 shares are held by a wholly-owned subsidiary of Hon Kwok and 7,800 shares are held by a company controlled by James Sai-Wing Wong. By virtue of note 3, James Sai-Wing Wong is deemed to be interested in this company.*

Save as disclosed herein, as at 30 September 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.

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

As at 30 September 2018, so far as is known to the directors of the Company, the following substantial shareholders and other persons (other than directors of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued shares
Chinney Holdings	Directly beneficially owned	341,439,324	61.93
Lucky Year	Through controlled corporation	341,439,324	61.93

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

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

Save as disclosed herein, as at 30 September 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2018.

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 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, the Chairman of both Hon Kwok and the Company, ceases to remain as the largest beneficial ultimate shareholder of the Company.

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

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES *(Continued)*

(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.

CONNECTED TRANSACTIONS

1. 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, 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 (the "Data Centre Project") at a fixed fee of HK$16,200,000 (the "Consultancy Agreement"). As the Company is interested in approximately 68.09% of the issued shares of Hon Kwok and approximately 29.10% of the issued shares of Chinney Alliance and Dr. James Sai-Wing Wong is the chairman, executive director and a controlling shareholder of each of the Company, Hon Kwok and Chinney Alliance, the transaction constituted a connected transaction for each of the Company, Hon Kwok, and Chinney Alliance under the Listing Rules and is subject to the reporting and announcement requirements.

2. On 12 July 2018, Gold Famous entered into a framework agreement with Chinney Construction, pursuant to which Gold Famous engaged Chinney Construction to act as the contractor to carry out construction works for the Data Centre Project at a total contract sum not exceeding HK$757,800,000 (the "Framework Agreement"). As the Company is interested in approximately 68.09% of the issued shares of Hon Kwok and approximately 29.10% of the issued shares of Chinney Alliance and Dr. James Sai-Wing Wong is the chairman, executive director and a controlling shareholder of each of the Company, Hon Kwok and Chinney Alliance, the related transaction constituted a connected transaction for each of the Company, Hon Kwok, and Chinney Alliance under the Listing Rules. Since the entering into of the Consultancy Agreement dated 12 June 2018 also constituted a connected transaction and pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the Consultancy Agreement and the Framework Agreement should be aggregated as a series of transactions as they were entered into within a 12-month period and involved parties which are connected with one another. The applicable percentage ratios of the Framework Agreement on both stand-alone and the basis when aggregated with the Consultancy Agreement, are more than 5% and contract sum was more than HK$10 million, the transaction is subject to the reporting, announcement and independent shareholders' approval requirements. The transaction was approved by the independent shareholders of the Company, Hon Kwok and Chinney Alliance at the general meetings held by each of the companies on 24 August 2018.

CORPORATE GOVERNANCE

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted 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 during the six months ended 30 September 2018.

Compliance with the Corporate Governance Code

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules for the six months ended 30 September 2018, except for the following deviations:

1. CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election and CG Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

   The non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company (the "Articles of Association"). The Articles of Association do not require the directors to retire by rotation at least once every three years. However, in accordance with article 104 of the Articles of Association, at each annual general meeting of the Company, one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest one-third), other than the one who holds the office as executive chairman or managing director, shall retire from office by rotation. The Board will ensure the retirement of each director, other than the one who holds the office as executive chairman or managing director, by rotation at least once every three years in order to comply with the CG Code provisions.

   The Chairman and Managing Director will not be subject to retirement by rotation; which deviates from CG Code provision A.4.2 as the Board considers that the continuity of office of the Chairman and Managing Director provide the Group with a strong and consistent leadership and is of great importance to the smooth operations of the Group.

   All directors appointed to fill a casual vacancy is subject to re-election by shareholders at the next following annual general meeting of the Company instead of at the first general meeting after their appointment as stipulated in CG Code provision A.4.2.

CORPORATE GOVERNANCE *(Continued)*

Compliance with the Corporate Governance Code *(Continued)*

2. CG Code provision A.5.1 stipulates that the Company should establish a nomination committee which should be chaired by the Chairman of the Board or an independent non-executive director.

   The Company has not established a nomination committee. The Board is responsible for considering the suitability of a candidate to act as a director, and collectively approving and terminating the appointment of a director as this allows a more informed and balanced decision to be made. The Chairman is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Chairman will propose the appointment of such candidates to the Board for consideration and the Board will determine the suitability of the relevant candidates on the basis of their gender, age, professional qualifications and experience as well as educational background.

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

   Dr. Clement Kwok-Hung Young, independent non-executive director of the Company, did not attend the 2018 annual general meeting and the extraordinary general meeting of the Company both held on 24 August 2018 due to his own business engagements or other commitments.

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

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

CORPORATE GOVERNANCE *(Continued)*

Audit committee

The Company has established an Audit Committee comprising James C. Chen, Clement Kwok-Hung Young and Richard Chi-Ho Lo.

Regular meetings have been held by the Audit Committee since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Company's interim results for the six months ended 30 September 2018 have not been audited, but have been reviewed by the Audit Committee.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK$4,912 million as at 30 September 2018 (as at 31 March 2018: HK$5,199 million), of which approximately 50% (as at 31 March 2018: 46%) of the debts were classified as current liabilities. Included therein were debts of HK$117 million related to bank loans with repayable on demand clause and HK$1,982 million related to project or term loans which will be refinanced during the forthcoming twelve months. Based on the repayment schedules pursuant to the related loan agreements and assuming that the aforesaid refinancing will be completed on schedule, the current portion of the total interest-bearing debts would be approximately 8%.

Total cash and bank balances including time deposits were approximately HK$1,957 million as at 30 September 2018 (as at 31 March 2018: HK$2,716 million) and the decrease was mainly due to the repayment of bank loans and the exchange loss arising from the depreciation in Renminbi during the period. Included in cash and bank balances are restricted bank deposits of HK$133 million (as at 31 March 2018: HK$260 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$2,636 million at period end available for its working capital purpose.

Total shareholders' funds as at 30 September 2018 were approximately HK$7,543 million (as at 31 March 2018: HK$7,680 million). An exchange loss was recorded upon translating the financial statements of the foreign operations denominated in Renminbi to Hong Kong Dollars, which has offset the increase in net profit attributable to shareholders during the period, and resulted in a decrease in shareholders' equity at period end.

FINANCIAL REVIEW *(Continued)*

Liquidity and financial resources *(Continued)*

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK$2,955 million (as at 31 March 2018: HK$2,482 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK$11,257 million (as at 31 March 2018: HK$11,400 million), was 26% as at 30 September 2018 (as at 31 March 2018: 22%).

Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30 September 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$13,692 million as at 30 September 2018 and shares in certain subsidiaries were pledged to secure certain banking facilities of the Group.

Employees and remuneration policies

The Group, not including its associates and joint venture, employed approximately 350 employees as at 30 September 2018 (as at 31 March 2018: approximately 540). The decrease in number of employees was mainly attributable to the substantial reduction in labour force in garment business in the process of rationalisation during the period. There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

Contingent liabilities

Particulars of the Group's contingent liabilities are set out in note 13 to the condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 September 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Revenue	3	**1,204,197**	1,001,437
Cost of sales		**(555,949)**	(531,439)
Gross profit		**648,248**	469,998
Other income and gains	3	**9,677**	12,550
Fair value gains on investment properties, net		**348,583**	12,639
Fair value losses on financial assets at fair value through profit or loss		**–**	(58)
Gain on disposal of subsidiaries	4	**–**	2,398,589
Selling and distribution expenses		**(4,054)**	(5,693)
Administrative and other operating expenses, net		**(83,042)**	(88,228)
Finance costs	5	**(65,450)**	(62,153)
Share of profits and losses of associates		**172,180**	27,372
Profit before tax	6	**1,026,142**	2,765,016
Income tax expense	7	**(349,013)**	(183,976)
Profit for the period		**677,129**	2,581,040
Attributable to:			
Owners of the Company		**374,652**	1,707,681
Non-controlling interests		**302,477**	873,359
		677,129	2,581,040
Earnings per share attributable to ordinary equity holders of the Company	8		
Basic and diluted		**HK$0.68**	HK$3.10

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 September 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Profit for the period		**677,129**	2,581,040
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		**(25,054)**	4,669
Exchange differences on translation of foreign operations		**(730,716)**	299,883
Release of exchange fluctuation reserve upon disposal of subsidiaries	4	**–**	(69,606)
Other comprehensive income/(loss) for the period, net of tax		**(755,770)**	234,946
Total comprehensive income/(loss) for the period		**(78,641)**	2,815,986
Attributable to:			
Owners of the Company		**(112,539)**	1,864,222
Non-controlling interests		**33,898**	951,764
		(78,641)	2,815,986

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2018 (Unaudited) HK$'000	At 31 March 2018 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**111,867**	123,567
Prepaid land lease payments		**5,143**	6,438
Investment properties		**13,615,352**	13,832,790
Investment in a joint venture		**199**	199
Investments in associates		**985,793**	845,787
Total non-current assets		**14,718,354**	14,808,781
CURRENT ASSETS			
Inventories		**–**	3,954
Properties held for sale under development and completed properties held for sale		**1,961,229**	2,553,549
Prepaid land lease payments		**1,211**	1,199
Trade and bills receivables	*10*	**22,284**	32,107
Prepayments, deposits and other receivables		**133,172**	167,753
Contract costs		**5,730**	–
Tax recoverable		**95**	97
Financial assets at fair value through profit or loss		**–**	791
Cash and bank balances		**1,957,198**	2,716,141
Total current assets		**4,080,919**	5,475,591
CURRENT LIABILITIES			
Trade payables and accrued liabilities	*11*	**448,438**	606,291
Due to an associate		**15,950**	26,002
Interest-bearing bank borrowings		**2,476,158**	2,399,172
Tax payable		**515,226**	420,962
Contract liabilities		**250,123**	–
Customer deposits		**35,926**	1,222,514
Obligation under a finance lease		**–**	81
Total current liabilities		**3,741,821**	4,675,022
NET CURRENT ASSETS		**339,098**	800,569
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,057,452**	15,609,350

	Note	At 30 September 2018 (Unaudited) HK$'000	At 31 March 2018 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**2,436,315**	2,799,370
Deferred tax liabilities		**1,364,084**	1,409,747
Total non-current liabilities		**3,800,399**	4,209,117
Net assets		**11,257,053**	11,400,233
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	**405,411**	405,411
Reserves		**7,137,578**	7,274,419
		7,542,989	7,679,830
Non-controlling interests		**3,714,064**	3,720,403
Total equity		**11,257,053**	11,400,233

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital (Unaudited) *HK$'000*	Other reserve (Unaudited) *HK$'000*	Asset revaluation reserve (Unaudited) *HK$'000*	Exchange fluctuation reserve (Unaudited) *HK$'000*	Retained profits (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*	Non-controlling interests (Unaudited) *HK$'000*	Total equity (Unaudited) *HK$'000*
At 1 April 2017	405,411	440,218	94,027	(70,763)	4,356,151	5,225,044	2,908,075	8,133,119
Profit for the period	–	–	–	–	1,707,681	1,707,681	873,359	2,581,040
Other comprehensive income/(loss) for the period:								
Release of exchange fluctuation reserve upon disposal of subsidiaries	–	–	–	(47,395)	–	(47,395)	(22,211)	(69,606)
Exchange differences on translation of foreign operations	–	–	–	203,936	–	203,936	100,616	304,552
Total comprehensive income for the period	–	–	–	156,541	1,707,681	1,864,222	951,764	2,815,986
Issuance of convertible bond by an associate	–	1,891	–	–	–	1,891	–	1,891
Disposal of subsidiaries	–	–	–	–	–	–	(64,621)	(64,621)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	(364,838)	(364,838)
Final dividend in respect of previous financial year	–	–	–	–	(27,568)	(27,568)	–	(27,568)
At 30 September 2017	405,411	442,109	94,027	85,778	6,036,264	7,063,589	3,430,380	10,493,969
At 1 April 2018	405,411	442,109	94,027	369,457	6,368,826	7,679,830	3,720,403	11,400,233
Share of impact of initial application of HKFRS 9 and 15 by an associate	–	–	–	–	3,093	3,093	–	3,093
Adjusted balance as at 1 April 2018	405,411	442,109	94,027	369,457	6,371,919	7,682,923	3,720,403	11,403,326
Profit for the period	–	–	–	–	374,652	374,652	302,477	677,129
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations	–	–	–	(487,191)	–	(487,191)	(268,579)	(755,770)
Total comprehensive loss for the period	–	–	–	(487,191)	374,652	(112,539)	33,898	(78,641)
Share of legal reserve by an associate	–	173	–	–	–	173	–	173
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	(40,237)	(40,237)
Final dividend in respect of previous financial year	–	–	–	–	(27,568)	(27,568)	–	(27,568)
At 30 September 2018	**405,411**	**442,282**	**94,027**	**(117,734)**	**6,719,003**	**7,542,989**	**3,714,064**	**11,257,053**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 September 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,026,142**	2,765,016
Adjustments for:			
Finance costs	5	**65,450**	62,153
Share of profits and losses of associates		**(172,180)**	(27,372)
Interest income	3	**(6,894)**	(5,529)
Losses/(gain) on disposal of items of property, plant and equipment		**(936)**	14
Depreciation	6	**4,687**	4,905
Fair value gains on investment properties, net		**(348,583)**	(12,639)
Amortisation of prepaid land lease payments	6	**605**	548
Gain on disposal of subsidiaries	4	**–**	(2,398,589)
Gain on disposal of investment properties		**–**	(146)
Fair value losses on financial assets at fair value through profit or loss	6	**–**	58
		568,291	388,419
Decrease/(increase) in inventories		**3,954**	(633)
Decrease in properties held for sale under development and completed properties held for sale		**627,724**	179,222
Decrease/(increase) in trade and bills receivables and prepayments, deposits and other receivables		**23,979**	(47,205)
Increase in contract costs		**(5,730)**	–
Decrease in trade payables and accrued liabilities		**(273,717)**	(384,978)
Increase in contract liabilities		**250,123**	–
Decrease in customer deposits		**(1,164,582)**	(687,243)
Cash generated from/(used in) operations		**30,042**	(552,418)
Hong Kong profits tax refund		**–**	42
Overseas taxes paid		**(148,562)**	(110,957)
Net cash flows used in operating activities		**(118,520)**	(663,333)

	Note	Six months ended 30 September 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Net cash flows used in operating activities		**(118,520)**	(663,333)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**6,894**	5,529
Purchases of items of property, plant and equipment		**(347)**	(867)
Proceeds from disposal of items of property, plant and equipment		**1,006**	6
Proceeds from disposal of financial assets of fair value through profit or loss		**791**	–
Additions to investment properties		**(204,966)**	(196,299)
Dividends received from an associate		**10,386**	10,386
Decrease in balance due to an associate		**(10,052)**	(5,738)
Decrease in non-pledged time deposits with original maturity of more than three months when acquired		**138,317**	340,807
Disposal of subsidiaries	4	**–**	2,769,302
Proceeds from disposal of investment properties		**–**	1,796
Net cash flows from/(used in) investing activities		**(57,971)**	2,924,922
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**178,461**	215,168
Repayment of bank loans		**(346,155)**	(658,434)
Dividend paid		**(27,568)**	(27,568)
Dividends paid to non-controlling shareholders		**(40,237)**	(364,836)
Capital element of finance lease payments		**(81)**	(78)
Interest paid		**(109,142)**	(109,339)
Net cash flows used in financing activities		**(344,722)**	(945,087)

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(521,213)**	1,316,502
Cash and cash equivalents at beginning of period	**2,575,283**	2,074,016
Effect of foreign exchange rates changes, net	**(99,413)**	80,167
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,954,657**	3,470,685
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**1,879,340**	3,318,035
Non-pledged time deposits	**77,858**	155,253
Cash and bank balances as stated in the condensed consolidated statement of financial position	**1,957,198**	3,473,288
Non-pledged time deposits with original maturity of more than three months when acquired	**(2,541)**	(2,603)
	1,954,657	3,470,685

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

Basis of preparation

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

The unaudited condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2018.

The financial information relating to the year ended 31 March 2018 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 September 2018 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance") is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 March 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

Changes in accounting policies and disclosures

The unaudited condensed interim consolidated financial statements have been prepared under the historical cost convention, except for certain investment properties and financial assets at fair value through profit or loss which have been measured at fair value. The accounting policies adopted in the preparation of the unaudited condensed interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018, except as described below. In the current period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2018.

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

Changes in accounting policies and disclosures *(Continued)*

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9, HKFRS 15 and Amendments to HKFRS 15, the adoption of the above revised standards has had no significant financial effect on the interim financial information.

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

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group did not restate comparative information and recognise any material transition adjustments against the opening balance of equity at 1 April 2018. The impacts relate to the classification and measurement and the impairment requirements are summarised as follows:

(i) Classification and measurement

Under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

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

HKFRS 9 *Financial Instruments* *(Continued)*

(i) Classification and measurement (Continued)

The new classification and measurement of the Group's financial assets are as follows:

– Debt instruments at amortised cost that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade and bills receivables, deposits and other receivables.

– Financial assets at FVPL comprise derivative instruments and quoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under HKAS 39, the Group's quoted equity securities were classified as equity investments at fair value through profit or loss.

The assessment of the Group's business models was made as of the date of initial application, 1 April 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in statement of profit or loss.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

Other than financial impact on the Group's investment in associates, the adoption of HKFRS 9 has had no significant impact on the Group's interim financial information on classification and measurement of its financial assets.

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

HKFRS 9 *Financial Instruments* *(Continued)*

(ii) Impairment of financial assets

HKFRS 9 requires an impairment on trade and bills receivables, deposits and other receivables 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 applied the simplified approach and recorded lifetime expected losses that were estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and bills receivables. Furthermore, the Group applied the general approach and recorded twelve-month expected credit losses that were estimated based on the possible default events on its deposits and other receivables within the next twelve months. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a 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 standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits at 1 April 2018. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 April 2018, thus the comparative figures have not been restated.

The adoption of HKFRS 15 has financial impact on the Group's share of profit or losses of associates, and investment in associates. Further impact on the Group's subsidiaries are described below:

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

Revenue recognition

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

Accounting for revenue from sales of properties

Prior to the adoption of HKFRS 15, the Group accounted for revenue from sales of properties when significant risks and rewards of ownership have been transferred to the customers on delivery in its entirety at a single time upon vacant possession.

Under HKFRS 15, for properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress. The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

The Group has assessed that there is an enforceable right to payment from the customers for performance completed to date for few properties. Thus, majority of revenue from sale of properties will continue to be recognised at a point in time, when the purchaser obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

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

Revenue recognition *(Continued)*

Accounting for significant financing component for sale of properties

Prior to the adoption of HKFRS 15, the Group presented sales proceeds received from customers in connection with the Group's pre-sales of properties as customer deposits in the consolidated statement of financial position.

No interest was accrued on the long-term advances received under the previous accounting policy. Upon adoption of HKFRS 15, the Group recognised contract liabilities for the interest on the sales proceeds received from customers with a significant financing component. The Group elected to apply the practical expedient and did not recognise the effects of a significant financing component with a customer if the time period is one year or less. In addition, reclassifications have been made from customer deposits to contract liabilities for the outstanding balance of sales proceeds from customers.

Receipts in advance of HK$1,191,562,000 that was previously classified as customer deposits has been reclassified to contract liabilities as at 1 April 2018.

Accounting for sales commission

Prior to the adoption of HKFRS 15, the Group capitalised the sales commission associated with obtaining agreement for sale and purchase with property buyer and charged to profit or loss when the revenue from the related property sale is recognised. Upon adoption of HKFRS 15, sales commission incurred directly attributable to obtaining a contract, if recoverable, is capitalised and recorded in contract costs. Capitalised sales commission is charged to profit or loss when the revenue from the related property sale is recognised and are included as selling and marketing expenses at that time. Prepaid sales commission of HK$6,225,000 that was previously classified as prepayments, deposits and other receivables has been reclassified to contract costs as at 1 April 2018.

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

Revenue recognition *(Continued)*

Impact on the financial statements

The amount by each financial statement line items affected in the current period and period to date by the application of HKFRS 9 and HKFRS 15 is as follows:

	As at 30 September 2018			
	Without the adoption of HKFRS 9 and HKFRS 15 *HK$'000*	Effect of adoption of HKFRS 9 *HK$'000*	Effect of adoption of HKFRS 15 *HK$'000*	As reported *HK$'000*
Condensed consolidated statement of financial position (extract)				
Investments in associates	982,700	471	2,622	985,793
Prepayments, deposits and other receivables	138,902	–	(5,730)	133,172
Contract costs	–	–	5,730	5,730
Contract liabilities	–	–	250,123	250,123
Customers deposits	286,049	–	(250,123)	35,926
Retained profits	6,715,910	471	2,622	6,719,003

2. OPERATING SEGMENT INFORMATION

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

(a) Business segments

	Six months ended 30 September 2018 (Unaudited)				
	Garment	Property development	Property investment	Property, carpark management and others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:					
Sales to external customers	20,319	1,066,725	102,668	14,485	1,204,197
Segment results	(16,623)	538,388	402,229	(3,713)	920,281
Reconciliation:					
Net income from investments					6,929
Unallocated expenses					(7,798)
Finance costs					(65,450)
Share of profits and losses of associates					172,180
Profit before tax					1,026,142

2. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Six months ended 30 September 2017 (Unaudited)				
	Garment	Property development	Property investment	Property, carpark management and others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:					
Sales to external customers	33,695	863,047	93,717	10,978	1,001,437
Segment results	(2,573)	358,773	49,250	385	405,835
Reconciliation:					
Net income from investments					5,566
Unallocated expenses					(10,135)
Fair value losses on financial assets at fair value through profit or loss					(58)
Gain on disposal of subsidiaries					2,398,589
Finance costs					(62,153)
Share of profits and losses of associates					27,372
Profit before tax					2,765,016

2. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	At 30 September 2018 (Unaudited)				
	Garment	Property development	Property investment	Property, carpark management and others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	**158,307**	**2,168,347**	**13,810,717**	**1,819,314**	**17,956,685**
Reconciliation:					
Elimination of intersegment receivables					**(2,100,697)**
Investments in associates					**985,793**
Investment in a joint venture					**199**
Corporate and other unallocated assets					**1,957,293**
Total assets					**18,799,273**
Segment liabilities	**5,642**	**1,464,417**	**908,854**	**472,221**	**2,851,134**
Reconciliation:					
Elimination of intersegment payables					**(2,100,697)**
Corporate and other unallocated liabilities					**6,791,783**
Total liabilities					**7,542,220**

2. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

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

2. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

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

	Six months ended 30 September 2018 (Unaudited)				
	Hong Kong	**Mainland China**	**Europe**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue:					
Sales to external customers	**58,353**	**1,131,140**	**14,704**	**–**	**1,204,197**

	Six months ended 30 September 2017 (Unaudited)				
	Hong Kong	Mainland China	Europe	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:					
Sales to external customers	57,938	921,426	21,848	225	1,001,437

3. REVENUE, OTHER INCOME AND GAINS

Disaggregation of revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers and the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	Six months ended 30 September 2018 (Unaudited)				
	Garment	Property development	Property investment	Property, carpark management and others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment					
Type of goods or services					
Sales of properties	–	1,066,725	–	–	1,066,725
Sales of garment	20,319	–	–	–	20,319
Property management income	–	–	15,348	785	16,133
Total revenue from contracts with customers	20,319	1,066,725	15,348	785	1,103,177
Revenue from other sources					
Gross rental income	–	–	87,320	13,700	101,020
Total revenue from other sources	–	–	87,320	13,700	101,020
Revenue disclosed in the segment information	20,319	1,066,725	102,668	14,485	1,204,197
Timing of revenue recognition					
Goods transferred at a point in time	20,319	1,066,725	–	–	1,087,044
Services transferred over time	–	–	15,348	785	16,133
Total revenue from contracts with customers	20,319	1,066,725	15,348	785	1,103,177

3. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Other income and gains

	Six months ended 30 September 2018 (Unaudited) *HK$'000*	2017 (Unaudited) *HK$'000*
Bank interest income	**6,894**	5,529
Dividend income from listed investments	**35**	37
Foreign exchange differences, net	**146**	3,599
Others	**2,602**	3,385
	9,677	12,550

4. GAIN ON DISPOSAL OF SUBSIDIARIES

During the six months ended 30 September 2017, Hon Kwok Group disposed of Smooth Ever Investments Limited, a wholly-owned subsidiary of Hon Kwok, and its subsidiaries ("Smooth Ever Group"). Smooth Ever Group was engaged in property development business. The transaction was completed in September 2017.

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

	2017 (Unaudited) *HK$'000*
Net assets disposed of:	
Property, plant and equipment	26
Properties held for sale under development	504,857
Prepayments, deposits and other receivables	78
Cash and bank balances	169
Due to a shareholder and a related company	(375,080)
Other payables and accrued liabilities	(21)
Non-controlling interests	(64,621)
	65,408
Assignment of loans from a shareholder and a related company	375,080
	440,488
Exchange fluctuation reserve	(69,606)
Gain on disposal of subsidiaries	2,398,589
Consideration received	2,769,471
Satisfied by:	
Cash consideration	3,585,536
Less: direct transaction costs incurred	(816,065)
	2,769,471

4. GAIN ON DISPOSAL OF SUBSIDIARIES *(Continued)*

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

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

5. FINANCE COSTS

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other loans	**109,142**	109,339
Less: Interest capitalised under property development projects	**(43,692)**	(47,186)
	65,450	62,153

6. PROFIT BEFORE TAX

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

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**4,687**	4,905
Amortisation of prepaid land lease payments	**605**	548
Employee benefit expenses (including directors' remuneration)	**53,952**	46,739
Less: Amounts capitalised under property development projects	**(8,700)**	(7,900)
	45,252	38,839
Fair value losses on financial assets at fair value through profit or loss	**–**	58

7. INCOME TAX

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Outside Hong Kong	**281,100**	206,406
Deferred charge/(credit)	**67,913**	(22,430)
Total tax charge for the period	**349,013**	183,976

No Hong Kong profits tax has been provided as the Group companies have available tax losses brought forward from prior years to offset the assessable profits generated during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK$374,652,000 (2017: HK$1,707,681,000) and the weighted average number of 551,368,153 ordinary shares in issue during both periods.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 September 2018 and 2017 in respect of a dilution as the Group has no potential dilutive ordinary shares in issue during both periods.

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (2017: Nil).

The final dividend of HK 5.0 cents per ordinary share for the year ended 31 March 2018 was approved by the Company's shareholders at the annual general meeting of the Company held on 24 August 2018 and paid on 21 September 2018.

10. TRADE AND BILLS RECEIVABLES

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

	At 30 September 2018 (Unaudited) ***HK$'000***	At 31 March 2018 (Audited) *HK$'000*
Within 30 days	**4,425**	6,414
31 to 60 days	**1,556**	6,815
61 to 90 days	**1,241**	1,619
Over 90 days	**15,062**	17,259
Total	**22,284**	32,107

10. TRADE AND BILLS RECEIVABLES *(Continued)*

The Group's trading terms with its customers in the garment segment are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to four months for major customers. Each customer has a maximum credit limit. Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of the consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables balances. Trade and bills receivables are non-interest-bearing.

11. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in the trade payables and accrued liabilities are trade payables of HK$22,873,000 (as at 31 March 2018: HK$26,178,000). An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	At 30 September 2018 (Unaudited) ***HK$'000***	At 31 March 2018 (Audited) *HK$'000*
Within 30 days	**22,735**	24,118
31 to 60 days	**1**	705
61 to 90 days	**–**	901
Over 90 days	**137**	454
Total	**22,873**	26,178

12. SHARE CAPITAL

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

13. CONTINGENT LIABILITIES

(a) As at 30 September 2018, the Group has given a guarantee of HK$24,000,000 (as at 31 March 2018 (audited): HK$32,000,000) to a bank in connection with a facility granted to an associate and such banking facility guaranteed by the Group to the associate was utilised to the extent of HK$24,000,000 (as at 31 March 2018 (audited): HK$32,000,000).

(b) As at 30 September 2018, the Group has given guarantees of HK$1,134,975,000 (as at 31 March 2018 (audited): HK$1,078,000,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date the loans are granted to the purchasers up to the date of issuance of property ownership certificates to the purchasers.

14. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At 30 September 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 30 September 2018 (Unaudited) ***HK$'000***	At 31 March 2018 (Audited) *HK$'000*
Within one year	**118,409**	127,935
In the second to fifth years, inclusive	**194,825**	190,759
After five years	**321,999**	305,894
	635,233	624,588

14. OPERATING LEASE ARRANGEMENTS *(Continued)*

(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 three years (as at 31 March 2018 (audited): one to five years).

At 30 September 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 September 2018 (Unaudited) ***HK$'000***	At 31 March 2018 (Audited) *HK$'000*
Within one year	**29,850**	8,648
In the second to fifth years, inclusive	**42,953**	3,976
	72,803	12,624

15. CAPITAL COMMITMENTS

At 30 September 2018, the Group had authorised and contracted capital commitments in respect of property development expenditure amounting to HK$938,754,000 (as at 31 March 2018 (audited): HK$248,970,000).

16. RELATED PARTY TRANSACTIONS

(a) Connected Transactions

(i) During the period, the Group paid development expenditure relating to foundation construction works to an indirect wholly-owned subsidiary of Chinney Kin Wing Holdings Limited amounted to HK$74,054,000 (2017: HK$71,908,000). The above transaction was negotiated between the concerned parties by reference to prevailing market rate. The transaction constituted a connected transaction of the Company and was approved by the independent shareholders of the Company at an extraordinary general meeting held on 7 November 2016.

(ii) On 12 June 2018, Gold Famous entered into a consultancy agreement with Shun Cheong Data Centre Solutions, 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 (the "Data Centre Project") at a fixed fee of HK$16,200,000 (the "Consultancy Agreement"). As the Company is interested in approximately 68.09% of the issued shares of Hon Kwok and approximately 29.10% of the issued shares of Chinney Alliance and Dr. James Sai-Wing Wong is the chairman, executive director and a controlling shareholder of each of the Company, Hon Kwok and Chinney Alliance, the transaction constituted a connected transaction for each of the Company, Hon Kwok, and Chinney Alliance under the Listing Rules and is subject to the reporting and announcement requirements. During the period, Hon Kwok Group paid consultancy fee to Shun Cheong Data Centre Solutions amounted to HK$4,860,000 (2017: Nil).

(iii) On 12 July 2018, Gold Famous entered into a framework agreement with Chinney Construction, pursuant to which Gold Famous engaged Chinney Construction to act as the contractor to carry out construction works for the Data Centre Project at a total contract sum not exceeding HK$757,800,000 (the "Framework Agreement"). As the Company is interested in approximately 68.09% of the issued shares of Hon Kwok and approximately 29.10% of the issued shares of Chinney Alliance and Dr. James Sai-Wing Wong is the chairman, executive director and a controlling shareholder of each of the Company, Hon Kwok and Chinney Alliance, the related transaction constituted a connected transaction for each of the Company, Hon Kwok, and Chinney Alliance under the Listing Rules. Since the entering into of the Consultancy Agreement dated 12 June 2018 also constituted a connected transaction and pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the Consultancy Agreement and the Framework Agreement should be aggregated as a series of transactions as they were entered into within a 12-month period and involved parties which are connected with one another. The applicable percentage ratios of the Framework Agreement on both stand-alone and the basis when aggregated with the Consultancy Agreement, are more than 5% and contract sum was more than HK$10 million, the transaction is subject to the reporting, announcement and independent shareholders' approval requirements. The transaction was approved by the independent shareholders of the Company, Hon Kwok and Chinney Alliance at the general meetings held by each of the companies on 24 August 2018.

16. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short-term employee benefits	**1,233**	2,742

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 September	31 March	**30 September**	31 March
	2018	2018	**2018**	2018
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Financial assets at fair value through profit or loss	**–**	791	**–**	791
Financial liabilities				
Obligation under a finance lease	**–**	81	**–**	81
Interest-bearing bank borrowings	**4,912,473**	5,198,542	**4,912,473**	5,198,542

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

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 30 September 2018 was assessed to be insignificant.

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

The Group did not have any financial liabilities measured at fair value as at 30 September 2018 and 31 March 2018. As at 30 September 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$2,436,315,000 (as at 31 March 2018 (audited): HK$2,799,370,000). The fair values of these financial liabilities disclosed were measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are unobservable (Level 3).

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities of the Group.

18. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed interim consolidated financial statements were approved and authorised for issue by the board of directors on 27 November 2018.