



Chinney Investments, Limited

Stock Code: 216

Annual Report 2013/14



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Cover Photos:

Left: Jinshan Shangye Zhongxin, Chongqing, PRC – pending issuance of certificate of comprehensive completion

Right: The Botanica, Guangzhou, PRC

封面圖片：

左： 中國重慶金山商業中心—待發出綜合竣工驗收證明

右： 中國廣州寶翠園

CORPORATE INFORMATION

DIRECTORS

James Sai-Wing Wong (*Chairman*)
Madeline May-Lung Wong
William Chung-Yue Fan
Herman Man-Hei Fung (*Managing Director*)
Paul Hon-To Tong
James Sing-Wai Wong
Clement Kwok-Hung Young*
Peter Man-Kong Wong*
James C. Chen*

* *Independent non-executive directors*

AUDIT COMMITTEE

James C. Chen
William Chung-Yue Fan
Clement Kwok-Hung Young
Peter Man-Kong Wong

REMUNERATION COMMITTEE

Clement Kwok-Hung Young
James C. Chen
Herman Man-Hei Fung

SECRETARY

Louisa Kai-Nor Siu

PRINCIPAL BANKERS

The Bank of East Asia, Limited
Chong Hing Bank Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
Industrial and Commercial Bank of
China Limited
Industrial and Commercial Bank of
China (Asia) Limited
Shanghai Commercial Bank Limited
Wing Lung Bank, Limited

AUDITORS

Ernst & Young

REGISTRARS

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

REGISTERED OFFICE

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

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E-mail : general@chinneyhonkwok.com

STOCK CODE

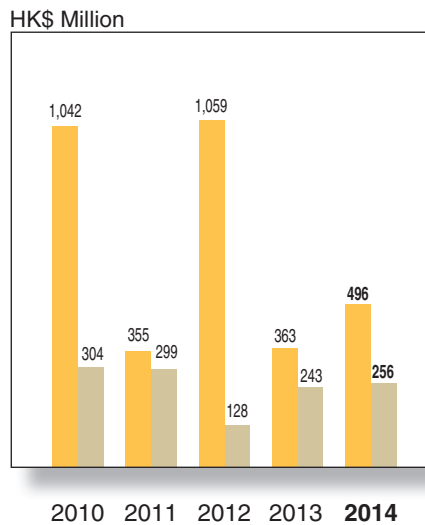
SEHK 216

WEBSITE

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

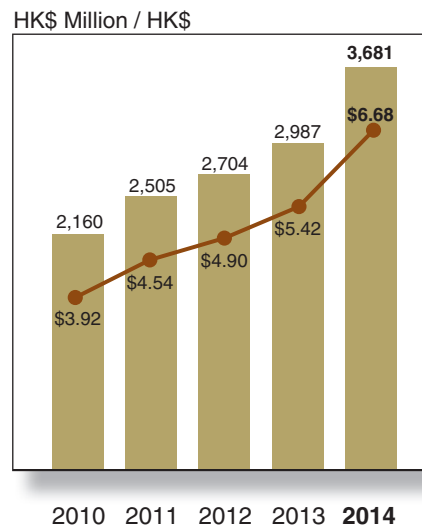
FINANCIAL HIGHLIGHTS

Turnover / Net Profit



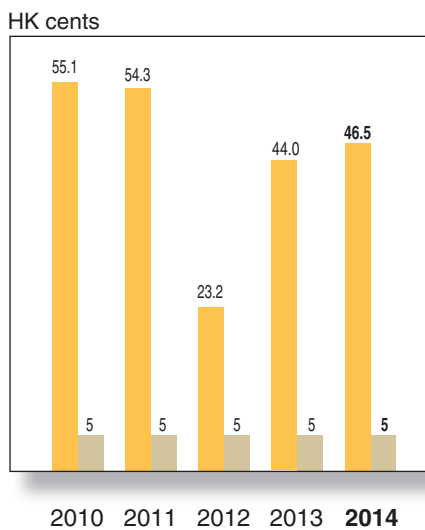
- Turnover
- Net profit attributable to shareholders

Shareholders' Funds / Net Assets per Share



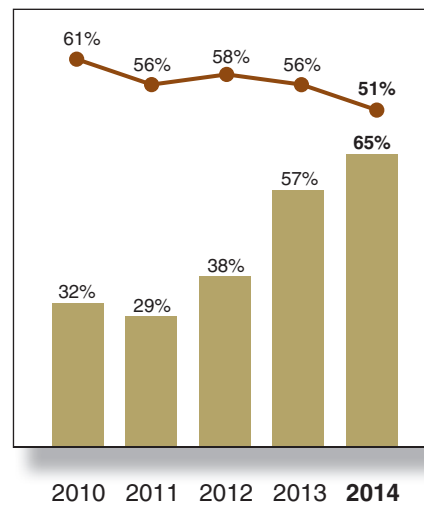
- Shareholders' funds
- Net assets per share (HK\$)

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 + convertible bonds – 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 Dong Guan Zhuan 東莞莊 project
- 5 Metropolitan Oasis 雅瑤綠洲, Nanhai (not shown above)
- 6 Hon Kwok City Commercial Centre 漢國城市商業中心
- 7 Jinshan Shangye Zhongxin 金山商業中心
- 8 Enterprise Square 僑城坊, Nanshan District (not shown above)

■ Completed Projects

- 9 Millennium Oasis 城市綠洲花園 Phase I [2001], Phases II & III [2002]
- 10 City Square 城市天地廣場 [2005]
- 11 Chongqing Hon Kwok Centre 重慶漢國中心 [2009], held as investment property
- 12 No. 5 Residence 北京路5號公館 [2009]

■ Hotel/Service Apartments

- 13 City Suites 寶軒公寓
- 14 The Bauhinia Hotel (Shenzhen) 寶軒酒店 (深圳)
- 15 The Bauhinia Hotel (Guangzhou) 寶軒酒店 (廣州)

◆ Acquired Property

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

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

For the year ended 31 March 2014, the Group's consolidated turnover and net profit attributable to shareholders amounted to HK\$496 million (2013: HK\$363 million) and HK\$256 million (2013: HK\$243 million), respectively. Basic earnings per share were 46.52 Hong Kong cents (2013: 43.99 Hong Kong cents). The shareholders' equity grew to HK\$3,681 million (2013: HK\$2,987 million). Net assets per share attributable to shareholders were HK\$6.68 (2013: HK\$5.42).

During the year under review, the turnover recorded mainly included the property sale of a portion of Metropolitan Oasis Phase 1, in Da Li District, Nanhai, the sold units of which have been delivered to purchasers in progress and sales recognized starting from March 2013. Furthermore, the revaluation gain upon revaluation of the Group's investment properties, net of deferred tax, increased to HK\$424 million for current year (2013: HK\$397 million), thus leading to increase of the Group's overall net profit.

DIVIDEND

The Directors recommend the payment of a final dividend of 5 Hong Kong cents per ordinary share for the year ended 31 March 2014 (2013: 5 Hong Kong cents) to shareholders whose names appear on the Company's register of members on 5 September 2014. 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 26 September 2014.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 28 August 2014. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 25 August 2014 to 28 August 2014 (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 22 August 2014.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 March 2014 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 on 4 September 2014 and 5 September 2014, 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 1 September 2014. 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 3 September 2014.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW

1. Transferable term and revolving loan facilities

In August 2013, Chinney Treasury Limited, a wholly-owned subsidiary of the Company, as borrower entered into a facility agreement relating to HK\$500 million transferable term and revolving loan facilities with a syndicate of banks. The Tenor of the loan facilities is 48 months commencing from the date of the facility agreement and use of proceeds is to finance the Group's general working capital and investment requirements.

2. Entering into the Underwriting Agreement with Hon Kwok Land Investment Company, Limited ("Hon Kwok") relating to Hon Kwok Rights Issue ("Rights Issue")

In December 2013, Hon Kwok proposed to raise approximately HK\$648 million, before expenses, by a Rights Issue of 240,143,100 rights shares ("Rights Shares") at HK\$2.7 per Rights Share on the basis of one Rights Share for every two existing shares. Pursuant to the Underwriting Agreement, the Company, holding 55.79% interest in Hon Kwok before the Rights Issue had agreed to subscribe our entitlement of the Rights Shares and to underwrite the remaining Rights Shares for an underwriting commission at market rate. For details, please refer to the Company's circular dated 24 December 2013.

In January 2014, the Company fulfilled its underwriting obligation and has underwritten 65,895,310 Rights Shares. Together with its subscription of entitled Rights Shares, the Company has increased its shareholding in Hon Kwok to 64.94% immediately after the Rights Issue.

3. Property

The Group's property development and investment activities are conducted by Hon Kwok (Stock Code: 160). Hon Kwok reported a turnover of HK\$382 million (2013: HK\$238 million) and a net profit of HK\$437 million (2013: HK\$402 million) for the financial year 2013/14.

Acquisition of Properties

On 29 May 2014, a wholly-owned subsidiary of Hon Kwok entered into a sale and purchase agreement for the acquisition of a villa located in Longgang District, Shenzhen, PRC from a wholly-owned subsidiary of Chinney Alliance Group Limited ("Chinney Alliance") for a cash consideration of HK\$8,063,000. The above acquisition constituted a connected transaction for both the Company and Hon Kwok and was subject to the reporting and announcement requirements but was exempt from independent shareholders' approval. For details, please refer to the Company's announcement dated 29 May 2014. The above transaction is scheduled to be completed by the end of June 2014.

BUSINESS REVIEW *(Continued)*

3. Property *(Continued)*

Property Development and Sales

Botanica Phase 3 寶翠園三期, Guangzhou, PRC

The Botanica 寶翠園, comprises 39 blocks of high-rise residential building with total gross floor area of approximately 229,000 sq.m., is situated in the greenery zone of Tian He District near the Botanical Garden. It is scheduled for development by phases. **Botanica Phases 1 and 2** 寶翠園一及二期, with total 16 blocks of over 750 units, had been sold out and profits derived therefrom had been recognized in the previous statements of profit or loss. Superstructure works of



Botanica Phase 3 – superstructure works in progress

Botanica Phase 3 寶翠園三期, comprises

12 blocks of about 530 units, are in progress and expected to be completed by stages through financial year 2015/16. Two blocks of the above phase have been launched to the market for pre-sale. Up to the date of this report, about 80% has been sold and total contracted sales amounted to RMB225 million. Additional 2 blocks is scheduled to be launched to the market for pre-sale in next month upon obtaining the pre-sale consent.



Partial view of apartments under Phase I of Metropolitan Oasis

Metropolitan Oasis 雅瑤綠洲, Nanhai, PRC

This project, situated in Da Li District, Nanhai with total gross floor area of approximately 273,000 sq.m., is also scheduled for development by phases. Phase 1 of the project comprises 71 units of completed 3-storey town houses of about 18,000 sq.m. and 24 blocks of high-rise apartments of about 121,000 sq.m. under construction which are expected to be completed by stages through financial

year 2015/16. The above town houses and four blocks of apartment units have been launched to the market for sale and about 75% of which have been sold up to the date of this report, generated sale proceeds amounting to RMB320 million. The delivery of above sold town houses and apartment units to individual purchasers is in progress and profits derived from the delivered units have been recognized in the statements of profit or loss.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

3. Property *(Continued)*

Property Development and Sales *(Continued)*

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

The development sites at Dong Guan Zhuan Road, Tian He District and 45-107 Beijing Nan Road, Yue Xiu District are both under the planning and design stage.

Enterprise Square 僑城坊, Shenzhen, PRC

The project, which measures a site area of 48,764 sq.m. and with total gross floor area of approximately 224,500 sq.m., is situated at Qiaoxiang Road North, Nanshan District. It is to be developed into 12 blocks of buildings for composite use in which Hon Kwok Group has 20% interest. Foundation works of this project will be completed by next quarter.

Property Investment

Shenzhen, PRC

Superstructure works of **Hon Kwok City Commercial Centre** 漢國城市商業中心, with total gross floor area of 128,000 sq.m. and situated at the junction of Shen Nan Zhong Road and Fu Ming Road, Fu Tian District, are in progress. This 80-storey commercial/office/residential tower is planned to be held by the Group for recurrent rental income upon completion of construction which is expected to be in 2015.

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

Guangzhou, PRC

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. Its current occupancy rate is about 90%.

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



Hon Kwok City Commercial Centre – superstructure works in progress

BUSINESS REVIEW *(Continued)*

3. Property *(Continued)*

Property Investment *(Continued)*

Chongqing, PRC



Jinshan Shangye Zhongxin – pending issuance of certificate of comprehensive completion

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

The certificate of comprehensive completion of **Jinshan Shangye Zhongxin** 金山商業中心, adjacent to the above **Chongqing Hon Kwok Centre** 重慶漢國中心, is expected to be granted soon and air-conditioning and internal finishing works to be followed then. This twin-tower project, with total gross floor area of 133,502 sq.m. comprising a grade A office tower and a 5-star hotel plus serviced apartments/office building with respective retail/commercial podium, intends to be held by the Group for recurrent rental income.

Hong Kong

Above 80% of the retail areas at ground level of the hotel/apartment building at Connaught Road Central and Des Voeux Road Central is leased out. 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 aforesaid building, is over 90% with encouraging room rates whilst that of **The Bauhinia** 寶軒, a 171-room serviced apartments atop of the above hotel, approximates 80%.

The average occupancy rate of **The Bauhinia Hotel (TST)** 寶軒酒店 (尖沙咀), a 44-room boutique hotel situated at the upper floors of a 23-storey commercial/office building at Observatory Court, Tsim Sha Tsui, is about 75% with satisfactory room rates. Renovation works for conversion of the lower floors of the above building into additional 54 hotel rooms have been completed pending issuance of occupation permit and hotel licence which are expected to be obtained in the coming months. Thereafter, the whole building will be operated as a 98-room boutique hotel occupying 20 storeys with the remaining floors for lease as restaurant/commercial use.

The current 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, exceeds 95% with satisfactory rental rates upon renewal of tenancies.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

3. Property *(Continued)*

Property Investment *(Continued)*

The Bauhinia Chains of Hotels and Serviced Apartments

At present, about 650 guest rooms are operating under the brand name of “The Bauhinia” in Hong Kong, Shenzhen and Guangzhou to cater for the accommodation needs of short-stay or longer-term visitors/business travellers and contributing approximately 40% of the Group’s recurrent rental and service income. Upon issuance of hotel licence, additional rooms in **The Bauhinia Hotel (TST)** 寶軒酒店（尖沙咀） will be available to cope with the anticipated growth in demand from overnight visitors in Hong Kong. More hotel rooms will also be added to our portfolio upon completion of the 5-star hotel in Chongqing.



The Bauhinia Hotel (Chongqing)



The Bauhinia Hotel (Guangzhou)



The Bauhinia Hotel (Shenzhen)



City Suites, Shenzhen



The Bauhinia Hotel (TST), Hong Kong



*The Bauhinia Apartment, Central, Hong Kong
The Bauhinia Hotel (Central), Hong Kong*

Hotels & Apartments

No. of Rooms

1.	The Bauhinia Hotel (Chongqing), PRC	300 (in the course of renovation)
2.	The Bauhinia Hotel (Guangzhou), PRC	166
3.	The Bauhinia Hotel (Shenzhen), PRC	162
4.	City Suites, Shenzhen, PRC	64
5.	The Bauhinia Apartment, Central, Hong Kong	171
6.	The Bauhinia Hotel (Central), Hong Kong	42
7.	The Bauhinia Hotel (TST), Hong Kong	98 (in the course of completion)

Total: 1,003

BUSINESS REVIEW *(Continued)*

4. Garment

J.L. Garment Group, a wholly-owned subsidiary of our Company with garment factory situated at Dongguan, in Mainland China and customers/buyers mainly from the European countries, reported a turnover of HK\$114 million (2013: HK\$125 million). The net loss for the year was HK\$14.9 million (2013: profit of HK\$3.1 million) which included property revaluation gain on its investment properties of HK\$2.1 million (2013: HK\$9.2 million). Excluding the effect of property revaluation gain, the loss would be HK\$17.0 million (2013: HK\$6.1 million) for the year under review.

The business environment remained extremely tough for the export market although the major European countries exhibited signs of improvement. In the absence of sustainable growth momentum, coupled with persistent high unemployment rates in some European countries, the consumer markets continued slackening and lacked vitality. Thus, the garment manufacturing sector looks set to remain sluggish in the near term.

To strive for production efficiency, J.L. Garment Group put effort to scale down production units by reducing labour force while maintaining its manufacturing capacity at high quality level. Furthermore, it continues to broaden its customer base to develop new orders and opportunities.

Due to the upward trend in Hong Kong industrial property market, JL Garment Group recorded a property revaluation gain of HK\$2.1 million (2013: HK\$9.2 million) on its investment properties while the self use property in Hong Kong was carrying at historical cost which is substantially lower than the current market value. The investment properties were held for rental income.

5. Construction and Trading

Chinney Alliance, a 29.1% owned associate recorded turnover and net profit for the year ended 31 December 2013 of HK\$3,201 million (2012: HK\$2,852 million) and HK\$104.5 million (2012: HK\$49.8 million), respectively. The profit for the year included fair value gains on equity investments was HK\$21.7 million (2012: HK\$5.6 million). Excluding the effect of fair value gains on equity investments, the profit from its business operations was HK\$82.8 million (2012: HK\$44.2 million).

The foundation and building construction industries have benefited from the vast investment in infrastructure projects in Hong Kong and the expansion of hotel projects in Macau. Our foundation piling and construction related businesses recorded a substantial increase in turnover, profit margin contribution also increased due to improved cost control. The contracts on hand mainly included hotels and school projects, public housing and private development projects.

The plastic trading division recorded a slight increase in turnover amid the tough and lackluster external markets. However, as customers were more aggressive in negotiating prices, coupled with keen competition among suppliers, profit margin dropped slightly. The division continues to expand its business in the Mainland China and to develop new supply sources and products to enhance its productivity.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

6. Other investment

During the year under review, the market price on a listed securities investment rose substantially over cost. The Group grasped this opportunity and realized the whole investment portfolio, which resulted in a profit of HK\$7.9 million over its carrying value. The actual profit realized on this long term listed investment as compared with its original acquisition cost amounted to HK\$27.4 million.

OUTLOOK

Looking ahead, the global economy is anticipated to continue its slow recovery. After struggling to gather momentum in the past few years, some of the eurozone countries have shown signs of improvement, yet varied in pace across different countries. Nevertheless, the high unemployment in Greece, Italy and Spain, remains a major concern which hinders the investor and consumer markets to restore confidence. In the United States, despite statistical data showing that economic fundamentals have been strengthened with job market slowly improving, the Federal Reserve's indication on the schedule of gradual tapering will probably add uncertainty to its recovery pace.

In the Mainland China, after the Central Government had implemented a series of restrictive measures to stabilize the rapidly growing property market, economic growth had further slowed down during the year. It is unlikely that the control measures will be loosened in the short-term. Nevertheless, the strong demand driven property markets in the major cities and urbanization policy look set to put China's economy on a more sustainable growth path in the long-term.

The Hong Kong economy is expected to continue its moderate growth, particularly for the building construction industry as the Government has resolved to increase land supply for more public and private housing development projects. Although the property market has been staggering for some time after the implementation of Double Stamp Duty ("DSD"), the recent implementation to fine-tuning the DSD measure will probably help to bring about a healthier property market in the near term.

Finally, I wish to express my sincere thanks to my fellow directors for their valuable advices and all staff members for their dedicated hard work during the year under review.

James Sai-Wing Wong
Chairman

Hong Kong, 26 June 2014

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

James Sai-Wing Wong

Aged 76, 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. Except Chinney Holdings and Lucky Year, all the other companies 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.

Madeline May-Lung Wong

Aged 74, was appointed as a director of the Company in 1987. She is a director of Chinney Holdings and Lucky Year, both being substantial shareholders of the Company. She is also a director of Hon Kwok and HKR International Limited. Hon Kwok and HKR International Limited are both listed on the Main Board of the Stock Exchange.

William Chung-Yue Fan

Aged 73, was appointed as a director of the Company in 1987. He is a solicitor in Hong Kong and retired from active practice in April 2013. He is also a non-executive director of Alltronics Holdings Limited, which is listed on the Main Board of the Stock Exchange.

Herman Man-Hei Fung

Aged 76, was appointed as a director of the Company in 1987 and became the Managing Director of the Company in 1995. He is also a director of Chinney Holdings and Lucky Year, both being substantial shareholders of the Company. He is the Vice-Chairman of Hon Kwok and a non-executive director of Chinney Alliance, which are both listed on the Main Board of the Stock Exchange. Mr. Fung was appointed as a member of the Board of Review (Inland Revenue Ordinance) Hong Kong from November 1996 to June 2005.

Paul Hon-To Tong

Aged 68, 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)*

James Sing-Wai Wong

Aged 50, was appointed as a non-executive director of the Company in June 2013. Mr. Wong graduated from the University of Washington with a Bachelor's Degree with honors in Economics. He also holds a Juris Doctor degree from the University of California Hastings College of Law, and a Master Degree in Systems Engineering and Information Systems from the Florida Institute of Technology. He is licensed to practice law in the United States of America and the State of California, where he also holds a Real Estate Broker's License. He has accumulated over 26 years' experience in economics, law, management, and information systems in Hong Kong, United States, Canada, the United Kingdom, and the Mainland China.

Mr. Wong is a director of Lucky Year and Chinney Holdings, both of which are substantial shareholders of the Company. He is also a director of Chinney Alliance which is listed on the Main Board of the Stock Exchange. He is the son of Dr. James Sai-Wing Wong, Chairman and substantial shareholder of the Company, and Madam Madeline May-Lung Wong, non-executive director and substantial shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Clement Kwok-Hung Young

Aged 80, 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 Middle and Primary Schools and a court member of the Hong Kong Baptist University. He is the Chairman of the board and supervisor of Pui Ching Academy.

Peter Man-Kong Wong

Aged 65, was appointed as an independent non-executive director of the Company in 2004. He is the Chairman of M.K. Corporation Limited and North West Development Limited, as well as a director of China Travel International Investment Hong Kong Limited, Far East Consortium International Limited, Glorious Sun Enterprises Limited, Hong Kong Ferry (Holdings) Company Limited, MGM China Holdings Limited, New Times Energy Corporation Limited, Sino Hotels (Holdings) Limited and Sun Hung Kai & Co. Limited. Except M.K. Corporation Limited and North West Development Limited, all the other companies are listed on the Main Board of the Stock Exchange. Mr. Wong graduated from the University of California at Berkeley in USA with a Bachelor of Science Degree in Mechanical Engineering (Naval Architecture). Mr. Wong serves as a deputy of the Twelfth National People's Congress of the People's Republic of China.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS *(Continued)*

James C. Chen

Aged 64, was appointed as an independent non-executive director of the Company in 2007. He has over 36 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 Certified Public Accountants, a member of the American Institute of Certified Public Accountants and the Chartered Global Management Accountant.

SENIOR MANAGEMENT

Zuric Yuen-Keung Chan

Aged 59, is an executive director of Hon Kwok and the Vice-Chairman and Managing Director of Chinney Alliance, which are both listed on the Main Board of the Stock Exchange. He joined the Group in 1989 and has 40 years of experience in the construction industry. He is a member of the Chartered Institute of Building.

Vincent Kwok-Kuen Wong

Aged 55, is the Managing Director of J.L. Group Company Limited, a major garment business acquired by the Company in 1993 with its markets in Europe and North America. Mr. Wong joined the Group in 1993 and has 36 years of experience in the garment industry of sourcing and manufacturing. He is responsible for the overall management of J.L. Group Company Limited.

Louisa Kai-Nor Siu

Aged 48, joined the Company in 2005 and is the Company Secretary and Financial Controller of the Company. She has 25 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 42, joined the Company in 2010 and is the Director – Corporate Finance of the Company. He has 19 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.

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 complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of 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 of the Listing Rules as its own code of conduct for directors’ securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The directors of the Company during the year ended 31 March 2014 were:

Executive Directors

James Sai-Wing Wong (*Chairman*)
Herman Man-Hei Fung (*Managing Director*)

Non-Executive Directors

Madeline May-Lung Wong
William Chung-Yue Fan
Paul Hon-To Tong
James Sing-Wai Wong (appointed on 28 June 2013)

Independent Non-Executive Directors

Clement Kwok-Hung Young
Peter Man-Kong Wong
James C. Chen

Details of background and qualifications of each director are set out in the section headed “Biographical Details of Directors and Senior Management” on pages 13 to 15 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 (i) James Sai-Wing Wong and Madeline May-Lung Wong are partners in certain investments (including their interests in the Company) and (ii) James Sing-Wai Wong is the son of James Sai-Wing Wong and Madeline May-Lung Wong.

During the year under review, 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 2014.

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 Herman Man-Hei Fung 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 provides 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 104 of the Articles of Association, William Chung-Yue Fan, Peter Man-Kong Wong and James C. Chen shall retire by rotation and, being eligible, offer themselves 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 trainings received by each of the directors during the year ended 31 March 2014 is summarised as follows:

Name of director	Type of trainings
Executive Directors	
James Sai-Wing Wong	A, B
Herman Man-Hei Fung	B
Non-Executive Directors	
Madeline May-Lung Wong	B
William Chung-Yue Fan	A, B
Paul Hon-To Tong	A, B
James Sing-Wai Wong (<i>appointed on 28 June 2013</i>)	A, B
Independent Non-Executive Directors	
Clement Kwok-Hung Young	B
Peter Man-Kong Wong	A, B
James C. Chen	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

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 December 2005. The Remuneration Committee currently comprises three members, namely Clement Kwok-Hung Young, James C. Chen and Herman Man-Hei Fung. The Chairman of the Remuneration Committee is Clement Kwok-Hung Young.

The Remuneration Committee's function is to review and recommend to the Board on the remuneration packages of the executive directors. 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.

AUDIT COMMITTEE

The Audit Committee was established in 2001. The Audit Committee currently comprises four members, namely James C. Chen, William Chung-Yue Fan, Clement Kwok-Hung Young and Peter Man-Kong Wong. Three of them are independent non-executive directors and one of them is non-executive director 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 auditors.

The Audit Committee held two meetings during the year under review, which were attended by the external auditors, 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 auditors, 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 MEETING

	Number of meetings attended during the year ended 31 March 2014			Annual General Meeting held on 29 August 2013
	Board Meetings	Remuneration Committee Meeting	Audit Committee Meetings	
Number of meetings held during the year ended 31 March 2014	2	1	2	1
James Sai-Wing Wong	2	N/A	N/A	1
Madeline May-Lung Wong	0	N/A	N/A	0
William Chung-Yue Fan	2	N/A	2	1
Herman Man-Hei Fung	2	1	2	1
Paul Hon-To Tong	2	N/A	N/A	1
James Sing-Wai Wong <i>(appointed on 28 June 2013)</i>	0	N/A	N/A	0
Clement Kwok-Hung Young	2	1	2	0
Peter Man-Kong Wong	1	N/A	1	0
James C. Chen	2	1	2	1

NOMINATION OF DIRECTORS

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. During the year under review, the Company has not established a nomination committee. 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.

AUDITORS' REMUNERATION

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

	Fees paid/payable HK\$'000
Types of services	
Audit services	3,049
Non-audit services (tax compliance services and other services)	454
	3,503

CORPORATE GOVERNANCE REPORT *(Continued)*

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE ACCOUNTS

The directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out in the Independent Auditors' Report on pages 37 and 38 of this annual report.

INTERNAL CONTROLS

The Board is responsible for ensuring that the Group maintains sound and effective internal controls to safeguard the assets of the Group and protect the interests of its shareholders.

The Board has conducted a review of the effectiveness of the internal control system of the Group and the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting functions. The review covered relevant financial, operational and compliance controls as well as risk management functions. The Board has concluded that the Group's overall system of internal control has effectively exercised its functions and that the Group's accounting staff are adequate and qualified to manage the accounting and financial reporting functions properly during the year.

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 ended 31 March 2014, the Company Secretary undertook no less than 15 hours of relevant professional training.

CONSTITUTIONAL DOCUMENTS

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

Nevertheless, under the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "new CO") effective on 3 March 2014, the memorandum of association of the Company (the "Memorandum") has been abolished. The conditions of the Memorandum immediately before the new CO is deemed to be regarded as provisions of the Articles of Association, except that any such condition setting out the authorised share capital and the par value of shares are regarded as deleted. All shares of the Company issued before the effective of the new CO are deemed to have no par value.

CORPORATE GOVERNANCE REPORT *(Continued)*

SHAREHOLDERS' RIGHTS

1. Convening of extraordinary general meeting on requisition by shareholders

Pursuant to Section 566 of the new 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 new 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.

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 chairmen of the board committees (or in their absence, other members of the committees) together with the external auditors 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 directors, and the poll procedures will be clearly explained.

REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the principal activities of the principal subsidiaries are set out in note 18 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 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 39 to 140.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK\$4,758 million as at 31 March 2014 (2013: HK\$3,667 million), of which approximately 43% (2013: 38%) of the debts were classified as current liabilities. Included therein were debts of HK\$199 million (2013: HK\$191 million) related to bank loans with repayable on demand clause and HK\$1,045 million related to project 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 16%. The increase in total debts was mainly due to the refinancing of certain investment properties with increased facilities and the drawdown of construction bank loans for mainland development projects.

Total cash and bank balances including time deposits were approximately HK\$936 million as at 31 March 2014 (2013: HK\$584 million). The Group had committed but undrawn banking facilities of a total of approximately HK\$828 million at year end available for its working capital purpose.

Total shareholders' funds as at 31 March 2014 were approximately HK\$3,681 million (2013: HK\$2,987 million). The increase was mainly due to current year's profit attributable to shareholders.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK\$3,822 million (2013: HK\$3,083 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK\$5,840 million (2013: HK\$5,422 million), was 65% as at 31 March 2014 (2013: 57%).

REPORT OF THE DIRECTORS *(Continued)*

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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 monitored closely by management and hedged to the extent desirable. As at 31 March 2014, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

Pledge of assets

Bank balances, certain properties and investments with an aggregate carrying value of approximately HK\$8,230 million as at 31 March 2014 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 35 to the financial statements.

Employees and remuneration policies

The Group, not including its associates and a joint venture, employed approximately 640 employees as at 31 March 2014. 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.

DIVIDEND

The Directors recommend the payment of a final dividend of 5 Hong Kong cents per ordinary share for the year ended 31 March 2014 (2013: 5 Hong Kong cents) to shareholders whose names appear on the Company's register of members on 5 September 2014. 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 26 September 2014.

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 28 August 2014. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 25 August 2014 to 28 August 2014 (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 22 August 2014.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 March 2014 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 on 4 September 2014 and 5 September 2014, 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 1 September 2014. 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 3 September 2014.

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 141. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 14 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 16 to the financial statements.

PARTICULARS OF PROPERTIES

Particulars of the major properties held by the Group are set out on pages 142 to 146, which do not form part of the audited financial statements.

REPORT OF THE DIRECTORS *(Continued)*

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 32 to the financial statements and in the consolidated statement of changes in equity, respectively.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2014, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 48 of schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), amounted to HK\$647,928,000, of which HK\$27,568,000 has been proposed as a final dividend for the year. In addition, the amount previously included in the Company's share premium account and transferred to issued capital during the year, of HK\$267,569,000, may be distributed in the form of fully paid bonus shares.

DIRECTORS

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

James Sai-Wing Wong
Madeline May-Lung Wong
William Chung-Yue Fan
Herman Man-Hei Fung
Paul Hon-To Tong
James Sing-Wai Wong (appointed on 28 June 2013)
Clement Kwok-Hung Young*
Peter Man-Kong Wong*
James C. Chen*

* *Independent non-executive directors*

In accordance with article 104 of the Articles of Association, William Chung-Yue Fan, Peter Man-Kong Wong and James C. Chen will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Mr. Peter Man-Kong Wong has served as an independent non-executive director of the Company for more than nine years. He satisfies the independence criteria set out in Rule 3.13 of the Listing Rules. Mr. Wong has extensive knowledge and experience in the commercial sector in Hong Kong and Mainland China and provide valuable independent advice to the Board. He is free from any business or other relationship with the Company which could interfere with his exercise of independent judgment. The Board believes that Mr. Wong is still independent and his re-election is in the best interests of the Company and the shareholders as a whole.

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.

REPORT OF THE DIRECTORS *(Continued)*

DETAILS OF RETIRING DIRECTORS TO BE RE-ELECTED

(a) William Chung-Yue Fan

Aged 73, was appointed as a director of the Company in 1987. Mr. Fan was not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting.

Mr. Fan is a solicitor in Hong Kong and retired from active practice in April 2013. He is also a non-executive director of Alltronics Holdings Limited, which is listed on the Main Board of the Stock Exchange.

At the date of this report, Mr. Fan is interested in 1,882,285 shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). Save as disclosed above, Mr. Fan does not have any other business 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. Fan. He is entitled to a director's fee of HK\$50,000 per annum.

Save as disclosed above, there is no other information relating to Mr. Fan 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 need to be brought to the attention of the shareholders of the Company.

(b) Peter Man-Kong Wong

Aged 65, was appointed as an independent non-executive director of the Company in 2004. Mr. Wong was not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting.

Mr. Wong is the Chairman of M.K. Corporation Limited and North West Development Limited, as well as a director of China Travel International Investment Hong Kong Limited, Far East Consortium International Limited, Glorious Sun Enterprises Limited, Hong Kong Ferry (Holdings) Company Limited, MGM China Holdings Limited, New Times Energy Corporation Limited, Sino Hotels (Holdings) Limited and Sun Hung Kai & Co. Limited. Except M.K. Corporation Limited and North West Development Limited, all the other companies are listed on the Main Board of the Stock Exchange. Mr. Wong graduated from the University of California at Berkeley in USA with a Bachelor of Science Degree in Mechanical Engineering (Naval Architecture). Mr. Wong serves as a deputy of the Twelfth National People's Congress of the People's Republic of China.

At the date of this report, Mr. Wong did not have any interests in the shares of the Company within the meaning of Part XV of the SFO. Other than his capacity as a director of the Company, Mr. Wong does not have any other business 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. Wong. He is entitled to a director's fee of HK\$50,000 per annum.

Save as disclosed above, there is no other information relating to Mr. Wong 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 need to be brought to the attention of the shareholders of the Company.

REPORT OF THE DIRECTORS *(Continued)*

DETAILS OF RETIRING DIRECTORS TO BE RE-ELECTED *(Continued)*

(c) **James C. Chen**

Aged 64, was appointed as an independent non-executive director of the Company in 2007. Mr. Chen was not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting.

Mr. Chen has over 36 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 Certified Public Accountants, a member of the American Institute of Certified Public Accountants and the Chartered Global Management Accountant.

At the date of this report, Mr. Chen did not have any interests in the shares of the Company within the meaning of Part XV of the SFO. Other than his capacity as a director of the Company, Mr. Chen does not have any other business 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. Chen. He is entitled to a director's fee of HK\$50,000 per annum.

Save as disclosed above, there is no other information relating to Mr. Chen 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 need to be brought to the attention of the shareholders of the Company.

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 13 to 15 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 other than statutory compensation.

REPORT OF THE DIRECTORS *(Continued)*

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2014, 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 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

<u>Name of director</u>	<u>Notes</u>	<u>Capacity and nature of interest</u>	<u>Number of ordinary shares held</u>	<u>Percentage of the Company's issued shares</u>
James Sai-Wing Wong	1 & 2	Through controlled corporation	347,759,324	63.07
	1	Beneficially owned	480,000	0.09
Madeline May-Lung Wong	1 & 2	Through controlled corporation	347,759,324	63.07
William Chung-Yue Fan	1	Beneficially owned	1,882,285	0.34

REPORT OF THE DIRECTORS *(Continued)*

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

(Continued)

(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	489,164,139	67.90
	1 & 4	Guangzhou Honkwok Fuqiang Land Development Ltd.	Through controlled corporations	RMB185,000,000	100.00
	1 & 7	Chinney Trading Company Limited	Through controlled corporations	10,400	80.00
	1 & 5	Chinney Alliance	Through controlled corporation	435,940,216	73.28
	1 & 6	Chinney Holdings	Through controlled corporation	9,900,000	99.00
	1	Chinney Holdings	Beneficially owned	100,000	1.00
	1	Lucky Year	Beneficially owned	10,000	50.00
Madeline May-Lung Wong	1 & 3	Hon Kwok	Through controlled corporation	489,164,139	67.90
	1 & 5	Chinney Alliance	Through controlled corporation	173,093,695	29.10
	1 & 6	Chinney Holdings	Through controlled corporation	9,900,000	99.00
	1	Lucky Year	Beneficially owned	10,000	50.00
Herman Man-Hei Fung	1	Hon Kwok	Beneficially owned	500,000	0.07

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 and Madeline May-Lung Wong are directors of Lucky Year and beneficially own more than one-third of the equity capital of Lucky Year.*
3. *These shares are beneficially held by the Company. By virtue of note 2, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.*
4. *Out of the RMB185,000,000 paid-up registered capital, RMB111,000,000 is held by a wholly-owned subsidiary of Hon Kwok and RMB74,000,000 is held by a company controlled by James Sai-Wing Wong. By virtue of note 3, James Sai-Wing Wong is deemed to be interested in this company.*
5. *Out of the 435,940,216 shares, 173,093,695 shares are held by a wholly-owned subsidiary of the Company and the remaining 262,846,521 shares are held by companies controlled by James Sai-Wing Wong. By virtue of note 2, James Sai-Wing Wong is deemed to be interested in these shares.*
6. *These shares are beneficially held by Lucky Year. By virtue of note 2, James Sai-Wing Wong and Madeline May-Lung Wong are deemed to be interested in these shares.*
7. *Out of the 10,400 shares, 2,600 shares are held by a wholly-owned subsidiary of Hon Kwok and the remaining 7,800 shares are held by a company controlled by James Sai-Wing Wong. By virtue of note 3, James Sai-Wing Wong is deemed to be interested in this company.*

Save as disclosed herein, as at 31 March 2014, none of the directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be recorded in the register kept by the Company under Section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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.

DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in note 39 to the financial statements, none of the directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

REPORT OF THE DIRECTORS *(Continued)*

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.

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

As at 31 March 2014, 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:

<u>Name</u>	<u>Capacity and nature of interest</u>	<u>Number of ordinary shares held</u>	<u>Percentage of the Company's issued shares</u>
Chinney Holdings	Directly beneficially owned	347,759,324	63.07
Lucky Year	Through controlled corporation	347,759,324	63.07

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 2014, none of the substantial shareholders or other persons (other than the directors of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, (i) James Sai-Wing Wong, Chairman of the Company, has deemed interests and holds directorships in companies engaged in the businesses of property investment; and (ii) Madeline May-Lung Wong is a director of HKR International Limited, whose group's businesses consist of property development and property investment. In this respect, James Sai-Wing Wong and Madeline May-Lung Wong are 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 three 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.

REPORT OF THE DIRECTORS *(Continued)*

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 2014.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

- (a) In June 2012, Hon Kwok Treasury Limited, a wholly-owned subsidiary of Hon Kwok, as borrower, entered into a facility agreement (the "HK\$600 million Facility Agreement") relating to a HK\$600 million transferable term and revolving loan facilities (the "HK\$600 million Loan Facilities") with a syndicate of banks. The HK\$600 million Loan Facilities have a term of 36 months commencing from the date of the HK\$600 million Facility Agreement and to be used to refinance the previous HK\$400 million transferable term and revolving loan facilities with outstanding balance of HK\$272 million and as general working capital of Hon Kwok and its subsidiaries.

Pursuant to the HK\$600 million Facility Agreement, it shall be an event of default if (i) the Company ceases to be the single largest shareholder of Hon Kwok or ceases to hold (whether directly or indirectly) not less than 30% of the effective shareholding in Hon Kwok; or (ii) James Sai-Wing Wong, Chairman of both the Company and Hon Kwok, ceases to be the major beneficial ultimate shareholder of the Company.

If an event of default under the HK\$600 million Facility Agreement occurs, the agent acting for the lending banks may, and shall if so requested by a majority of the lending banks, terminate the HK\$600 million Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the HK\$600 million Loan Facilities to be immediately due and payable.

- (b) In August 2013, Chinney Treasury Limited, a wholly-owned subsidiary of the Company, as borrower, entered into a facility agreement (the "HK\$500 million Facility Agreement") relating to a HK\$500 million transferable term and revolving loan facilities (the "HK\$500 million Loan Facilities") with a syndicate of banks. The HK\$500 million Loan Facilities have a term of 48 months commencing from the date of the HK\$500 million Facility Agreement and to be used for financing the Group's general working capital requirements.

Pursuant to the HK\$500 million Facility Agreement, it shall be an event of default if James Sai-Wing Wong, Chairman and substantial shareholder of the Company, ceases to (i) maintain management control over the Company; or (ii) remain as the major beneficial ultimate shareholder of the Company; or (iii) hold (whether directly or indirectly) at least 50% of equity interest in the Company (within the meaning of Part XV of the SFO).

If an event of default under the HK\$500 million Facility Agreement occurs, the agent acting for the lending banks may, and shall if so requested by a majority of the lending banks, terminate the HK\$500 million Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the HK\$500 million Loan Facilities to be immediately due and payable.

REPORT OF THE DIRECTORS *(Continued)*

CONNECTED TRANSACTION

On 29 May 2014, a wholly-owned subsidiary of Hon Kwok entered into a sale and purchase agreement for the acquisition of a villa located in Longgang District, Shenzhen, PRC from a wholly-owned subsidiary of Chinney Alliance for a cash consideration of HK\$8,063,000. The above acquisition constituted a connected transaction for both the Company and Hon Kwok and was subject to the reporting and announcement requirements but was exempt from independent shareholders' approval. For details, please refer to the Company's announcement dated 29 May 2014. The above transaction is scheduled to be completed by the end of June 2014.

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 issued shares was held by the public as at the date of this report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for 15% of the total sales for the year and sales to the largest customer included therein amounted to 6%. Purchases from the Group's five largest suppliers accounted for 66% of the total purchases for the year. Purchases from the Group's largest supplier included herein totalled 31%.

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 issued shares) had any beneficial interest in the Group's five largest customers.

AUDITORS

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

On behalf of the Board
Herman Man-Hei Fung
Managing Director

Hong Kong, 26 June 2014

INDEPENDENT AUDITORS' REPORT



To the shareholders of Chinney Investments, Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Chinney Investments, Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 39 to 140, which comprise the consolidated and company statements of financial position as at 31 March 2014, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 80 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT *(Continued)*

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

26 June 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2014

	<i>Notes</i>	2014 HK\$'000	2013 HK\$'000
REVENUE	5	496,323	363,330
Cost of sales		<u>(269,811)</u>	<u>(197,261)</u>
Gross profit		226,512	166,069
Other income	5	12,641	16,647
Gain on disposal of investment properties, net		1,057	2,269
Fair value gains on investment properties, net		590,308	421,624
Gain on disposal of equity investments at fair value through profit or loss		7,944	–
Fair value gain on equity investments at fair value through profit or loss, net		47	10,697
Selling and distribution expenses		(18,435)	(14,550)
Administrative and other operating expenses, net		(140,316)	(114,149)
Finance costs	6	(83,155)	(59,782)
Share of profits and losses of a joint venture and associates		<u>30,395</u>	<u>14,497</u>
PROFIT BEFORE TAX	7	626,998	443,322
Income tax expense	10	<u>(187,902)</u>	<u>(25,078)</u>
PROFIT FOR THE YEAR		<u>439,096</u>	<u>418,244</u>
Attributable to:			
Owners of the Company	11	256,490	242,540
Non-controlling interests		<u>182,606</u>	<u>175,704</u>
		<u>439,096</u>	<u>418,244</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

Year ended 31 March 2014

	<i>Notes</i>	2014 HK\$'000	2013 <i>HK\$'000</i>
<hr/>			
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		<u>46.52 HK cents</u>	<u>43.99 HK cents</u>
Diluted		<u>46.52 HK cents</u>	<u>43.99 HK cents</u>

Details of the proposed final dividend for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2014

	<i>Note</i>	2014 HK\$'000	2013 HK\$'000
PROFIT FOR THE YEAR		<u>439,096</u>	<u>418,244</u>
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of associates		928	(37)
Exchange differences on translation of foreign operations		<u>(18,749)</u>	<u>114,339</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		<u>(17,821)</u>	<u>114,302</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>421,275</u>	<u>532,546</u>
Attributable to:			
Owners of the Company	11	237,860	303,224
Non-controlling interests		<u>183,415</u>	<u>229,322</u>
		<u>421,275</u>	<u>532,546</u>

STATEMENTS OF FINANCIAL POSITION

Year ended 31 March 2014

	Notes	Group		Company	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	94,338	102,762	11	1
Prepaid land lease payments	15	11,567	12,792	–	–
Investment properties	16	7,340,072	6,126,039	–	–
Investments in subsidiaries	18	–	–	1,519,296	921,534
Investments in associates	19	519,423	493,292	–	–
Investment in a joint venture	20	199	199	–	–
Deferred tax assets	21	–	243	–	–
Loan receivables	22	–	1,103	–	–
Total non-current assets		<u>7,965,599</u>	<u>6,736,430</u>	<u>1,519,307</u>	<u>921,535</u>
CURRENT ASSETS					
Inventories	23	3,071	6,060	–	–
Properties held for sale under development and completed properties held for sale	24	2,535,364	2,203,230	–	–
Prepaid land lease payments	15	1,294	1,261	–	–
Equity investments at fair value through profit or loss	25	657	64,736	–	64,126
Trade and bills receivables	26	19,786	20,299	–	–
Prepayments, deposits and other receivables	27	96,257	65,205	516	188
Amount due from a related company	30	–	496	–	–
Amounts due from subsidiaries	18	–	–	117,704	93,209
Tax recoverable		2,813	1,194	–	–
Pledged deposits	28	116,370	120,803	–	–
Cash and cash equivalents	28	820,044	463,305	122,670	26,199
Total current assets		<u>3,595,656</u>	<u>2,946,589</u>	<u>240,890</u>	<u>183,722</u>

STATEMENTS OF FINANCIAL POSITION *(Continued)*

Year ended 31 March 2014

	Notes	Group		Company	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
CURRENT LIABILITIES					
Trade payables and accrued liabilities	29	177,151	116,553	4,711	4,543
Customer deposits		224,402	91,445	–	–
Amount due to a subsidiary	18	–	–	200,000	–
Tax payable		89,260	76,121	–	–
Interest-bearing bank borrowings	31	2,024,588	1,402,316	216,000	87,000
Total current liabilities		2,515,401	1,686,435	420,711	91,543
NET CURRENT ASSETS/ (LIABILITIES)					
		1,080,255	1,260,154	(179,821)	92,179
TOTAL ASSETS LESS CURRENT LIABILITIES					
		9,045,854	7,996,584	1,339,486	1,013,714
NON-CURRENT LIABILITIES					
Amount due to a subsidiary	18	–	–	286,148	–
Interest-bearing bank borrowings	31	2,733,303	2,264,333	–	–
Deferred tax liabilities	21	472,868	310,360	–	–
Total non-current liabilities		3,206,171	2,574,693	286,148	–
Net assets		5,839,683	5,421,891	1,053,338	1,013,714

STATEMENTS OF FINANCIAL POSITION *(Continued)*

Year ended 31 March 2014

	Notes	Group		Company	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
EQUITY					
Equity attributable to owners of the Company					
Issued capital	32	405,411	137,842	405,410	137,842
Reserves	33	3,247,821	2,821,434	620,360	848,304
Proposed final dividend	12	27,568	27,568	27,568	27,568
		3,680,800	2,986,844	1,053,338	1,013,714
Non-controlling interests		2,158,883	2,435,047	—	—
Total equity		5,839,683	5,421,891	1,053,338	1,013,714

James Sai-Wing Wong
Director

Herman Man-Hei Fung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2014

	Attributable to owners of the Company									
	Issued capital	Share premium account	Other reserve	Asset revaluation reserve	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2012	137,842	267,569	30,708	5,489	317,218	1,917,182	27,568	2,703,576	2,243,203	4,946,779
Profit for the year	-	-	-	-	-	242,540	-	242,540	175,704	418,244
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	-	-	-	-	60,684	-	-	60,684	53,618	114,302
Total comprehensive income for the year	-	-	-	-	60,684	242,540	-	303,224	229,322	532,546
Acquisition of non-controlling interests	-	-	7,612	-	-	-	-	7,612	(10,772)	(3,160)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(26,706)	(26,706)
Final 2012 dividend declared	-	-	-	-	-	-	(27,568)	(27,568)	-	(27,568)
Proposed final 2013 dividend (note 12)	-	-	-	-	-	(27,568)	27,568	-	-	-
At 31 March 2013	<u>137,842</u>	<u>267,569*</u>	<u>38,320*</u>	<u>5,489*</u>	<u>377,902*</u>	<u>2,132,154*</u>	<u>27,568</u>	<u>2,986,844</u>	<u>2,435,047</u>	<u>5,421,891</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

Year ended 31 March 2014

	Attributable to owners of the Company									
	Issued capital	Share premium account	Other reserve	Asset revaluation reserve	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2013	137,842	267,569*	38,320*	5,489*	377,902*	2,132,154*	27,568	2,986,844	2,435,047	5,421,891
Profit for the year	-	-	-	-	-	256,490	-	256,490	182,606	439,096
Other comprehensive income/(loss) for the year:										
Exchange differences on translation of foreign operations	-	-	-	-	(18,630)	-	-	(18,630)	809	(17,821)
Total comprehensive income/(loss) for the year	-	-	-	-	(18,630)	256,490	-	237,860	183,415	421,275
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	108,722	108,722
Acquisition of non-controlling interests	-	-	395,747	-	87,917	-	-	483,664	(541,760)	(58,096)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(26,541)	(26,541)
Transfer to issued capital (note 32)	267,569	(267,569)	-	-	-	-	-	-	-	-
Final 2013 dividend declared	-	-	-	-	-	-	(27,568)	(27,568)	-	(27,568)
Proposed final 2014 dividend (note 12)	-	-	-	-	-	(27,568)	27,568	-	-	-
At 31 March 2014	405,411	-	434,067*	5,489*	447,189*	2,361,076*	27,568	3,680,800	2,158,883	5,839,683

* These reserve accounts comprise the consolidated reserves of HK\$3,247,821,000 (2013: HK\$2,821,434,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2014

	Notes	2014 HK\$'000	2013 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		626,998	443,322
Adjustments for:			
Share of profits and losses of a joint venture and associates		(30,395)	(14,497)
Interest income	5	(5,408)	(7,208)
Finance costs	6	83,155	59,782
Depreciation	7	12,240	12,342
Amortisation of prepaid land lease payments	7	1,294	1,261
Fair value gains of investment properties, net	7	(590,308)	(421,624)
Gain on disposal of items of property, plant and equipment	7	(141)	(231)
Fair value gain on equity investments at fair value through profit or loss, net	7	(47)	(10,697)
Gain on disposal of investment properties	7	(1,057)	(2,269)
Gain on disposal of equity investments at fair value through profit or loss	7	(7,944)	–
		88,387	60,181
Decrease in inventories		2,989	971
Increase in properties held for sale under development and completed properties held for sale		(239,841)	(331,444)
Increase in loan receivables, trade and bills receivables, prepayments, deposits and other receivables		(29,436)	(23,175)
Decrease/(increase) in amount due from a related company		496	(79)
Decrease in trade payables and accrued liabilities		(40,816)	(72,062)
Increase in customer deposits		132,957	67,833
		(85,264)	(297,775)
Cash used in operations		(348)	(202)
Hong Kong profits tax paid		(11,019)	(24,434)
Overseas taxes paid		–	–
		(96,631)	(322,411)
Net cash flows used in operating activities		(96,631)	(322,411)

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

Year ended 31 March 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Net cash flows used in operating activities		<u>(96,631)</u>	<u>(322,411)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment	14	(3,588)	(3,791)
Acquisition of non-controlling interests		(58,096)	(3,160)
Additions to investment properties		(548,830)	(371,921)
Dividends received from an associate		5,192	5,192
Interest received		5,408	7,208
Proceeds from disposal of items of property, plant and equipment		173	1,243
Proceeds from disposal of investment properties		5,089	14,481
Proceeds from disposal of equity investments at fair value through profit or loss		72,070	–
Acquisition of an associate		–	(369,979)
Increase in pledged deposits		(3,592)	(2,402)
Increase in non-pledged time deposits with original maturity of more than three months when acquired		<u>(68,000)</u>	<u>(72,000)</u>
Net cash flows used in investing activities		<u>(594,174)</u>	<u>(795,129)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(165,320)	(102,289)
Contributions from non-controlling interests		108,722	–
Dividends paid to non-controlling shareholders		(26,541)	(26,706)
Dividend paid		(27,568)	(27,568)
New bank loans		1,516,177	976,930
Repayment of bank loans		<u>(424,935)</u>	<u>(309,620)</u>
Net cash flows from financing activities		<u>980,535</u>	<u>510,747</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		289,730	(606,793)
Cash and cash equivalents at beginning of year		391,305	979,176
Effect of foreign exchange rate changes, net		<u>(991)</u>	<u>18,922</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		<u>680,044</u>	<u>391,305</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	569,045	341,305
Non-pledged time deposits	28	<u>250,999</u>	<u>122,000</u>
Cash and cash equivalents as stated in the consolidated statement of financial position		820,044	463,305
Non-pledged time deposits with original maturity of more than three months when acquired		<u>(140,000)</u>	<u>(72,000)</u>
Cash and cash equivalents at end of year		<u>680,044</u>	<u>391,305</u>

NOTES TO THE FINANCIAL STATEMENTS

31 March 2014

1. CORPORATE 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 purpose
- manufacturing 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”).

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”) and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in Sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for certain investment properties and equity investments, which have been measured at fair value. 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 2014. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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 in the accounting policy for subsidiaries below. 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 new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements</i> – <i>Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets – Recoverable</i> <i>Amount Disclosures for Non-Financial Assets</i> (early adopted)
HK(IFRIC)-Int 20 <i>Annual Improvements</i> <i>2009-2011 Cycle</i>	<i>Stripping Costs in the Production Phase of a Surface Mine</i> Amendments to a number of HKFRSs issued in June 2012

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

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 11, HKFRS 12, HKFRS 13, HKAS 19 (2011), amendments to HKFRS 10, HKFRS 11, HKFRS 12, HKAS 1 and HKAS 36, and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

- (a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 April 2013.

- (b) HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. The classification of joint arrangements under HKFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with HKAS 28 (2011).

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11, and concluded that the application of HKFRS 11 does not change any of the Group's accounting for investment in a joint venture.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

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

- (c) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries, associates and a joint venture are included in notes 18, 19 and 20 to the financial statements, respectively.
- (d) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.
- (e) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties and financial instruments are included in notes 16 and note 41 to the financial statements.
- (f) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.
- (g) HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. As the Group does not have any defined benefit plan or employee termination plan and the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period, the adoption of the revised standard has had no effect on the financial position or performance of the Group.

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

- (h) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 April 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.
- (i) *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- *HKAS 1 Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- *HKAS 32 Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with *HKAS 12 Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

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.

HKFRS 9	<i>Financial Instruments</i> ⁴
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	<i>Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39</i> ⁴
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i> ¹
HKFRS 11 Amendments	Accounting for Acquisitions of Interests in Joint Operations ³
HKFRS 14	<i>Regulatory Deferral Accounts</i> ³
HKAS 16 and HKAS 38 Amendments	Clarification of Acceptable Methods of Depreciation and Amortisation ³
HKAS 19 Amendments	Amendments to HKAS 19 <i>Employee Benefits – Defined Benefit Plans: Employee Contributions</i> ²
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> ¹
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets – Recoverable Amount Disclosures of Non-Financial Assets</i> ¹
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i> ¹
HK(IFRIC)-Int 21	<i>Levies</i> ¹
<i>Annual Improvements 2010-2012 Cycle</i>	Amendments to a number of HKFRSs issued in January 2014 ²
<i>Annual Improvements 2011-2013 Cycle</i>	Amendments to a number of HKFRSs issued in January 2014 ²

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 July 2014

³ Effective for annual periods beginning on or after 1 January 2016

⁴ No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the “Additions”) and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option (“FVO”). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

The HKAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to set off” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 April 2014.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

In addition, the annual report requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company’s first financial year commencing on or after 3 March 2014 in accordance with Section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Hong Kong Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). It is considered that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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 results of subsidiaries are included in the Company’s statement of profit or loss to the extent of dividends received and receivable. The Company’s investments in subsidiaries are stated at cost less any impairment losses.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and a joint venture *(Continued)*

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 are 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 associates 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 asset 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 associates 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.

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 by the acquiree.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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 that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. 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.

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 disposed operation and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

The Group measures 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.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, 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 the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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 the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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); and
 - (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).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

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. The cost of an item of property, plant and equipment comprises its purchase price and any directly 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 the statement of 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 the statement of 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.

Property 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 the statement of 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 the statement of profit or loss in the year of the retirement or disposal.

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 surplus or deficit at that date between the carrying amount and the fair value of the property is dealt with as movements in the asset revaluation reserve or charged to the statement of profit or loss, respectively.

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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Properties held for sale under development and properties held for sale *(Continued)*

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 the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

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 the statement of 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 the statement of 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 market place.

Subsequent measurement

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

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 the statement of 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 and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

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.

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 the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued 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 the statement of 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:

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 the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Loans and borrowings (Continued)

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 the statement of 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 the statement of 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.

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 equivalents 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 statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, 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 for the current and prior periods 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 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

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 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 a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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) income 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

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 the statement of 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 the statement of 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 the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

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. Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 4.19% (2013: 3.98%) has been applied to the expenditure on the individual assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's 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 and presentation 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 the statement of 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 differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

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 the presentation currency of the Company 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 the statement of 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

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.

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 development

Property under construction or development for future use as an investment property is classified as investment property 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. 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 and 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.

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 24 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

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

Estimation uncertainty *(Continued)*

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 makes reference 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 21 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 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 of LAT in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

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 the development and generation of rental income; and
- (d) the “others” segment comprises miscellaneous rental income generated by the Group other than income received from its investment properties and property management service fee income.

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 before tax. The adjusted profit before tax is measured consistently with the Group’s profit before tax except that interest income, unallocated gains and expenses, finance costs, share of profits and losses of associates and a joint venture as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, pledged deposits, cash and cash equivalents, equity investments at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities 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 2014

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 March 2014	Garment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:					
Sales to external customers	114,086	177,009	168,474	36,754	496,323
Segment results	(20,260)	56,907	643,400	3,219	683,266
<i>Reconciliation:</i>					
Interest income					5,408
Dividend income and unallocated gains					9,035
Corporate and other unallocated expenses					(17,951)
Finance costs					(83,155)
Share of profits and losses of a joint venture and associates					<u>30,395</u>
Profit before tax					<u><u>626,998</u></u>
Segment assets	77,198	2,671,435	7,855,590	1,585,691	12,189,914
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(2,088,165)
Investments in associates					519,423
Investment in a joint venture					199
Corporate and other unallocated assets					<u>939,884</u>
Total assets					<u><u>11,561,255</u></u>
Segment liabilities	15,084	1,394,805	537,653	542,176	2,489,718
<i>Reconciliation:</i>					
Elimination of intersegment payables					(2,088,165)
Corporate and other unallocated liabilities					<u>5,320,019</u>
Total liabilities					<u><u>5,721,572</u></u>
Other segment information:					
Fair value gains on investment properties, net	2,100	–	588,208	–	590,308
Depreciation and amortisation	1,643	1,157	1,938	8,796	13,534
Capital expenditure*	<u>180</u>	<u>177</u>	<u>638,607</u>	<u>864</u>	<u>639,828</u>

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2014

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 March 2013	Garment HK\$'000	Property development HK\$'000	Property investment HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:					
Sales to external customers	124,960	43,415	155,765	39,190	363,330
Segment results					
	1,860	10,964	468,462	3,599	484,885
<i>Reconciliation:</i>					
Interest income					7,208
Dividend income and unallocated gains					11,832
Corporate and other unallocated expenses					(15,318)
Finance costs					(59,782)
Share of profits and losses of a joint venture and associates					14,497
Profit before tax					443,322
Segment assets					
	92,489	2,272,299	6,505,855	1,592,218	10,462,861
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(1,923,614)
Investments in associates					493,292
Investment in a joint venture					199
Corporate and other unallocated assets					650,281
Total assets					9,683,019
Segment liabilities					
	18,222	1,233,381	468,992	411,017	2,131,612
<i>Reconciliation:</i>					
Elimination of intersegment payables					(1,923,614)
Corporate and other unallocated liabilities					4,053,130
Total liabilities					4,261,128
Other segment information:					
Fair value gains on investment properties, net	9,200	–	412,424	–	421,624
Depreciation and amortisation	1,967	1,442	1,562	8,632	13,603
Capital expenditure*	722	2,351	397,681	176	400,930

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Hong Kong	104,327	98,481
Mainland China	293,761	152,104
Europe	96,200	101,372
North America	1,046	10,224
Other countries	989	1,149
	<u>496,323</u>	<u>363,330</u>

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

(b) Non-current assets

	31 March 2014 <i>HK\$'000</i>	31 March 2013 <i>HK\$'000</i>
Hong Kong	2,601,441	2,586,482
Mainland China	4,844,536	3,655,111
	<u>7,445,977</u>	<u>6,241,593</u>

The non-current asset information above is based on the locations of assets and excludes investments in associates, investment in a joint venture, deferred tax assets and loan receivables.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, 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 is as follows:

	Group	
	2014	2013
	HK\$'000	HK\$'000
Revenue		
Sale of goods	114,086	124,960
Sale of properties	177,009	43,415
Gross rental income	202,963	192,718
Property management income	2,265	2,237
	<u>496,323</u>	<u>363,330</u>
Other income		
Bank interest income	5,378	7,045
Other interest income	30	163
Dividend income from listed investments at fair value through profit or loss	1,044	1,135
Management fee income received from an associate	1,500	3,000
Others	4,689	5,304
	<u>12,641</u>	<u>16,647</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans wholly repayable within five years	162,833	99,630
Interest on bank loans wholly repayable after five years	2,487	2,659
Less: Interest capitalised under property development projects	<u>(82,165)</u>	<u>(42,507)</u>
	<u><u>83,155</u></u>	<u><u>59,782</u></u>

7. PROFIT BEFORE TAX

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

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of properties sold	100,139	23,210
Cost of inventories sold	95,620	97,831
Depreciation (<i>note 14</i>)	12,240	12,342
Amortisation of prepaid land lease payments (<i>note 15</i>)	1,294	1,261
Minimum lease payments under operating leases on land and buildings*	20,435	20,456
Auditors' remuneration	3,018	2,911
Employee benefit expense (including directors' remuneration (<i>note 8</i>)):		
Wages, salaries, allowances and benefits in kind	93,139	85,171
Pension scheme contributions	<u>2,590</u>	<u>3,034</u>
	95,729	88,205
Less: Amount capitalised under property development projects	<u>(11,300)</u>	<u>(9,800)</u>
	<u><u>84,429</u></u>	<u><u>78,405</u></u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

7. PROFIT BEFORE TAX *(Continued)*

	Group	
	2014	2013
	<u>HK\$'000</u>	<u>HK\$'000</u>
Gross rental income included in the following categories:		
Rental income	(202,963)	(192,718)
Other income	(762)	(728)
	<u>(203,725)</u>	<u>(193,446)</u>
Less: Outgoing expenses**	<u>74,052</u>	<u>76,220</u>
	<u>(129,673)</u>	<u>(117,226)</u>
Rental income on investment properties less direct operating expenses of HK\$42,022,000 (2013: HK\$41,910,000)		
	(126,452)	(113,855)
Foreign exchange differences, net	946	20
Fair value gains on investment properties, net <i>(note 16)</i>	(590,308)	(421,624)
Fair value gains on equity investments at fair value through profit or loss, net	(47)	(10,697)
Interest income	(5,408)	(7,208)
Impairment of trade receivables <i>(note 26)</i>	11	–
Reversal of impairment of trade receivables <i>(note 26)</i>	–	(15)
Gain on disposal of investment properties, net	(1,057)	(2,269)
Gain on disposal of equity investment at fair value through profit or loss	(7,944)	–
Gain on disposal of items of property, plant and equipment	<u>(141)</u>	<u>(231)</u>

At the end of the reporting period, the amount of forfeited pension scheme contributions available to the Group for future utilisation was not significant (2013: Nil).

* Included in the amount are rental expenses for carpark operations of HK\$8,018,000 (2013: HK\$8,954,000) 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 2014

8. DIRECTORS' REMUNERATION

Details of directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 78 of schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), are as follows:

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees	<u>275</u>	<u>250</u>
Other emoluments:		
Salaries, allowances and benefits in kind	9,958	8,363
Discretionary performance-related bonuses*	<u>3,000</u>	<u>3,000</u>
	<u>12,958</u>	<u>11,363</u>
	<u><u>13,233</u></u>	<u><u>11,613</u></u>

* *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 are as follows:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Clement Kwok-Hung Young	50	50
Peter Man-Kong Wong	50	50
James C. Chen	<u>50</u>	<u>50</u>
	<u>150</u>	<u>150</u>

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and non-executive directors

	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>
2014					
Executive directors:					
James Sai-Wing Wong	–	5,000	1,500	–	6,500
Herman Man-Hei Fung	–	4,958	1,500	–	6,458
	–	9,958	3,000	–	12,958
Non-executive directors:					
Madeline May-Lung Wong	–	–	–	–	–
William Chung-Yue Fan	50	–	–	–	50
Paul Hon-To Tong	50	–	–	–	50
James Wong-Sing Wai	25	–	–	–	25
	125	–	–	–	125
	125	9,958	3,000	–	13,083
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
2013					
Executive directors:					
James Sai-Wing Wong	–	4,000	1,500	–	5,500
Herman Man-Hei Fung	–	4,363	1,500	–	5,863
	–	8,363	3,000	–	11,363
Non-executive directors:					
Madeline May-Lung Wong	–	–	–	–	–
William Chung-Yue Fan	50	–	–	–	50
Paul Hon-To Tong	50	–	–	–	50
	100	–	–	–	100
	100	8,363	3,000	–	11,463

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 2014

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2013: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2013: three) non-director, highest paid employees for the year are as follows:

	Group	
	2014	2013
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	7,316	6,248
Discretionary performance-related bonuses	4,742	4,216
Pension scheme contributions	164	136
	12,222	10,600

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

	Number of employees	
	2014	2013
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	1	–
HK\$2,500,001 to HK\$3,000,000	–	–
HK\$3,000,001 to HK\$3,500,000	–	–
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$4,000,001 to HK\$4,500,000	1	–
HK\$4,500,001 to HK\$5,000,000	–	–
HK\$5,000,001 to HK\$5,500,000	–	1
HK\$5,500,001 to HK\$6,000,000	1	–
	3	3

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the 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.

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Group:		
Current – Hong Kong		
Charge for the year	40	553
Overprovision in prior years	(20)	–
Current – Elsewhere		
Charge for the year	16,953	3,921
Overprovision in prior years	(4,211)	–
LAT in Mainland China	10,425	5,774
Deferred (<i>note 21</i>)	164,715	14,830
Total tax charge for the year	<u>187,902</u>	<u>25,078</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

10. INCOME TAX *(Continued)*

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:

	Group	
	2014	2013
	HK\$'000	HK\$'000
Profit before tax	626,998	443,322
Tax at the statutory tax rate of 16.5% (2013: 16.5%)	103,455	73,148
Effect of different rates of companies operating in other jurisdictions	62,303	8,799
Adjustments in respect of current tax of previous periods	(4,231)	–
Income not subject to tax	(1,894)	(60,509)
Expenses not deductible for tax	19,997	7,645
Tax losses utilised from previous periods	(2,564)	(3,575)
Tax losses not recognised	12,180	7,903
Profits and losses attributable to associates	(5,015)	(2,392)
LAT	10,425	5,774
Others	(6,754)	(11,715)
Tax charge at the Group's effective rate of 30% (2013: 5.7%)	187,902	25,078

The share of net tax charge attributable to associates amounting to HK\$3,159,000 (2013: HK\$3,981,000) is included in "Share of profits and losses of a joint venture and 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 2014 (2013: Nil).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 March 2014 includes a profit of HK\$56,393,000 (2013: HK\$30,218,000) which has been dealt with in the financial statements of the Company.

12. DIVIDEND

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed final – 5 HK cents (2013: 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 basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$256,490,000 (2013: HK\$242,540,000), and the number of ordinary shares in issue during the year of 551,368,153 (2013: 551,368,153).

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2014 and 2013.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

14. PROPERTY, PLANT AND EQUIPMENT

Group

	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 2014							
At 31 March 2013 and at 1 April 2013:							
Cost	51,800	66,342	42,172	11,513	9,163	25,015	206,005
Accumulated depreciation	<u>(19,205)</u>	<u>(26,470)</u>	<u>(22,722)</u>	<u>(11,258)</u>	<u>(5,344)</u>	<u>(18,244)</u>	<u>(103,243)</u>
Net carrying amount	<u>32,595</u>	<u>39,872</u>	<u>19,450</u>	<u>255</u>	<u>3,819</u>	<u>6,771</u>	<u>102,762</u>
At 1 April 2013, net of accumulated depreciation	32,595	39,872	19,450	255	3,819	6,771	102,762
Additions	–	–	–	136	1,787	1,665	3,588
Disposals	–	–	–	–	(27)	(5)	(32)
Depreciation provided during the year	(1,042)	(3,321)	(3,466)	(256)	(1,566)	(2,589)	(12,240)
Exchange realignment	<u>–</u>	<u>179</u>	<u>43</u>	<u>2</u>	<u>11</u>	<u>25</u>	<u>260</u>
At 31 March 2014, net of accumulated depreciation	<u>31,553</u>	<u>36,730</u>	<u>16,027</u>	<u>137</u>	<u>4,024</u>	<u>5,867</u>	<u>94,338</u>
At 31 March 2014:							
Cost	51,800	66,607	41,987	11,723	10,358	25,984	208,459
Accumulated depreciation	<u>(20,247)</u>	<u>(29,877)</u>	<u>(25,960)</u>	<u>(11,586)</u>	<u>(6,334)</u>	<u>(20,117)</u>	<u>(114,121)</u>
Net carrying amount	<u>31,553</u>	<u>36,730</u>	<u>16,027</u>	<u>137</u>	<u>4,024</u>	<u>5,867</u>	<u>94,338</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

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

Group

	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 2013							
At 1 April 2012:							
Cost	51,800	65,085	41,353	11,311	9,376	23,277	202,202
Accumulated depreciation	(18,163)	(22,753)	(19,069)	(10,577)	(5,456)	(15,412)	(91,430)
Net carrying amount	<u>33,637</u>	<u>42,332</u>	<u>22,284</u>	<u>734</u>	<u>3,920</u>	<u>7,865</u>	<u>110,772</u>
At 1 April 2012, net of accumulated depreciation	33,637	42,332	22,284	734	3,920	7,865	110,772
Additions	-	-	42	33	2,231	1,485	3,791
Disposals	-	-	-	-	(1,012)	-	(1,012)
Depreciation provided during the year	(1,042)	(3,254)	(3,433)	(517)	(1,382)	(2,714)	(12,342)
Exchange realignment	-	794	557	5	62	135	1,553
At 31 March 2013, net of accumulated depreciation	<u>32,595</u>	<u>39,872</u>	<u>19,450</u>	<u>255</u>	<u>3,819</u>	<u>6,771</u>	<u>102,762</u>
At 31 March 2013:							
Cost	51,800	66,342	42,172	11,513	9,163	25,015	206,005
Accumulated depreciation	(19,205)	(26,470)	(22,722)	(11,258)	(5,344)	(18,244)	(103,243)
Net carrying amount	<u>32,595</u>	<u>39,872</u>	<u>19,450</u>	<u>255</u>	<u>3,819</u>	<u>6,771</u>	<u>102,762</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

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

Group

Details of the leasehold land and buildings are as follows:

	2014	2013
	HK\$'000	HK\$'000
<hr/>		
Medium term leases:		
Hong Kong	51,800	51,800
Mainland China	39,555	39,290
Long term leases in Mainland China	<u>27,052</u>	<u>27,052</u>
	<u>118,407</u>	<u>118,142</u>

Company

		Furniture, fixtures and equipment HK\$'000
<hr/>		
31 March 2014		
At 31 March 2013 and 1 April 2013:		
Cost		83
Accumulated depreciation		<u>(82)</u>
Net carrying amount		<u>1</u>
At 1 April 2013, net of accumulated depreciation		
Additions		11
Depreciation provided during the year		<u>(1)</u>
At 31 March 2014, net of accumulated depreciation		<u>11</u>
At 31 March 2014:		
Cost		94
Accumulated depreciation		<u>(83)</u>
Net carrying amount		<u>11</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

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

Company

	Furniture, fixtures and equipment <i>HK\$'000</i>
<hr/>	
31 March 2013	
At 1 April 2012 and 31 March 2013:	
Cost	83
Accumulated depreciation	<u>(82)</u>
Net carrying amount	<u><u>1</u></u>

At 31 March 2014, certain of the Group's leasehold land and buildings with a net carrying amount of approximately HK\$31,553,000 (2013: HK\$32,595,000) were pledged to secure general banking facilities granted to the Group as detailed in note 31(a)(vii).

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
<hr/>		
At beginning of year	14,053	15,100
Recognised during the year	(1,294)	(1,261)
Exchange realignment	<u>102</u>	<u>214</u>
At end of year	12,861	14,053
Current portion	<u>(1,294)</u>	<u>(1,261)</u>
Non-current portion	<u><u>11,567</u></u>	<u><u>12,792</u></u>

The leasehold land is held under a medium term lease and is situated in Mainland China.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

16. INVESTMENT PROPERTIES

Group

	2014			Total HK\$'000
	Completed investment properties at fair value HK\$'000	Investment properties under construction at fair value HK\$'000	Investment properties under construction at cost HK\$'000	
At 1 April 2013	4,588,300	–	1,537,739	6,126,039
Additions	62,174	93,655	480,411	636,240
Disposals	(4,032)	–	–	(4,032)
Transfer	–	585,578	(585,578)	–
Net gains/(losses) from fair value adjustments	(14,860)	605,168	–	590,308
Exchange realignment	(332)	(8,151)	–	(8,483)
At 31 March 2014	<u>4,631,250</u>	<u>1,276,250</u>	<u>1,432,572</u>	<u>7,340,072</u>
			2013	
			Investment properties under construction	
		Completed investment properties at fair value HK\$'000	at cost HK\$'000	Total HK\$'000
At 1 April 2012		4,116,929	1,128,617	5,245,546
Additions		13,788	383,351	397,139
Disposals		(12,212)	–	(12,212)
Net gains from fair value adjustments		421,624	–	421,624
Exchange realignment		48,171	25,771	73,942
At 31 March 2013		<u>4,588,300</u>	<u>1,537,739</u>	<u>6,126,039</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

16. INVESTMENT PROPERTIES *(Continued)*

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Analysed by type and location:		
Long term leasehold land and buildings in Hong Kong	1,286,600	1,314,200
Medium term leasehold land and buildings in Hong Kong	1,280,900	1,236,600
Medium term leasehold land and buildings in Mainland China	<u>4,772,572</u>	<u>3,575,239</u>
	<u>7,340,072</u>	<u>6,126,039</u>

The directors of the Company have determined that the Group's completed investment properties 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 2014 based on valuations performed by Savills Valuation and Professional Services Limited and Memfus Wong Surveyors Limited, independent professionally qualified valuers, at an aggregate value of HK\$5,907,500,000. 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.

Certain completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 37(a) to the financial statements.

Investment properties under construction included interest expense of HK\$50,508,000 (2013: HK\$25,218,000) that was incurred and capitalised during the year.

During the year, one of the Group's investment properties under construction which was stated at cost as at 31 March 2013 was revalued on an open market, existing use basis, by independent professionally qualified valuers as its fair value can be determined reliably. This gave rise to a revaluation gain of HK\$605 million and a related deferred tax of HK\$151 million which were both recognised in the consolidated statement of profit or loss for the year.

Certain investment properties under construction are measured at cost until such time as fair value can be determined reliably or construction is completed. The Group has concluded that the fair value of these investment properties under construction cannot be measured reliably and were therefore measured at cost in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

16. INVESTMENT PROPERTIES *(Continued)*

The Group's investment properties with an aggregate carrying value of HK\$7,321,972,000 (2013: HK\$6,109,439,000) at the end of the reporting period were pledged to the Group's bankers to secure the banking facilities granted to the Group as detailed in note 31(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 31(a)(iv).

Further particulars of the Group's investment properties are included in "Particulars of Properties" on pages 142 to 146.

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 2014 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	—	—		5,907,500
	<u> </u>	<u> </u>	<u> </u>	<u> </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.

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

	HK\$'000
Carrying amount at 1 April 2013	4,588,300
Additions	155,829
Disposals	(4,032)
Transfer	585,578
Net gains from fair value adjustments	590,308
Exchange realignment	<u>(8,483)</u>
Carrying amount at 31 March 2014	<u> </u> <u> </u> 5,907,500

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

16. INVESTMENT PROPERTIES *(Continued)*

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
<u>Commercial properties</u>			
Completed	Income capitalisation approach	Estimated rental value per sq.ft. and per month (HK\$)	19 to 155
		per sq.m. and per month (Renminbi ("RMB"))	55 to 423
		Capitalisation rate	3% to 6.5%
	Direct comparison approach	Unit price (HK\$/unit)	500,000 to 1,100,000
		Unit price (RMB/unit)	80,000 to 400,000
		Price per sq.ft. (HK\$)	4,000 to 10,000
	Discounted cash flow approach	Room tariff (RMB)	480
		Occupancy rate	73%
		Stabilised growth rate	3%
		Terminal capitalisation rate	5.5%
Discount rate		8.5%	
Under construction	Direct comparison approach and discounted cash flow approach	Interest rate	6% to 6.15%
		Estimated cost to completion per sq.m. (RMB)	1,130 to 4,300
	Developer's profit margin	5% to 10%	

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.

16. INVESTMENT PROPERTIES *(Continued)*

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 making reference to comparable sales transactions as available in the market.

The valuation takes into account the characteristic 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.

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 developer's profit margin and the stabilised growth rate, which a significant increase/decrease in the developer's profit margin in isolation would result in a significant increase/decrease in the fair value of the investment properties and a significant increase/decrease in the growth rate in isolation would result in a significant increase/decrease in the fair value of the investment properties.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

17. GOODWILL

Group

	<i>HK\$'000</i>
<hr/>	
At 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014:	
Cost	2,463
Accumulated impairment	<u>(2,463)</u>
Net carrying amount	<u><u>–</u></u>

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
<hr/>		
Listed shares in Hong Kong, at cost	1,424,048	826,285
Unlisted shares, at cost	<u>95,248</u>	<u>95,249</u>
	<u><u>1,519,296</u></u>	<u><u>921,534</u></u>
Market value of listed shares	<u><u>1,266,935</u></u>	<u><u>889,363</u></u>

The amounts due from subsidiaries included in the Company's current assets are unsecured, interest-free and have no fixed terms of repayment. The amounts due to subsidiaries included in the Company's current and non-current liabilities are unsecured, interest-bearing at the Hong Kong Interbank Offered Rate ("HIBOR") plus 4.5% (2013: Nil) and repayable on demand, but in the opinion of the directors, HK\$286,148,000 is not expected to be repaid within one year. The carrying amounts of balances with subsidiaries approximate to their fair values.

Shares of certain subsidiaries held by the Group were pledged to secure the Group's bank borrowings, as further detailed in note 31(a)(iii).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

18. INVESTMENTS IN SUBSIDIARIES *(Continued)*

During the year, pursuant to the undertaking given by the Company in favour of Hon Kwok Land Investments Company Limited (“Hon Kwok”) for the acceptance in full of its assured entitlement under the rights issue of Hon Kwok of one rights share for every two existing shares held by members on the register of members on 21 January 2014 and the entering into the underwriting agreement as detailed in the announcement of the Group on 3 December 2013, the Company acquired additional equity interests in Hon Kwok. The excess of net assets of Hon Kwok acquired attributable to its additional interest acquired over the consideration paid amounting to HK\$483,664,000 is credited to reserves.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ paid-up registered 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	–	67.90	Investment holding
Chinney Property Management Limited	Hong Kong	HK\$100	–	67.90	Property management
CP Parking Limited	Hong Kong	HK\$2,060,000	–	67.90	Carpark management
Crown Honour Developments Limited	Hong Kong	HK\$2	–	67.90	Nominee services
Dongguan Chinney Garments Limited ^{#1}	People’s Republic of China (“PRC”)/ Mainland China	HK\$11,100,000	–	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
Full Yip Development Limited	BVI/Hong Kong	US\$1	–	67.90	Property holding and letting
Foshan Nanhai XinDa Land Development Ltd. ^{#1}	PRC/Mainland China	HK\$300,000,000	–	67.90	Property development
Guangzhou Honkwok Fuqiang Land Development Ltd. ^{#1}	PRC/Mainland China	RMB185,000,000	–	40.74 ²	Property development
Guangzhou Honkwok Hengsheng Land Development Ltd. ^{#1}	PRC/Mainland China	RMB220,000,000	–	50.92 ²	Property development

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

18. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangzhou Hua Yin Land Development Co., Ltd. ^{#1}	PRC/Mainland China	RMB80,000,000	–	67.90	Property development
Guangzhou Sheng Jin Real Estate Co., Ltd. ^{#1}	PRC/Mainland China	RMB52,114,000	–	67.90	Property development
Guangzhou Tungfu Property Management Co., Ltd. ^{#1}	PRC/Mainland China	RMB44,400,000	–	67.90	Property holding and letting
Guangzhou Zhong Lu Da Dao Real Estate Development Co., Ltd. ^{#1}	PRC/Mainland China	RMB90,000,000	–	67.90	Property development
Hon Kwok Land Investment (China) Limited	Hong Kong	HK\$2	–	67.90	Investment holding
Hon Kwok Land Investment Company, Limited	Hong Kong	HK\$720,429,301	67.90	–	Investment holding
Hon Kwok Land Investment (Shenzhen) Co., Ltd. ^{#1}	PRC/Mainland China	HK\$30,000,000	–	67.90	Property development
Hon Kwok Project Management Limited	Hong Kong	HK\$2	–	67.90	Project management
Hon Kwok Treasury Limited	Hong Kong	HK\$2	–	67.90	Financing
Honour Well Development Limited	Hong Kong	HK\$2	–	67.90	Property holding and letting
Hotwin Investment (Chongqing) Co., Ltd. ^{#1}	PRC/Mainland China	US\$14,300,000	–	67.90	Property holding and letting
Island Parking Limited	BVI/Hong Kong	US\$10	–	67.90	Property holding and letting
J.L. Chinney (Holdings) Company Limited	BVI	US\$1,250,000	100.00	–	Investment holding
J.L. Garment Manufacturers Limited	Hong Kong	HK\$1,000,000	–	100.00	Garment trading
J.L. Group Company Limited	Hong Kong	HK\$8,000,000	–	100.00	Garment trading

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

18. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
J.L. Investment Company Limited	Hong Kong	HK\$10,000	–	100.00	Property holding and letting
King Capital Development Limited	Hong Kong	HK\$2	–	67.90	Property holding and letting
King Champion Limited	Hong Kong	HK\$2	–	67.90	Property holding and letting
Lido Parking Limited	BVI/Hong Kong	US\$1	–	67.90	Property holding and letting
Multi-Investment Group Limited#	BVI	US\$1	–	100.00	Investment holding
Prime Best Development Limited	Hong Kong	HK\$2	–	67.90	Investment holding
Shenzhen Guanghai Investment Co., Ltd. ^{#1}	PRC/Mainland China	RMB600,000,000	–	67.90	Property development
Shenzhen Honkwok Huaye Development Co., Ltd. ^{#1}	PRC/Mainland China	RMB50,000,000	–	67.90	Property holding and letting
The Bauhinia Hotel Management Limited	Hong Kong	HK\$2	–	67.90	Property letting
The Bauhinia Hotel (TST) Management Limited	Hong Kong	HK\$2	–	67.90	Property letting
Vast Champ Investment (Chongqing) Co., Ltd. ^{#1}	PRC/Mainland China	US\$30,000,000	–	67.90	Property development
Wide Fame Investment Limited	Hong Kong	HK\$2	–	67.90	Financing
Wise Pacific Investment Limited	Hong Kong	HK\$10,000	–	67.90	Money lending

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

18. INVESTMENTS IN SUBSIDIARIES *(Continued)*

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 *The Group holds controlling indirect interests in these companies through a non-wholly-owned subsidiary. Thus, the Group has control over these companies and they are therefore accounted for as subsidiaries.*

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore, the above list contains only the particulars of subsidiaries which principally affected the results for the year or formed a substantial portion of the net assets of the Group.

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

	2014	2013
Percentage of equity interest held by non-controlling interest:		
Hon Kwok	32.10%	44.23%
	2014	2013
	HK\$'000	HK\$'000
Profit for the year allocated to non-controlling interest:		
Hon Kwok	182,606	175,704
Dividends paid to non-controlling interests of Hon Kwok	26,541	26,706
Accumulated balances of non-controlling interest at the reporting dates:		
Hon Kwok	2,158,883	2,435,047

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

18. INVESTMENTS IN SUBSIDIARIES *(Continued)*

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

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	382,237	238,370
Total expenses	(542,453)	(262,424)
Other income and gains	8,498	10,623
Fair value gains on investment properties, net	588,208	412,424
Gain on disposal of investment properties, net	1,057	2,269
Profit for the year	437,533	401,262
Total comprehensive income for the year	<u>418,671</u>	<u>515,167</u>
Current assets	3,420,052	2,784,136
Non-current assets	7,721,707	6,514,729
Current liabilities	(2,066,312)	(1,556,009)
Non-current liabilities	<u>(2,898,847)</u>	<u>(2,567,544)</u>
Net cash flows used in operating activities	(75,354)	(310,015)
Net cash flows used in investing activities	(613,616)	(797,121)
Net cash flows from financing activities	<u>894,900</u>	<u>602,075</u>
Net increase/(decrease) in cash and cash equivalents	<u>205,930</u>	<u>(505,061)</u>

19. INVESTMENTS IN ASSOCIATES

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Goodwill on acquisition	18,374	18,374
Share of net assets	<u>501,049</u>	<u>474,918</u>
	<u>519,423</u>	<u>493,292</u>
Market value of listed shares	<u>107,318</u>	<u>75,296</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

19. INVESTMENTS IN ASSOCIATES *(Continued)*

Particulars of the associates are as follows:

Name	Particulars of issued shares 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	13.58	Property development

^{*} Not audited by Ernst & Young Hong Kong or another member firm of the Ernst & Young global network

[#] 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.

On 18 September 2012, the Group entered into a sale and purchase agreement with Chinney Development Company Limited ("Chinney Development") and Wan Thai Group Limited for the subscription of 2,600 shares, representing 20% equity interest in Chinney Trading (the "Acquisition"). The Acquisition constituted a discloseable and connected transaction to the Company under the Listing Rules as Chinney Development is a connected person of the Company by virtue of the fact that it is a company controlled by James Sai-Wing Wong, Chairman and a substantial shareholder of the Company.

The purchase consideration for the Acquisition was satisfied by cash consideration of HK\$368,537,000. Further details of the Acquisition were set out in the Company's announcement dated 18 September 2012 and circular dated 25 October 2012. The Acquisition was completed on 15 February 2013 and goodwill amounting to HK\$18,374,000, being the excess of the purchase consideration over the Group's interests in the fair value of identifiable net assets of Chinney Trading at the date of completion of the Acquisition, was recognised.

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

	2014 HK\$'000	2013 HK\$'000
Share of the associates' profit for the year	30,395	14,497
Share of the associates' other comprehensive income	928	(37)
Share of the associates' total comprehensive income	31,233	14,460
Aggregate carrying amount of the Group's investments in the associates	<u>519,423</u>	<u>493,292</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

20. INVESTMENT IN A JOINT VENTURE

	Group	
	2014	2013
	HK\$'000	HK\$'000
Share of net assets	199	199

All 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	33.95	33.95	33.95	Property development

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

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

	2014	2013
	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	–	–
Aggregate carrying amount of the Group's investment in the joint venture	199	199

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

21. DEFERRED TAX

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

Group

	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 2012	(1,723)	(283,878)	577	(3,289)	(288,313)
Deferred tax charged to the statement of profit of loss during the year (<i>note 10</i>)	118	(14,948)	–	–	(14,830)
Exchange realignment	–	(6,974)	–	–	(6,974)
Net deferred tax liabilities at 31 March 2013	<u>(1,605)</u>	<u>(305,800)</u>	<u>577</u>	<u>(3,289)</u>	<u>(310,117)</u>
At 1 April 2013	(1,605)	(305,800)	577	(3,289)	(310,117)
Deferred tax charged to the statement of profit of loss during the year (<i>note 10</i>)	(7,595)	(157,120)	–	–	(164,715)
Exchange realignment	–	1,964	–	–	1,964
Net deferred tax liabilities at 31 March 2014	<u>(9,200)</u>	<u>(460,956)</u>	<u>577</u>	<u>(3,289)</u>	<u>(472,868)</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

21. DEFERRED TAX *(Continued)*

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2014	2013
	HK\$'000	HK\$'000
Net deferred tax assets recognised in the consolidated statement of financial position	–	243
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>(472,868)</u>	<u>(310,360)</u>
	<u>(472,868)</u>	<u>(310,117)</u>

At the end of the reporting period, the Group had unrecognised deductible temporary differences of HK\$1,343,000 (2013: HK\$1,238,000) and unrecognised tax losses arising in Hong Kong of HK\$1,253,218,000 (2013: HK\$1,177,472,000) and in Mainland China of HK\$41,739,000 (2013: HK\$44,975,000) and the Company had tax losses arising in Hong Kong of HK\$50,631,000 (2013: HK\$41,128,000). 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 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 2014, 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\$397,748,000 at 31 March 2014 (2013: HK\$380,705,000).

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

The Company had no significant unrecognised deferred tax liability (2013: Nil).

22. LOAN RECEIVABLES

In the prior year, the loan receivables were unsecured, bore interest at 5% per annum and were repayable by 42 monthly instalments between 1 July 2011 and 31 December 2013. The carrying amounts approximated to their fair values.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

23. INVENTORIES

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	747	953
Work in progress	2,282	4,752
Finished goods	42	355
	<u>3,071</u>	<u>6,060</u>

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

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Completed properties held for sale	261,058	270,992
Properties held for sale under development	2,274,306	1,932,238
	<u>2,535,364</u>	<u>2,203,230</u>

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties held for sale under development		
– expected to be recovered:		
Within one year	527,693	415,740
After one year	899,669	686,836
– pending for construction expected to be recovered after one year	846,944	829,662
	<u>2,274,306</u>	<u>1,932,238</u>

Properties held for sale under development and completed properties held for sale included interest expense of HK\$31,657,000 (2013: HK\$17,289,000) that was incurred and capitalised during the year prior to the completion of the development of the properties.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

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

Certain of the Group's properties held for sale under development and completed properties held for sale with an aggregate carrying value of HK\$759,965,000 (2013: HK\$552,045,000) at the end of the reporting period were pledged to secure the banking facilities granted to the Group as detailed in note 31(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\$287,897,000 (2013: HK\$698,238,000) 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, construction of certain property units of a different phase of the above development project were completed and were delivered to purchasers since last financial year.

The land use right of a portion of an unencumbered development site with an 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\$69 million (2013: HK\$69 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 has no legal basis and is not valid. In view of such legal opinion, the directors believe that the freeze order does not have any material impact on the development of the project.

Details of properties held for sale under development and completed properties held for sale are as follows:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Medium term leases:		
Hong Kong	4,437	4,437
Mainland China	322,640	311,969
Long term leases:		
Mainland China	2,208,287	1,886,824
	2,535,364	2,203,230

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 142 to 146.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

25. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed equity investments in				
Hong Kong, at market value	<u>657</u>	<u>64,736</u>	<u>–</u>	<u>64,126</u>

The above equity investments at 31 March 2014 and 2013 were classified as held for trading.

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

As at 31 March 2013, certain of the Group's listed equity investments with a carrying value of HK\$64,126,000 at the end of the reporting period were pledged to secure the Group's bank borrowings, as further detailed in note 31(a)(v) to the financial statements.

26. TRADE AND BILLS RECEIVABLES

	Group	
	2014	2013
	HK\$'000	HK\$'000
Trade and bills receivables	20,876	21,390
Impairment	<u>(1,090)</u>	<u>(1,091)</u>
	<u>19,786</u>	<u>20,299</u>

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

26. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	5,066	12,370
31 to 60 days	4,064	3,559
61 to 90 days	7,715	4,370
Over 90 days	<u>2,941</u>	<u>–</u>
	<u>19,786</u>	<u>20,299</u>

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

	Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of year	1,091	1,129
Impairment losses recognised (<i>note 7</i>)	11	–
Amount written off as uncollectible	(12)	(23)
Impairment loss reversed (<i>note 7</i>)	<u>–</u>	<u>(15)</u>
At end of year	<u>1,090</u>	<u>1,091</u>

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK\$1,090,000 (2013: HK\$1,091,000) with a carrying amount before provision of HK\$1,090,000 (2013: HK\$1,091,000). The individually impaired trade receivables relate to customers that were in financial difficulties and the receivables are not expected to be recovered.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

26. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	Group	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Neither past due nor impaired	10,767	9,736
Less than 30 days past due	3,106	5,515
30 to 90 days past due	3,373	3,275
Over 90 days past due	<u>2,540</u>	<u>1,773</u>
	<u><u>19,786</u></u>	<u><u>20,299</u></u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

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.

The Company had no trade receivable at the end of the reporting period (2013: Nil).

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Prepayments	25,128	19,569	40	40
Deposits	12,656	12,253	–	–
Other receivables	69,052	44,361	476	148
Impairment	<u>(10,579)</u>	<u>(10,978)</u>	<u>–</u>	<u>–</u>
	<u><u>96,257</u></u>	<u><u>65,205</u></u>	<u><u>516</u></u>	<u><u>188</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

Included in the above provision for impairment of other receivables is a provision for impaired other receivables of HK\$10,579,000 (2013: HK\$10,978,000) with a carrying amount before provision of HK\$10,579,000 (2013: HK\$10,978,000). 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 relates to a large number of independent parties for whom there was no recent history of default.

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Cash and bank balances	569,045	341,305	122,670	26,199
Time deposits	367,369	242,803	–	–
	936,414	584,108	122,670	26,199
Less: Pledged time deposits				
Pledged for a short term bank loan <i>(note 31(a)(vi))</i>	(116,370)	(120,803)	–	–
Cash and cash equivalents	820,044	463,305	122,670	26,199

Included in cash and cash equivalents are restricted bank deposits of HK\$83,319,000 (2013: HK\$17,189,000) 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\$361,149,000 (2013: HK\$270,344,000). The RMB is not freely convertible into other currencies, however, under the 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 and pledged deposits are deposited with creditworthy banks with no recent history of default.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

29. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in trade payables and accrued liabilities are trade payables of HK\$75,373,000 (2013: HK\$28,190,000). An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2014	2013
	HK\$'000	HK\$'000
Within 30 days	73,884	23,469
31 to 60 days	1,446	4,543
61 to 90 days	36	167
Over 90 days	7	11
	75,373	28,190

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

The Company had no trade payables at the end of the reporting period (2013: Nil).

30. BALANCE WITH A RELATED COMPANY

The balance with a related company was unsecured, interest-free and had no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

31. INTEREST-BEARING BANK BORROWINGS

Group

	31 March 2014			31 March 2013		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current						
Bank loans – unsecured	4.2 – 4.3	2014 – 2015	350,000	4.4	2013 – 2014	48,000
Bank loans – secured	1.5 – 7.7	2014 – 2015 or on demand	<u>1,674,588</u>	1.6 – 7.4	2013 – 2014 or on demand	<u>1,354,316</u>
			<u>2,024,588</u>			<u>1,402,316</u>
Non-current						
Bank loans – unsecured	4.2 – 5.0	2015 – 2017	582,000	4.4	2015	552,000
Bank loans – secured	2.0 – 7.7	2015 – 2024	<u>2,151,303</u>	2.0 – 7.4	2014 – 2020	<u>1,712,333</u>
			<u>2,733,303</u>			<u>2,264,333</u>
			<u>4,757,891</u>			<u>3,666,649</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

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

Company

	2014			2013		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current						
Bank loans – secured	2.81 – 2.96	2014 or on demand	<u>216,000</u>	2.01 – 2.96	2013 or on demand	<u>87,000</u>

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000

Analysed into:

Bank loans repayable:

Within one year or on demand	2,024,588	1,402,316	216,000	87,000
In the second year	1,666,398	1,098,133	–	–
In the third to fifth years, inclusive	1,036,706	1,151,950	–	–
Beyond five years	30,199	14,250	–	–
	<u>4,757,891</u>	<u>3,666,649</u>	<u>216,000</u>	<u>87,000</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

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

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\$7,321,972,000 (2013: HK\$6,109,439,000);*
 - (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 of HK\$759,965,000 (2013: HK\$552,045,000);*
 - (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;*
 - (v) *the pledge of certain of the Group's listed equity investments at fair value through profit or loss, with a carrying amount of HK\$64,126,000 as at 31 March 2013;*
 - (vi) *the pledge of certain of the Group's time deposits amounting to HK\$116,370,000 (2013: HK\$120,803,000); and*
 - (vii) *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\$31,553,000 (2013: HK\$32,595,000).*
- (b) *Except for certain bank loans denominated in RMB equivalent to HK\$1,215,591,000 (2013: HK\$609,649,000), all bank borrowings at the end of the reporting period were denominated in Hong Kong dollars.*

As further explained in note 42 to the financial statements, the Group's interest-bearing bank borrowings in the amount of HK\$198,505,000 (2013: HK\$191,000,000) containing on-demand clauses 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.

Based on the maturity terms of the loans, the amounts repayable in respect of the loans are: HK\$1,826,083,000 (2013: HK\$1,211,316,000) within one year or on demand; HK\$1,713,403,000 (2013: HK\$1,110,133,000) in the second year; HK\$1,082,206,000 (2013: HK\$1,182,950,000) in the third to fifth years, inclusive and HK\$136,199,000 (2013: HK\$162,250,000) beyond five years.

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

32. SHARE CAPITAL

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Authorised: <i>(note (i))</i>		
1,000,000,000 ordinary shares of HK\$0.25 each <i>(note (ii))</i>	–	250,000
Issued and fully paid:		
551,368,153 ordinary shares	405,411	137,842

Notes:

- (i) Under the Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.
- (ii) In accordance with Section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

A summary of the transactions during the year in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2012, 31 March 2013 and 1 April 2013	551,368,153	137,842	267,569	405,411
Transfer to issued capital <i>(note)</i>	–	267,569	(267,569)	–
At 31 March 2014	551,368,153	405,411	–	405,411

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

33. RESERVES

(a) Group

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.

(b) Company

	<i>Note</i>	Share premium account HK\$'000	Retained Profits HK\$'000	Total HK\$'000
Balance at 1 April 2012		267,569	567,285	834,854
Total comprehensive income for the year		–	41,018	41,018
Proposed final 2013 dividend	12	–	(27,568)	(27,568)
At 31 March 2013 and 1 April 2013		267,569	580,735	848,304
Total comprehensive income for the year		–	67,193	67,193
Transfer to issued capital (<i>note</i>)		(267,569)	–	(267,569)
Proposed final 2014 dividend	12	–	(27,568)	(27,568)
At 31 March 2014		–	620,360	620,360

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

34. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

Certain additions of properties held for sale under development and completed properties held for sale of HK\$60,520,000 (2013: HK\$20,000,000) and investment properties under construction of HK\$36,902,000 (2013: Nil) were not paid at the end of the reporting period and were recorded as accrued liabilities.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

35. CONTINGENT LIABILITIES

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

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Guarantees given to banks in connection with facilities granted to its subsidiaries	—	—	500,000	—
	<u>—</u>	<u>—</u>	<u>500,000</u>	<u>—</u>

As at 31 March 2014, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company, were utilised to the extent of HK\$500,000,000 (2013: Nil).

- (b) As at 31 March 2014, the Group has given guarantees of HK\$9,518,000 (2013: HK\$7,078,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date the loans are granted to the purchasers up to the date of issuance of property title certificates to the purchasers.

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 interests and penalties and therefore no provision has been made in the financial statements for the years ended 31 March 2014 and 2013 for the guarantees.

36. PLEDGE OF ASSETS

Details of the Group's bank loans, which are secured by the assets of the Group, are included in note 31 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

37. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At 31 March 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2014	2013
	HK\$'000	HK\$'000
Within one year	117,895	104,016
In the second to fifth years, inclusive	251,259	231,841
After five years	366,025	402,070
	735,179	737,927

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 31(a)(iv).

At the end of the reporting period, the Company had no operating lease arrangements as lessor (2013: Nil).

(b) As lessee

The Group leases certain of its properties and office equipment under operating lease arrangements. Leases for properties and office equipment are negotiated for terms ranging from one to ten years.

At 31 March 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014	2013
	HK\$'000	HK\$'000
Within one year	22,519	11,705
In the second to fifth years, inclusive	19,813	14,470
	42,332	26,175

The Company had no operating lease commitments at the end of the reporting period (2013: Nil).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

38. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 37(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2014	2013
	HK\$'000	HK\$'000
<hr/>		
Contracted, but not provided for:		
Property development expenditure	624,874	1,018,503

The Company did not have any significant capital commitments at the end of the reporting period (2013: Nil).

39. RELATED PARTY TRANSACTIONS

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

		2014	2013
	<i>Notes</i>	HK\$'000	HK\$'000
<hr/>			
Management fee income received			
from an associate	<i>(i)</i>	1,500	3,000
Purchase of a property from an associate	<i>(ii)</i>	–	9,383

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) *In the prior year, an indirectly wholly-owned subsidiary of Hon Kwok acquired a property from Chinney Alliance at a consideration of HK\$9,383,000 which was based on the prevailing market value of the property at the time when the sale and purchase agreement was entered into. James Sai-Wing Wong, Chairman and controlling shareholder of the Company, is also a chairman of and has control in Chinney Alliance, therefore the transaction constituted a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.*

(b) Other transactions with related parties

In the prior year, the Group acquired 20% equity interest in Chinney Trading. Further details of the transaction are set out in note 19 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

39. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Outstanding balances with related parties

As disclosed in the statements of financial position, the Group and the Company have outstanding balances with the Company's subsidiaries and a related company as at the end of the reporting period. Particulars of the terms of the balances with subsidiaries and a related company are set out in notes 18 and 30, respectively, to the financial statements.

(d) Compensation of key management personnel of the Group

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short term employee benefits	25,291	21,728
Post-employment benefits	<u>164</u>	<u>145</u>
	<u><u>25,455</u></u>	<u><u>21,873</u></u>

Further details of directors' emoluments and key management personnel of the Group are included in notes 8 and 9 to the financial statements, respectively.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

40. FINANCIAL INSTRUMENTS BY CATEGORY

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

2014	Group		
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	657	–	657
Trade and bills receivables	–	19,786	19,786
Financial assets included in prepayments, deposits and other receivables	–	71,129	71,129
Pledged deposits	–	116,370	116,370
Cash and cash equivalents	–	820,044	820,044
	<u>657</u>	<u>1,027,329</u>	<u>1,027,986</u>
Financial liabilities			Financial liabilities at amortised cost <i>HK\$'000</i>
Financial liabilities included in trade payables and accrued liabilities			172,490
Financial liabilities included in customer deposits			23,714
Interest-bearing bank borrowings			<u>4,757,891</u>
			<u>4,954,095</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

40. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2013	Group		
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>
<hr/>			
Loan receivables	–	1,103	1,103
Equity investments at fair value through profit or loss	64,736	–	64,736
Trade and bills receivables	–	20,299	20,299
Financial assets included in prepayments, deposits and other receivables	–	45,636	45,636
Amount due from a related company	–	496	496
Pledged deposits	–	120,803	120,803
Cash and cash equivalents	–	463,305	463,305
	<hr/>	<hr/>	<hr/>
	64,736	651,642	716,378
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Financial liabilities			
	Financial liabilities at amortised cost <i>HK\$'000</i>		
<hr/>			
Financial liabilities included in trade payables and accrued liabilities	109,088		
Financial liabilities included in customer deposits	23,634		
Interest-bearing bank borrowings	<hr/> 3,666,649		
	<hr/> <hr/>		
	3,799,371		
	<hr/> <hr/>		

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

40. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2014	Company
Financial assets	
	Loans and receivables
	HK\$'000
<hr/>	
Financial assets included in prepayments, deposits and other receivables	476
Amounts due from subsidiaries	117,704
Cash and cash equivalents	<u>122,670</u>
	<u>240,850</u>
2014	Company
Financial liabilities	
	Financial liabilities at amortised cost
	HK\$'000
<hr/>	
Financial liabilities included in trade payables and accrued liabilities	4,463
Amounts due to a subsidiary	486,148
Interest-bearing bank borrowings	<u>216,000</u>
	<u>706,611</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

40. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2013	Company		
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	64,126	–	64,126
Financial assets included in prepayments, deposits and other receivables	–	148	148
Amounts due from subsidiaries	–	93,209	93,209
Cash and cash equivalents	–	26,199	26,199
	64,126	119,556	183,682
2013			Company
Financial liabilities			Financial liabilities at amortised cost <i>HK\$'000</i>
Financial liabilities included in trade payables and accrued liabilities			4,168
Interest-bearing bank borrowings			87,000
			91,168

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

Group

	Carrying amounts		Fair values	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Equity investments at fair value through profit or loss	<u>657</u>	<u>64,736</u>	<u>657</u>	<u>64,736</u>
Financial liabilities				
Interest-bearing bank borrowings	<u>4,757,891</u>	<u>3,666,649</u>	<u>4,757,891</u>	<u>3,666,649</u>

Company

	Carrying amounts		Fair values	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Equity investments at fair value through profit or loss	<u>–</u>	<u>64,126</u>	<u>–</u>	<u>64,126</u>
Financial liabilities				
Interest-bearing bank borrowings	<u>216,000</u>	<u>87,000</u>	<u>216,000</u>	<u>87,000</u>

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in customer deposits, trade payables and accrued liabilities, current portion of interest-bearing bank borrowings and balances with subsidiaries and a related company approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sales. The following methods and assumptions were used to estimate the fair values:

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

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

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease payables, and interest-bearing bank and other borrowings as at 31 March 2014 was assessed to be insignificant.

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

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

Assets measured at fair value:

Group

As at 31 March 2014	Fair value measurement using			Total
	Quoted prices in active markets (Level 1) <i>HK\$'000</i>	Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	<i>HK\$'000</i>

Equity investments at fair value through profit or loss	657	–	–	657
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As at 31 March 2013	Fair value measurement using			Total
	Quoted prices in active markets (Level 1) <i>HK\$'000</i>	Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	<i>HK\$'000</i>

Equity investments at fair value through profit or loss	64,736	–	–	64,736
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NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

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

Assets measured at fair value: *(Continued)*

Company

As at 31 March 2014	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 investment at fair value through profit or loss	–	–	–	–
As at 31 March 2013	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000
Equity investment at fair value through profit or loss	64,126	–	–	64,126

The Group and the Company did not have any financial liabilities measured at fair value as at 31 March 2014 and 31 March 2013. As at 31 March 2014, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included interest-bearing bank borrowings of HK\$2,733,303,000 (2013: HK\$2,264,333,000). 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 (2013: Nil).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include equity investments at fair value through profit or loss, other receivables, pledged deposits, cash and cash equivalents, 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 operations.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

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

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 these risks and they are summarised below.

Foreign currency risk

The monetary assets and transactions of several subsidiaries of the Group are principally denominated in RMB, Euro and CAD, which expose the Group to foreign currency risk. The Group currently has no particular hedging vehicles to hedge its exposure to foreign currency risk. It is the Group's policy to monitor foreign exchange exposure and to make use of appropriate hedging measures when required. Approximately 79% (2013: 73%) of the Group's sales were denominated in foreign currencies.

The following table demonstrates the sensitivity to a reasonably possible change in the CAD, Euro and RMB exchange 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 (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
2014		
If Hong Kong dollar weakens against CAD	5	–
If Hong Kong dollar strengthens against CAD	5	–
If Hong Kong dollar weakens against Euro	5	116
If Hong Kong dollar strengthens against Euro	5	(116)
If Hong Kong dollar weakens against RMB	5	(3,235)
If Hong Kong dollar strengthens against RMB	5	3,235
2013		
If Hong Kong dollar weakens against CAD	5	–
If Hong Kong dollar strengthens against CAD	5	–
If Hong Kong dollar weakens against Euro	5	86
If Hong Kong dollar strengthens against Euro	5	(86)
If Hong Kong dollar weakens against RMB	5	(3,892)
If Hong Kong dollar strengthens against RMB	5	3,892

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

42. 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 25) as at 31 March 2014. 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>
2014			
Investments listed in:			
Hong Kong – held-for-trading	<u>657</u>	<u>66</u>	<u>–</u>
2013			
Investments listed in:			
Hong Kong – held-for-trading	<u>64,736</u>	<u>6,474</u>	<u>–</u>

* *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 31 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 2014

42. 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\$10,472,000 (2013: HK\$11,616,000).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit after tax and equity HK\$'000
2014		
Hong Kong dollar	100	(19,666)
RMB	50	(483)
Hong Kong dollar	(100)	19,666
RMB	(50)	483
2013		
Hong Kong dollar	100	(13,631)
RMB	50	(414)
Hong Kong dollar	(100)	13,631
RMB	(50)	414

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

42. 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, loan receivables, amount due from a related company, cash and cash equivalents, and deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group is exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 35 to the financial statements.

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 26 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. 43% (2013: 38%) of the Group's debts, which comprise interest-bearing borrowings, would mature in less than one year as at 31 March 2014 based on the carrying values of borrowings reflected in the financial statements. If based on the maturity dates as set out in the loan agreements, 38% (2013: 33%) of the Group's debts would mature in less than one year.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

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

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

Group

	On demand	Less than 12 months	2014 1 to 2 years	Over 2 years	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial liabilities included in trade payables and accrued liabilities	4,772	167,718	–	–	172,490
Financial liabilities included in customer deposits	23,714	–	–	–	23,714
Interest-bearing bank borrowings	412,500	1,771,443	1,761,537	1,120,315	5,065,795
Guarantees given to banks in respect of mortgage facilities granted to certain purchasers of the Group's properties	9,518	–	–	–	9,518
	<u>450,504</u>	<u>1,939,161</u>	<u>1,761,537</u>	<u>1,120,315</u>	<u>5,271,517</u>

	On demand	Less than 12 months	2013 1 to 2 years	Over 2 years	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial liabilities included in trade payables and accrued liabilities	4,732	104,356	–	–	109,088
Financial liabilities included in customer deposits	23,634	–	–	–	23,634
Interest-bearing bank borrowings	415,400	1,098,383	1,173,856	1,226,232	3,913,871
Guarantees given to banks in respect of mortgage facilities granted to certain purchasers of the Group's properties	7,078	–	–	–	7,078
	<u>450,844</u>	<u>1,202,739</u>	<u>1,173,856</u>	<u>1,226,232</u>	<u>4,053,671</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

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

Company

	On demand	Less than 12 months	2014 1 to 2 years	Over 2 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial liabilities included in trade payables and accrued liabilities	4,463	–	–	–	4,463
Amount due to a subsidiary	–	214,282	43,079	271,031	528,392
Interest-bearing bank borrowings	156,000	60,151	–	–	216,151
Guarantees given to banks in connection with facilities granted to a subsidiary	500,000	–	–	–	500,000
	660,463	274,433	43,079	271,031	1,249,006

	On demand	Less than 3 months	Total
	HK\$'000	HK\$'000	HK\$'000
Financial liabilities included in trade payables and accrued liabilities	4,168	–	4,168
Interest-bearing bank borrowings	59,000	28,061	87,061
	63,168	28,061	91,229

In respect of interest-bearing bank borrowings of HK\$412,500,000 (2013: HK\$415,400,000), 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 2014 for the interest-bearing bank borrowings in respect of the Group are, HK\$1,985,882,000 (2013: HK\$1,327,146,000) within one year, HK\$1,811,601,000 (2013: HK\$1,189,380,000) in the second year and HK\$1,282,623,000 (2013: HK\$1,428,577,000) beyond two years.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

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

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. 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 2014 and 2013.

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

Group

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest-bearing bank borrowings	4,757,891	3,666,649
Less: Cash and cash equivalents and pledged deposits	<u>(936,414)</u>	<u>(584,108)</u>
Net interest-bearing debts	<u>3,821,477</u>	<u>3,082,541</u>
Equity attributable to owners of the Company	3,680,800	2,986,844
Non-controlling interests	<u>2,158,883</u>	<u>2,435,047</u>
Equity attributable to owners of the Company and non-controlling interests	<u>5,839,683</u>	<u>5,421,891</u>
Gearing ratio	<u>65%</u>	<u>57%</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2014

43. EVENT AFTER THE REPORTING PERIOD

On 29 May 2014, Lindeteves Jacoberg (China) Limited, an indirect wholly-owned subsidiary of Chinney Alliance as vendor, entered into a sale and purchase agreement (the “Agreement”) to dispose of a property located in Shenzhen, PRC to China Parking Limited, an indirect wholly-owned subsidiary of Hon Kwok as purchaser (the “Purchaser”) for a cash consideration of HK\$8,063,000 (equivalent to RMB6,450,000) (“Consideration”). An amount of HK\$806,300 was paid by the Purchaser upon signing of the Agreement as deposit and/or part payment of the Consideration. As James Sai-Wing Wong, Chairman and controlling shareholder of the Company, is also a chairman of and has control in Chinney Alliance, the transaction constituted a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules and was subject to the reporting and announcement requirements but was exempt from independent shareholders’ approval. The above transaction is scheduled to be completed by the end of June 2014.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 June 2014.

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				
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
RESULTS					
REVENUE	<u>496,323</u>	<u>363,330</u>	<u>1,059,030</u>	<u>354,859</u>	<u>1,042,234</u>
Profit before tax	626,998	443,322	381,075	604,659	591,291
Tax charge	<u>(187,902)</u>	<u>(25,078)</u>	<u>(93,838)</u>	<u>(64,379)</u>	<u>(63,539)</u>
PROFIT FOR THE YEAR	<u>439,096</u>	<u>418,244</u>	<u>287,237</u>	<u>540,280</u>	<u>527,752</u>
Attributable to:					
Owners of the Company	256,490	242,540	127,899	299,373	303,877
Non-controlling interests	<u>182,606</u>	<u>175,704</u>	<u>159,338</u>	<u>240,907</u>	<u>223,875</u>
	<u>439,096</u>	<u>418,244</u>	<u>287,237</u>	<u>540,280</u>	<u>527,752</u>
	As at 31 March				
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	11,561,255	9,683,019	8,506,236	8,176,436	6,544,480
TOTAL LIABILITIES	<u>(5,721,572)</u>	<u>(4,261,128)</u>	<u>(3,559,457)</u>	<u>(3,579,960)</u>	<u>(2,558,837)</u>
NET ASSETS	5,839,683	5,421,891	4,946,779	4,596,476	3,985,643
NON-CONTROLLING INTERESTS	<u>(2,158,883)</u>	<u>(2,435,047)</u>	<u>(2,243,203)</u>	<u>(2,091,796)</u>	<u>(1,825,725)</u>
SHAREHOLDERS' FUNDS	<u>3,680,800</u>	<u>2,986,844</u>	<u>2,703,576</u>	<u>2,504,680</u>	<u>2,159,918</u>

PARTICULARS OF PROPERTIES

31 March 2014

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 26 June 2014)	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 1 comprising (i) completed 71 town houses of ~18,000 sq.m. (ii) construction of high-rise apartments of ~121,000 sq.m. in progress	– 2014 to 2016	67.90
2. Dong Guan Zhuan Dong Guan Zhuan Road Tian He District Guangzhou Guangdong Province	Residential	95,382 sq.m. (1,026,310 sq.ft.)	265,768 sq.m. (2,859,663 sq.ft.)	Planning and design stage	–	50.92
3. Botanica (寶翠園) Long Dong Cun Guang Shan Road Western Tian He District Guangzhou Guangdong Province	Residential	113,796 sq.m. (1,224,444 sq.ft.)	228,646 sq.m. (2,460,230 sq.ft.)	Phases 1 & 2 totalling ~92,000 sq.m. – Completed Phase 3 of ~70,000 sq.m. – Superstructure works in progress	– 2015 to 2016	40.74
4. 45-65 Beijing Nan Road Yue Xiu District Guangzhou Guangdong Province	Commercial/ Residential	2,177 sq.m. (23,424 sq.ft.)	23,077 sq.m. (248,308 sq.ft.)	Planning and design stage	–	67.90
5. 67-107 Beijing Nan Road Yue Xiu District Guangzhou Guangdong Province	Commercial	2,781 sq.m. (29,923 sq.ft.)	38,568 sq.m. (414,991 sq.ft.)	Planning and design stage	–	67.90
6. 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/ Residential	7,845 sq.m. (84,412 sq.ft.)	128,000 sq.m. (1,377,280 sq.ft.)	Superstructure works in progress	2015	67.90

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 2014

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 26 June 2014)	Estimated completion date	Attributable interest of the Group (%)
MAINLAND CHINA						
7. 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.)	Foundation works in progress	–	13.58
HONG KONG						
8. Lot 716 & Others in DD111, Yuen Long New Territories	–	35,386 sq.ft.	–	Temporary open storage	–	67.90

GROUP II – COMPLETED PROPERTIES

Location	Use	Remaining unsold units	Gross floor area (sq.m./sq.ft.)	Car parking spaces	Attributable interest of the Group (%)
MAINLAND CHINA					
9. 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	67.90
10. Botanica Phases 1 & 2 (寶翠園一及二期) Tian He District Guangzhou Guangdong Province	Commercial	5 ground floor shops	257 sq.m. (2,765 sq.ft.)	247	40.74
11. Metropolitan Oasis Phase 1 (雅瑤綠洲第一期) Da Li District Nanhai Guangdong Province	Low density residential	32 town houses & 30 apartment units	10,812 sq.m. (116,337 sq.ft.)	–	67.90
12. Houses S and W Green Mountain Village Longgang Botanical Garden Longgang Shenzhen Guangdong Province	Residential	2 units	535 sq.m. (5,756 sq.ft.)	–	67.90

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 2014

GROUP III – PROPERTIES HELD FOR INVESTMENT

Location	Use	Gross floor area (sq.m./sq.ft.)	No. of apartment/ hotel rooms	Ownership status	Attributable interest of the Group (%)
MAINLAND CHINA					
13. 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	67.90
14. 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	67.90
15. 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	67.90
16. 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	67.90
17. Jinshan Shangye Zhongxin (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	133,502 sq.m. (1,436,481 sq.ft.)	~300 hotel rooms (in the course of renovation)	Medium term lease	67.90

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 2014

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

Location	Use	Gross floor area (sq.m./sq.ft.)	No. of apartment/ hotel rooms	Ownership status	Attributable interest of the Group (%)
HONG KONG					
18. 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	67.90
19. 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	67.90
20. 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 (including additional 54 hotel rooms of which renovation works have been completed)	Medium term lease	67.90
21. Hilder Centre (富德中心) 2 Sung Ping Street Hung Hom Kowloon	Commercial/ Office	5,038 sq.ft.	2 units	Medium term lease	100

PARTICULARS OF PROPERTIES (Continued)

31 March 2014

GROUP IV – CARPARKS HELD FOR INVESTMENT

Location	Car parking spaces	Ownership status	Attributable interest of the Group (%)
HONG KONG			
22. Provident Centre (和富中心) 21-53 Wharf Road North Point Hong Kong	11	Long term lease	67.90
23. Lido Garden (麗都花園) 41-63 Castle Peak Road Sham Tseng Tsuen Wan New Territories	36	Medium term lease	67.90
24. Shining Court (順寧居) 439 Shun Ning Road Cheung Sha Wan Kowloon	26	Medium term lease	67.90
25. Hilder Centre (富德中心) 2 Sung Ping Street Hung Hom Kowloon	2	Medium term lease	100

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, 4th Floor, East Wing, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Thursday, 28 August 2014 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 auditors’ report for the year ended 31 March 2014.
2. To declare a final dividend for the year ended 31 March 2014.
3. To elect directors and to authorise the directors to fix the directors’ remuneration.
4. To re-appoint auditors and to authorise the directors to fix the auditors’ 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 total number of shares of the Company in issue 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 new 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
Louisa Kai-Nor Siu
Company Secretary

Hong Kong, 29 July 2014

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 at the registered office of the Company at 23rd Floor, Wing On Centre, 111 Connaught Road Central, 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.