



# Chinney Investments, Limited

Stock Code: 216



*Annual Report 2015/16*

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*Cover Photo:*

*High-rise apartments under Phase 1 of Metropolitan Oasis, Nanhai, Foshan, PRC*

封面圖片：

中國佛山南海雅瑤綠洲第一期之高層洋房

# CORPORATE INFORMATION

## DIRECTORS

James Sai-Wing Wong (*Chairman*)  
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

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

## STOCK CODE

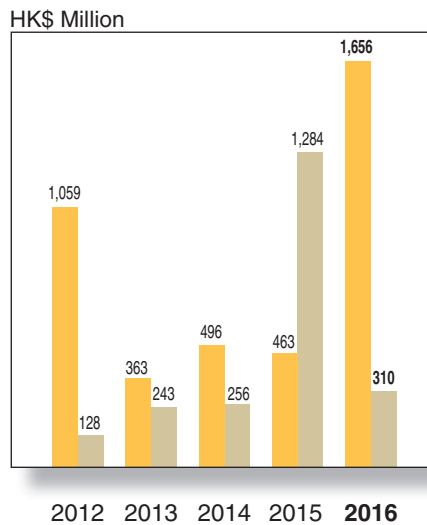
SEHK 216

## WEBSITE

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

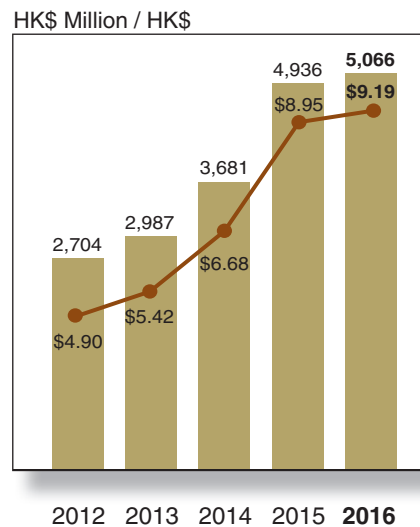
# FINANCIAL HIGHLIGHTS

## Turnover / Net Profit



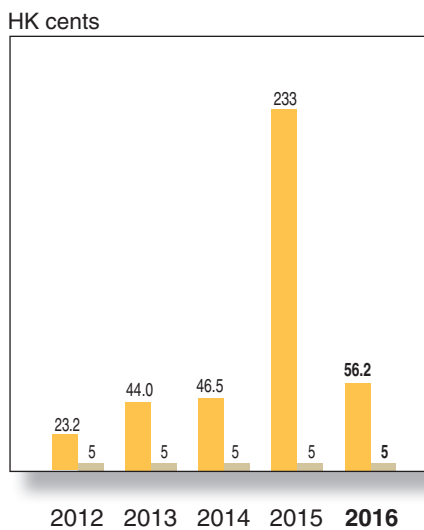
- Turnover
- Net profit attributable to shareholders

## Shareholders' Funds / Net Assets per Share



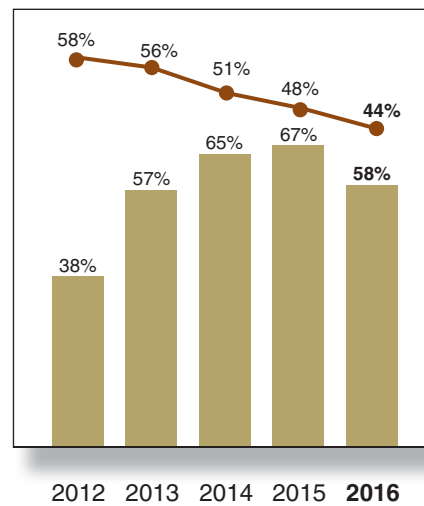
- Shareholders' funds
- Net assets per share (HK\$)

## 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 – 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, Nanshai (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)

## Acquired Properties

- 15 Ganghui Dasha 港滙大廈, held as investment property
- 16 Jie Fang Building 解放大廈, held as investment property

# CHAIRMAN'S STATEMENT

## FINANCIAL RESULTS

For the year ended 31 March 2016, the Group's consolidated turnover was HK\$1,656 million (2015: HK\$463 million) and net profit attributable to shareholders amounted to HK\$310 million (2015: HK\$1,284 million), inclusive of property revaluation gain attributable to shareholders of HK\$288 million, net of deferred tax (2015: HK\$1,298 million). Basic earnings per share were HK\$0.56 (2015: HK\$2.33). As at 31 March 2016, the shareholders' equity grew to HK\$5,066 million (2015: HK\$4,936 million). Net assets per share were HK\$9.19 (2015: HK\$8.95). Please also refer to the sub-section headed "Turnover and net profit" on page 29 of this report.

## DIVIDEND

The directors recommend the payment of a final dividend of 5 Hong Kong cents per ordinary share for the year ended 31 March 2016 (2015: 5 Hong Kong cents) to shareholders whose names appear on the Company's register of members on 2 September 2016. 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 23 September 2016.

## CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 25 August 2016. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 22 August 2016 to 25 August 2016 (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 19 August 2016.

## CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 March 2016 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 1 September 2016 and 2 September 2016, 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 29 August 2016. 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 31 August 2016.

# CHAIRMAN'S STATEMENT *(Continued)*

## BUSINESS REVIEW

### 1. Property

The Group's property development and investment activities are conducted by Hon Kwok Land Investment Company, Limited ("Hon Kwok") (Stock Code: 160) and its subsidiaries ("Hon Kwok Group"). Hon Kwok reported a turnover of HK\$1,570 million (2015: HK\$361 million) and a net profit of HK\$460 million (2015: HK\$1,898 million) for the financial year 2015/16.

#### Acquisition of Properties

In May 2016, Hon Kwok Group entered into separate sale and purchase agreements with two vendors to acquire their respective offshore holding companies each holding 50% indirect interest in a completed 15-storey commercial and office building situated at No.151 Jiefang Road South, Yuexiu District, Guangzhou, Guangdong Province, the PRC (中國廣東省廣州市越秀區解放南路151號) and known as Jie Fang Building (解放大廈). The total cash consideration of HK\$137,590,000, net of PRC tax which the vendors are required to pay in connection with the sale of their offshore holding companies, is determined by reference to the unaudited consolidated net assets of the above holding companies, together with the shareholders' loans as at 31 March 2016. Upon completion of acquisitions, the above property, with a total gross floor area of approximately 11,507 sq.m., will be held by Hon Kwok Group for recurrent rental income.

As one of the above vendors is beneficially owned by Dr. James Sai-Wing Wong, the Chairman and substantial shareholder of Hon Kwok and the Company, the related transaction constitutes a discloseable and connected transaction of Hon Kwok and the Company under the listing rules and is subject to the approval of the independent shareholders at the forthcoming extraordinary general meetings. The other vendor is an independent third party and the related transaction constitutes a discloseable transaction only under the listing rules and has been completed earlier this month. For details, please refer to the Company's announcement dated 9 May 2016 and circular dated 20 June 2016.

## BUSINESS REVIEW *(Continued)*

### 1. Property *(Continued)*

#### Property Development and Investment

##### Guangzhou, PRC



*Botanica Phase 3*

comprising 12 blocks of about 530 units, have been sold up to the date of this report and generated sale proceeds amounted to RMB1,740 million. Eight blocks of which have been delivered to individual purchasers during the year under review and the relevant profits were recorded in the statement of profit or loss. The remaining four blocks have commenced to be delivered to individual purchasers earlier this month and the related profits will be recognised in the forthcoming financial year. Construction/internal finishing works of **Botanica Phase 4** 寶翠園四期, comprising 11 blocks of about 550 units, are well in progress and expected to be completed by stages commencing in the last quarter of this year through first quarter of 2017. Four blocks of which with about 180 units have been launched to the market for pre-sale, over 90% have been sold up to the date of this report and total contracted sales exceeding RMB580 million.

**The Botanica** 寶翠園, situated in the greenery zone of Tian He District near the Botanical Garden, comprises 39 blocks of high-rise residential building. This project, with a total gross floor area of approximately 229,000 sq.m., is scheduled for development by phases. **Botanica Phases 1 and 2** 寶翠園一及二期, with a total 16 blocks of over 750 units, were sold out and profits derived therefrom had been recognised in the prior financial years. Nearly all units of **Botanica Phase 3** 寶翠園三期,



# CHAIRMAN'S STATEMENT *(Continued)*

## BUSINESS REVIEW *(Continued)*

### 1. Property *(Continued)*

#### Property Development and Investment *(Continued)*

##### Guangzhou, PRC *(Continued)*



*Dong Guan Zhuan Road project – architect perspective*

**Ganghui Dasha** 港滙大廈, situated at the junction of Beijing Road, Nanti Er Road and Baqi Er Road, Yue Xiu District, is a 20-storey commercial/office building with current occupancy rate about 90%.

As mentioned in the interim report, owing to its dilapidated condition and being a leased property, **The Bauhinia Hotel (Guangzhou)** 寶軒酒店 (廣州) had ceased its operation upon expiry of the business licence at the end of last year.

##### Nanhai, Foshan, PRC



*High-rise apartments under Phase 1 of Metropolitan Oasis*

in progress and that of the remaining blocks have just commenced to deliver by stages through next quarter.

The project site at **Dong Guan Zhuan Road**, Tian He District is still under the planning and design stage whilst preliminary works on the other one at **45-107 Beijing Nan Road**, Yue Xiu District are in progress.



*Beijing Nan Road project – architect perspective*

**Metropolitan Oasis** 雅瑤綠洲, with a total gross floor area of approximately 273,000 sq.m., is situated in Da Li District, Nanhai and also scheduled for development by phases. Phase 1 of the project comprises 71 units of 3-storey town houses of about 18,000 sq.m. and 24 blocks of high-rise apartments of about 111,000 sq.m.. All units of the above phase have been launched to the market for sale, of which about 90% have been sold up to the date of this report, generated sale proceeds amounted to RMB1,022 million. Delivery of the town houses and 6 blocks of the above apartment units to individual purchasers is

## BUSINESS REVIEW *(Continued)*

### 1. Property *(Continued)*

#### Property Development and Investment *(Continued)*

##### Shenzhen, PRC



*Hon Kwok City Commercial Centre – construction works in progress*

two phases into 12 blocks of buildings for composite use with a total gross floor area of approximately 224,500 sq.m.. Finishing plus mechanical and electrical works of Phase 1 and superstructure works of Phase 2 are in progress and expected to be completed by the end of this year and in mid-2017 respectively.

Construction works of **Hon Kwok City Commercial Centre** 漢國城市商業中心, situated at the junction of Shen Nan Zhong Road and Fu Ming Road, Futian District, are expected to be completed by the end of this year. This signature building is being developed into an 80-storey (including 5 storeys underground) commercial/office tower with a total gross floor area of 128,000 sq.m. and will be held by the Group for recurrent rental income.

**Enterprise Square** 僑城坊, in which Hon Kwok Group has 20% interest, is situated at Qiaoxiang Road North, Nanshan District. It covers a site area of 48,764 sq.m. and is being developed in



*Enterprise Square – construction works in progress*

# CHAIRMAN'S STATEMENT *(Continued)*

## BUSINESS REVIEW *(Continued)*

### 1. **Property** *(Continued)*

#### **Property Development and Investment** *(Continued)*

##### **Shenzhen, PRC** *(Continued)*

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

##### **Chongqing, PRC**

**Chongqing Hon Kwok Centre** 重慶漢國中心, situated in Bei Bu Xin Qu, is a 21-storey twin-tower office building atop of a 4-storey retail/commercial podium. Its current occupancy rate is above 95%.

**Jinshan Shangye Zhongxin** 金山商業中心, also situated in Bei Bu Xin Qu and adjacent to the above **Chongqing Hon Kwok Centre** 重慶漢國中心, is a twin-tower project comprising a 41-storey grade A office tower and a 42-storey 5-star hotel plus office tower with respective 4-storey retail/commercial podium. The leasing status of the completed office tower are being closely monitored in order to fill up the tenancy whilst the hotel/office tower is in the course of development.

##### **Hong Kong – Property Investment**

The vacant site acquired through government public tender last year at **Kin Chuen Street, Kwai Chung, New Territories**, with a total gross floor area of approximately 228,000 sq. ft., will be developed for non-residential use and be held by the Group for recurrent rental income. It is under the planning and design stage and foundation works are scheduled to be commenced in last quarter of this year.

The retail areas at street level of the hotel/apartment building at Connaught Road Central and Des Voeux Road Central are fully let. 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 above building, approximated 95% with encouraging room rates whilst that of **The Bauhinia** 寶軒, a 171-room serviced apartments atop of the above hotel, is about 85%.

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

**Hon Kwok Jordan Centre** 漢國佐敦中心, situated at Hillwood Road, Tsim Sha Tsui, is a 23-storey commercial/office building with current occupancy rate about 90%.

## BUSINESS REVIEW *(Continued)*

### 2. Garment

J.L. Garment Group, a wholly-owned subsidiary of our Company with garment factory situated at Dongguan, the Mainland China, reported a turnover of HK\$86 million (2015: HK\$102 million) with a net loss of HK\$14.2 million (2015: HK\$11.1 million) for the year ended 31 March 2016.

The Group's garment business, which focused on fashionable garment production in Mainland China and exported mainly to European market, continued to encounter a challenging year. Following a few years' turbulence, the Eurozone countries showed a more stable period of recovery with a slight rebound in GDP growth and employment rate in major European countries, yet the pace of recovery remained slower than expected albeit the cheaper oil and weak euro environment. Nevertheless, the price driven market further exerted pressure on our garment sales and profit margin.

To strive for improved profitability, J.L. Garment Group is under transformation by scaling down its business structure to reduce overhead, leasing out unoccupied office space and continues to implement stringent measures on cost control both in Hong Kong and Dongguan operations. In addition to broadening new customer base in the European countries, new business opportunities were also developed in the local market and Asia region which have lower downside risks.

Due to the moderate demand in Hong Kong industrial property market, J.L. Garment Group recorded a property revaluation loss of HK\$0.1 million (2015: gain HK\$2.1 million) on its investment properties which were held for rental income while the self use property in Hong Kong was carrying at historical cost which is substantially lower than its professional valuation at current market value.

### 3. Construction and Trading

Chinney Alliance Group Limited ("Chinney Alliance"), a 29.1% owned associate recorded turnover and net profit for the year ended 31 December 2015 of HK\$4,552 million (2014: HK\$3,813 million) and HK\$169.1 million (2014: HK\$142.3 million), respectively.

As mentioned in our interim report and the announcement dated 10 November 2015 of Chinney Alliance, Chinney Alliance successfully spun-off its Foundation division for separate listing. The shares of Chinney Kin Wing Holdings Limited ("Chinney Kin Wing") (Stock code: 1556) were traded on the Main Board of the Stock Exchange commencing on 11 November 2015. Chinney Kin Wing has become a 74.5% subsidiary of Chinney Alliance since then while Chinney Alliance remains as a 29.1% associate.

The principal activities of Chinney Kin Wing mainly consisted of foundation business and ground drilling business contributed revenue of HK\$1,515 million (2014: HK\$1,382 million) and operating profit of HK\$168.9 million (2014: HK\$110.7 million) to Chinney Alliance Group. The substantial increase in revenue and operating profit was resulted from the efforts in pursuing larger scale and technically complex projects following the enhancement of piling plant and machinery in past years to enlarge its operating capacity. Coupled with the stringent project costs control, profit margin was also improved.



*Bored piling work at a construction site undertaken by Kin Wing Foundations Limited*

# CHAIRMAN'S STATEMENT *(Continued)*

## BUSINESS REVIEW *(Continued)*

### 3. Construction and Trading *(Continued)*



*Main Contract Works for the Commercial Development at 184-198 Wellington Street, Hong Kong undertaken by Chinney Construction Company Limited*

The Building Construction division, mainly consists of Chinney Construction Company, Limited engaged in superstructure construction works, contributed a revenue of HK\$1,120 million (2014: HK\$1,027 million) and operating profit of HK\$35.1 million (2014: HK\$38.7 million). Current contracts included residential and commercial development in both public and private sectors. Although more contracts were awarded during the year, the division faced a general increase in staff cost and overhead, thus operating profit decreased slightly.

The Building related contracting services division, consists of Shun Cheong Investments Limited and its subsidiaries, engaged in the electrical and mechanical contracting businesses, contributed a revenue of HK\$1,325 million (2014: HK\$845 million) and operating profit of HK\$30.9 million (2014: HK\$29.2 million). With more sizeable contracts are underway, the management is cautious to monitor the progress and cost control to cater for the expected increase in costs, especially labour cost.

The Plastic Trading division recorded a slight increase in revenue resulted from the development of more competitive products to customers. However, the sharp decrease in oil prices over the year reduced the general plastic selling prices. Moreover, the customers were cost-conscious and were keen on bargaining prices, thus profit margin of the division was slightly reduced. Nevertheless, the division continues to broaden the product line to enhance its earnings and profitability.

## CHAIRMAN'S STATEMENT *(Continued)*

### OUTLOOK

The global economy continues its slowdown, in particular, the emerging and developing countries, including China, were growing at a slower pace than previously envisioned, holding back the recovery in advanced economies. In the US, the improved job market and continued housing recovery buoyed the consumer confidence. However, the export sector was hit by the strong US dollar. It is expected that the US Federal Reserve will continue to adopt a cautious approach and proceed moderately in raising interest rates as any major global slump will, in turn hinder US growth. For the Eurozone countries, major economies including France and Germany show more stable and sustainable growth and there is indication that consumer spending will likely improve and drive up growth in Eurozone recovery. Besides, it is likely that a weaker euro will increase the price competitiveness of exports and thus, further enhance its recovery in the medium term. Yet, economic uncertainty is set to be the largest concern to the global economy in the aftermath of the UK referendum and the pace of interest rates hike in the US will likely to be further disrupted.

In the Mainland China, contraction in manufacturing activities and drop in exports led to the slowdown in economic growth and overcapacity in commodity sectors. Furthermore the volatility in Renminbi and stock market during the year deteriorated investors' confidence and market sentiment. Nevertheless, domestic demand remained strong and continued to be a crucial driver to boost GDP growth. It is anticipated that the Central Government will continue its supportive measures and urbanization policies to maintain a steady economic growth.

In Hong Kong, the retail market was hit by the falling consumption of the Mainland Chinese tourists. Besides, the residential property market has shown sign of decline with a general fall in property prices. It is expected that overall employment rate is likely to drop, especially in the retail sector. Nevertheless, the building construction sector will maintain its momentum under the intensive public construction works. It is likely that the Hong Kong economy is set to maintain a mild growth in the year ahead.

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

**James Sai-Wing Wong**  
*Chairman*

Hong Kong, 28 June 2016

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

### **James Sai-Wing Wong**

Aged 78, was appointed as a director and the Chairman of the Company in 1987. He is a director of Chinney Holdings Limited (“Chinney Holdings”) and Lucky Year Finance Limited (“Lucky Year”), both being substantial shareholders of the Company. He is also the Chairman of Hon Kwok and Chinney Alliance. Both Hon Kwok and Chinney Alliance are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). He was appointed a Justice of the Peace for Hong Kong in 1987.

### **William Chung-Yue Fan**

Aged 75, was appointed as a director of the Company in 1987. He is a solicitor in Hong Kong and has officially retired in April 2013. He is also a non-executive director of Alltronics Holdings Limited and an independent non-executive director of National Agricultural Holdings Limited, which are both listed on the Main Board of the Stock Exchange.

### **Herman Man-Hei Fung**

Aged 78, was appointed as a director of the Company in 1987 and became the Managing Director of the Company in 1995. He is also the director of certain subsidiaries of the Company. 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, a non-executive director of Chinney Alliance and the Chairman of Chinney Kin Wing, which are all 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.

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

### **DIRECTORS** *(Continued)*

#### **Paul Hon-To Tong**

Aged 70, 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.

#### **James Sing-Wai Wong**

Aged 52, was appointed as a non-executive director of the Company in 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 28 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.



### INDEPENDENT NON-EXECUTIVE DIRECTORS

#### **Clement Kwok-Hung Young**

Aged 82, was appointed as an independent non-executive director of the Company in 1999. He obtained his Ph.D. Degree from The University of Texas, USA and served as university professor and administrator before his retirement from the Hong Kong Baptist University. He was the supervisor of Pui Ching Academy, Pui Ching Middle and Primary Schools and a court member of the Hong Kong Baptist University. He is a director of Pui Ching Academy, Pui Ching Middle and Primary Schools.

#### **Peter Man-Kong Wong**

Aged 67, 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.

#### **James C. Chen**

Aged 66, was appointed as an independent non-executive director of the Company in 2007. He has over 38 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.

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

### SENIOR MANAGEMENT

#### **Zuric Yuen-Keung Chan**

Aged 61, is an executive director of Hon Kwok and the Vice-Chairman and Managing Director of Chinney Alliance and a director and Vice Chairman of Chinney Kin Wing, which are all listed on the Main Board of the Stock Exchange. He joined the Group in 1989 and has 42 years of experience in the construction industry. He is a member of the Chartered Institute of Building.

#### **Vincent Kwok-Kuen Wong**

Aged 57, 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 38 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 50, joined the Company in 2005 and is the Company Secretary and Financial Controller of the Company. She has 27 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 44, joined the Company in 2010 and is the Director – Corporate Finance of the Company. He has 21 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 and up to the date of this report were:

### **Executive Directors**

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

### **Non-Executive Directors**

William Chung-Yue Fan  
Paul Hon-To Tong  
James Sing-Wai Wong  
Madeline May-Lung Wong (retired on 27 August 2015)

### **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 14 to 17 of this annual report.

# CORPORATE GOVERNANCE REPORT *(Continued)*

## **BOARD OF DIRECTORS** *(Continued)*

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

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

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

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

To the best knowledge of the directors, there is no financial, business and family relationships among the members of the Board except that James Sing-Wai Wong is the son of James Sai-Wing 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 2016.

# 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 provide the Group with a strong and consistent leadership and is of great importance to the smooth operations of the Group.

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

At the forthcoming annual general meeting, in accordance with article 104 of the Articles of Association, Clement Kwok-Hung Young 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 2016 is summarised as follows:

<b>Name of director</b>	<b>Type of trainings</b>
<b>Executive Directors</b>	
James Sai-Wing Wong	B
Herman Man-Hei Fung	A
<b>Non-Executive Directors</b>	
William Chung-Yue Fan	A
Paul Hon-To Tong	A, B
James Sing-Wai Wong	B
<b>Independent Non-Executive Directors</b>	
Clement Kwok-Hung Young	A, 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 2016			Annual General Meeting held on 27 August 2015
	Board Meetings	Remuneration Committee Meeting	Audit Committee Meetings	
Number of meetings held during the year ended 31 March 2016	2	1	2	1
James Sai-Wing Wong	2	N/A	N/A	1
Madeline May-Lung Wong <i>(retired on 27 August 2015)</i>	0	N/A	N/A	0
William Chung-Yue Fan	1	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	1	N/A	N/A	1
Clement Kwok-Hung Young	2	1	2	0
Peter Man-Kong Wong	2	N/A	2	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.

# CORPORATE GOVERNANCE REPORT *(Continued)*

## 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 <i>HK\$'000</i>
Types of services	
Audit services	3,329
Non-audit services (tax compliance services and other services)	<u>189</u>
	<u><u>3,518</u></u>

## 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 41 and 42 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.

# CORPORATE GOVERNANCE REPORT *(Continued)*

## 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 2016, the Company Secretary undertook no less than 15 hours of relevant professional training.

## CONSTITUTIONAL DOCUMENTS

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

## SHAREHOLDERS' RIGHTS

### 1. Convening of extraordinary general meeting on requisition by shareholders

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

### 2. Procedures for sending enquiries to the Board

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

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

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

# CORPORATE GOVERNANCE REPORT *(Continued)*

## **COMMUNICATIONS WITH SHAREHOLDERS**

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

The annual general meeting provides a useful forum for shareholders to exchange views with the Board. Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' prior notice is given. The Chairman of the Board as well as the 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 for the year ended 31 March 2016.

## PRINCIPAL ACTIVITIES

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

## FINANCIAL RESULTS

The Group's profit for the year ended 31 March 2016 and the Group's financial position at that date are set out in the financial statements on pages 43 to 135.

## BUSINESS REVIEW

The Group is principally engaged in the businesses of property development and property investment mainly focused in Mainland China and the garment business mainly exports to the European markets. The Group targets to generate stable and recurrent rental income from investment properties to help cover its operating overheads and expenses whereas property sales will enhance additional cash inflows to the Group. Besides, the Group continues to strengthen the profitability and competitiveness of the garment operation. Please refer to the Chairman's Statement on pages 5 to 13 of this annual report for business review of the Group in details.

One of the principal risks and uncertainties facing the Group is the economic downturn which may have adverse effect on the change in value of properties and will also undermine the business environment of our garment business. The Group continually adopts a prudent financing policy to monitor the level of the asset-backed borrowings which are maintained at reasonable loan-to-value ratios. To maximize the interests of its shareholders, the Group will explore more customer markets and is prepared to further enhance the property portfolio should opportunities arise. For details of management of financial risks and capital by the Group, please refer to note 41 to the financial statements on pages 126 to 132 of this annual report.

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

During the year ended 31 March 2016, there were no material breach of or non-compliance with applicable laws and regulations by the Group that have significant impact on the business and operations of the Group.

# REPORT OF THE DIRECTORS *(Continued)*

## **RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS**

The Group's relationships with its employees are set out in the section headed "Management Discussion and Analysis" below.

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Turnover and net profit**

The increase in turnover was mainly due to more property sales from the Group's PRC projects were recognised during the year that led to an increase in core profits from property sales in our 68.09% Hon Kwok. Property revaluation gain, net of deferred tax, of HK\$423 million was recorded in current year's financial statements. Such amount in last year of HK\$1,907 million was mainly attributable to an investment property in the course of construction in Shenzhen was stated at cost in prior years and revalued to market value at last year end that gave rise to a significant revaluation gain. However, since such property was already stated at market value at last year end, only moderate revaluation gain was recognised during the year.

### **Liquidity and financial resources**

The total interest-bearing debts of the Group amounted to approximately HK\$6,451 million as at 31 March 2016 (2015: HK\$6,016 million), of which approximately 52% (2015: 51%) of the debts were classified as current liabilities. Included therein were debts of HK\$163 million (2015: HK\$182 million) related to bank loans with repayable on demand clause and HK\$2,442 million (2015: HK\$2,218 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 11% (2015: 11%). The increase in total debts was mainly due to the drawdown of bank loans for construction of mainland development projects.

Total cash and bank balances including time deposits were approximately HK\$1,872 million as at 31 March 2016 (2015: HK\$923 million). Included in cash and bank balances are restricted bank deposits of HK\$623 million (2015: HK\$172 million) which can only be applied in the designated property development projects prior to their completion of construction. The Group had committed but undrawn banking facilities of a total of approximately HK\$371 million at year end available for its working capital purpose.

Total shareholders' funds as at 31 March 2016 were approximately HK\$5,066 million (2015: HK\$4,936 million). The increase was mainly due to current year's profit attributable to shareholders offset by depreciation in value of assets less liabilities denominated in Renminbi.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK\$4,579 million (2015: HK\$5,093 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK\$7,867 million (2015: HK\$7,649 million), was 58% as at 31 March 2016 (2015: 67%).

# 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 closely monitored by management and hedged to the extent desirable. As at 31 March 2016, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

### Pledge of assets

Bank balances and certain properties with an aggregate carrying value of approximately HK\$12,481 million as at 31 March 2016 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 34 to the financial statements.

### Employees and remuneration policies

The Group, not including its associates and a joint venture, employed approximately 630 employees as at 31 March 2016. 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 2016 (2015: 5 Hong Kong cents) to shareholders whose names appear on the Company's register of members on 2 September 2016. 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 23 September 2016.

## 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 25 August 2016. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 22 August 2016 to 25 August 2016 (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 19 August 2016.

### **CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND**

The proposed final dividend for the year ended 31 March 2016 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 1 September 2016 and 2 September 2016, 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 29 August 2016. 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 31 August 2016.

### **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 136. This summary does not form part of the audited financial statements.

### **SHARE CAPITAL**

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

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 March 2016.

### **DISTRIBUTABLE RESERVES**

At 31 March 2016, the Company's reserves available for distribution, calculated in accordance with the provisions of Sections 291, 297 and 299 of the Hong Kong Companies Ordinance, amounted to HK\$679,983,000, of which HK\$27,568,000 has been proposed as a final dividend for the year.



# REPORT OF THE DIRECTORS *(Continued)*

## MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, purchases from the Group's five largest suppliers accounted for 65% of the total purchases for the year. Purchases from the Group's largest supplier included herein totalled 36%. Sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

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

## 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 (retired on 27 August 2015)  
William Chung-Yue Fan  
Herman Man-Hei Fung  
Paul Hon-To Tong  
James Sing-Wai Wong  
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, Clement Kwok-Hung Young and James C. Chen will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Dr. Clement Kwok-Hung Young 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. Dr. Young has extensive knowledge and experience in the academic sector 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 Dr. Young 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.

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

## REPORT OF THE DIRECTORS *(Continued)*

### DETAILS OF RETIRING DIRECTORS TO BE RE-ELECTED

#### (a) **Clement Kwok-Hung Young**

Aged 82, was appointed as an independent non-executive director of the Company in 1999. Dr. Young was not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting.

Dr. Young obtained his Ph.D. Degree from The University of Texas, USA and served as university professor and administrator before his retirement from the Hong Kong Baptist University. He was the supervisor of Pui Ching Academy, Pui Ching Middle and Primary Schools and a court member of the Hong Kong Baptist University. He is a director of Pui Ching Academy, Pui Ching Middle and Primary Schools.

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

No service contract has been signed between the Company and Dr. Young. He is entitled to a director's fee of HK\$75,000 per annum.

Save as disclosed above, there is no other information relating to Dr. Young 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)*

**(b) James C. Chen**

Aged 66, 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 38 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. Save as disclosed above, Mr. Chen does not hold any other positions in the Company or any members of the Group, and did not hold any directorships in any listed public companies in the past three years. He does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company.

No service contract has been signed between the Company and Mr. Chen. He is entitled to a director's fee of HK\$75,000 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.

# REPORT OF THE DIRECTORS *(Continued)*

## **DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES**

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

## **DIRECTORS' SERVICE CONTRACTS**

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

## **DIRECTORS' REMUNERATION**

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

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

## **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

Except as disclosed in note 38 to the financial statements, no director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which any of the Company's holding companies, subsidiaries or fellow subsidiaries was a party during the year.

## REPORT OF THE DIRECTORS *(Continued)*

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2016, 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

Name of director	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued shares
James Sai-Wing Wong	1 & 2	Through controlled corporations	348,663,324	63.24
	1	Beneficially owned	480,000	0.09
William Chung-Yue Fan	1	Beneficially owned	1,882,285	0.34

#### (b) Directors' interests in the ordinary shares of associated corporations

Name of director	Notes	Name of associated corporation	Capacity and nature of interest	Number of ordinary shares/ amount of paid-up registered capital held	Percentage of the associated corporation's issued shares/ paid-up registered capital
James Sai-Wing Wong	1 & 3	Hon Kwok	Through controlled corporation	502,262,139	69.72
	1 & 4	Guangzhou Honkwok Fuqiang Land Development Ltd.	Through controlled corporations	RMB185,000,000	100.00
	1 & 7	Chinney Trading Company Limited	Through controlled corporations	10,400	80.00
	1 & 5	Chinney Alliance	Through controlled corporations	436,860,216	73.43
	1 & 6	Chinney Holdings	Through controlled corporation	9,900,000	99.00
	1	Chinney Holdings	Beneficially owned	100,000	1.00
	1	Lucky Year	Beneficially owned	20,000	100.00
Herman Man-Hei Fung	1	Hon Kwok	Beneficially owned	942,000	0.13

## REPORT OF THE DIRECTORS *(Continued)*

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

*(Continued)*

Notes:

1. *All the interests stated above represent long positions.*
2. *These shares are beneficially held by Chinney Holdings, which is a subsidiary of Lucky Year. James Sai-Wing Wong is a director of Lucky Year and has beneficial interests therein.*
3. *Out of the 502,262,139 shares, 490,506,139 shares are beneficially held by the Company. By virtue of note 2, James Sai-Wing Wong is deemed to be interested in these shares. The remaining 11,756,000 shares are held by Chinney Capital Limited of which James Sai-Wing Wong is a director and has beneficial interests therein.*
4. *Out of the RMB185,000,000 paid-up registered capital, RMB111,000,000 is held by a wholly-owned subsidiary of Hon Kwok and RMB74,000,000 is held by a company controlled by James Sai-Wing Wong. By virtue of note 3, James Sai-Wing Wong is deemed to be interested in this company.*
5. *Out of the 436,860,216 shares, 173,093,695 shares are held by a wholly-owned subsidiary of the Company and the remaining 263,766,521 shares are held by companies controlled by James Sai-Wing Wong. By virtue of note 2, James Sai-Wing Wong is deemed to be interested in these shares.*
6. *These shares are beneficially held by Lucky Year. By virtue of note 2, James Sai-Wing Wong is deemed to be interested in these shares.*
7. *Out of the 10,400 shares, 2,600 shares are held by a wholly-owned subsidiary of Hon Kwok and the remaining 7,800 shares are held by a company controlled by James Sai-Wing Wong. By virtue of note 3, James Sai-Wing Wong is deemed to be interested in this company.*

Save as disclosed herein, as at 31 March 2016, none of the directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be recorded in the register kept by the Company under Section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

## REPORT OF THE DIRECTORS *(Continued)*

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

As at 31 March 2016, 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:

<b>Name</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued shares</b>
Chinney Holdings	Directly beneficially owned	348,663,324	63.24
Lucky Year	Through controlled corporation	348,663,324	63.24

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 2016, none of the substantial shareholders or other persons (other than the directors of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

### CONNECTED TRANSACTION

On 9 May 2016, True Light Enterprises Limited ("True Light"), an indirect wholly-owned subsidiary of Hon Kwok, entered into a sale and purchase agreement with Rich Fate Limited ("Rich Fate"), pursuant to which True Light has conditionally agreed to acquire and Rich Fate has conditionally agreed to sell the entire issued share capital of Right Colour Limited ("Right Colour") and the assignment of related shareholder's loan to True Light for an aggregate cash consideration of HK\$68,795,000, net of PRC tax which Rich Fate is required to pay in connection with the sale of the entire issued share capital of Right Colour. A deposit of HK\$6,879,500 was paid upon signing of the above agreement. As Rich Fate is beneficially owned by Dr. James Sai-Wing Wong, Chairman and substantial shareholder of Hon Kwok and the Company, the related transaction constitutes a connected transaction of Hon Kwok and the Company under the Listing Rules and is subject to the approval of the independent shareholders at the forthcoming extraordinary general meetings of Hon Kwok and the Company.

## REPORT OF THE DIRECTORS *(Continued)*

### DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

- (a) 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.

- (b) In March 2015, Hon Kwok Treasury Limited, a wholly-owned subsidiary of Hon Kwok, as borrower, entered into a facility agreement (the “HK\$1,000 million Facility Agreement”) relating to a HK\$1,000 million transferable term and revolving loan facilities (the “HK\$1,000 million Loan Facilities”) with a syndicate of banks. The HK\$1,000 million Loan Facilities have a term of 48 months commencing from the date of the HK\$1,000 million Facility Agreement and to be used for refinancing the previous syndicated loans with outstanding balance of HK\$402 million and financing the general working capital requirements of Hon Kwok and its subsidiaries.

Pursuant to the HK\$1,000 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) at least 30% of the effective shareholding in Hon Kwok or ceases to maintain management control of Hon Kwok; or (ii) James Sai-Wing Wong, Chairman of both Hon Kwok and the Company, ceases to remain as the largest beneficial ultimate shareholder of the Company.

If an event of default under the HK\$1,000 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\$1,000 million Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the HK\$1,000 million Loan Facilities to be immediately due and payable.



## REPORT OF THE DIRECTORS *(Continued)*

### SUFFICIENCY OF PUBLIC FLOAT

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

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

### EVENT AFTER THE REPORTING PERIOD

Details of the significant event of the Group after the reporting period are set out in note 42 to the financial statements.

### PERMITTED INDEMNITY PROVISION

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

### 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, 28 June 2016

# INDEPENDENT AUDITORS' REPORT



**To the members 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 set out on pages 43 to 135, which comprise the consolidated statement of financial position as at 31 March 2016, 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 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 financial position of the Company and its subsidiaries as at 31 March 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### **Ernst & Young**

*Certified Public Accountants*

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

28 June 2016

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>REVENUE</b>	5	<b>1,655,688</b>	462,905
Cost of sales		<u>(1,115,598)</u>	<u>(253,135)</u>
Gross profit		<b>540,090</b>	209,770
Other income	5	<b>21,878</b>	13,714
Fair value gains on investment properties, net		<b>616,256</b>	2,528,809
Fair value gains on equity investments at fair value through profit or loss, net		<b>51</b>	149
Gain on disposal of a subsidiary	32	<b>7,360</b>	–
Gain on disposal of investment properties, net		–	443
Selling and distribution expenses		<b>(12,377)</b>	(14,707)
Administrative and other operating expenses, net		<b>(195,741)</b>	(154,324)
Finance costs	6	<b>(134,491)</b>	(93,510)
Share of profits and losses of associates		<u><b>48,982</b></u>	<u>41,073</u>
<b>PROFIT BEFORE TAX</b>	7	<b>892,008</b>	2,531,417
Income tax expense	10	<u><b>(370,035)</b></u>	<u>(649,439)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>521,973</b></u>	<u>1,881,978</u>
Attributable to:			
Owners of the Company		<b>309,615</b>	1,283,791
Non-controlling interests		<u><b>212,358</b></u>	<u>598,187</u>
		<u><b>521,973</b></u>	<u>1,881,978</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	12		
Basic and diluted		<u><b>HK\$0.56</b></u>	<u>HK\$2.33</u>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>PROFIT FOR THE YEAR</b>	<b>521,973</b>	1,881,978
<b>OTHER COMPREHENSIVE LOSS</b>		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of associates	(5,765)	(118)
Exchange differences on translation of foreign operations	<u>(279,547)</u>	<u>(12,513)</u>
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>	<u><b>(285,312)</b></u>	<u>(12,631)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><b>236,661</b></u>	<u>1,869,347</u>
Attributable to:		
Owners of the Company	<b>120,537</b>	1,275,143
Non-controlling interests	<u><b>116,124</b></u>	<u>594,204</u>
	<u><b>236,661</b></u>	<u>1,869,347</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	71,988	90,332
Prepaid land lease payments	14	8,552	10,313
Investment properties	15	11,864,978	11,013,061
Investment in a joint venture	17	199	199
Investments in associates	18	628,002	554,319
Total non-current assets		<u>12,573,719</u>	<u>11,668,224</u>
<b>CURRENT ASSETS</b>			
Inventories	19	4,687	4,439
Properties held for sale under development and completed properties held for sale	20	3,065,950	3,065,609
Prepaid land lease payments	14	1,240	1,276
Trade and bills receivables	21	24,510	27,216
Prepayments, deposits and other receivables	22	203,503	156,028
Equity investments at fair value through profit or loss	23	871	820
Tax recoverable		16,896	44,232
Pledged deposits	24	142,207	344,048
Cash and bank balances	24	1,730,080	579,093
Total current assets		<u>5,189,944</u>	<u>4,222,761</u>
<b>CURRENT LIABILITIES</b>			
Trade payables and accrued liabilities	25	552,666	152,733
Customer deposits		1,510,460	840,098
Due to an associate	18	37,490	37,490
Obligation under a finance lease	26	153	–
Interest-bearing bank borrowings	27	3,330,804	3,069,728
Tax payable		98,057	101,633
Total current liabilities		<u>5,529,630</u>	<u>4,201,682</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>(339,686)</u>	<u>21,079</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>12,234,033</u>	<u>11,689,303</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

31 March 2016

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Obligation under a finance lease	26	<b>238</b>	–
Interest-bearing bank borrowings	27	<b>3,120,285</b>	2,946,190
Deferred tax liabilities	28	<b>1,246,737</b>	1,094,083
Total non-current liabilities		<b>4,367,260</b>	4,040,273
Net assets		<b>7,866,773</b>	7,649,030
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital	29	<b>405,411</b>	405,411
Reserves	30	<b>4,660,684</b>	4,530,325
		<b>5,066,095</b>	4,935,736
Non-controlling interests		<b>2,800,678</b>	2,713,294
Total equity		<b>7,866,773</b>	7,649,030

**James Sai-Wing Wong**  
*Director*

**Herman Man-Hei Fung**  
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2016

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Other reserve	Asset revaluation reserve	Exchange fluctuation reserve	Retained profits	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2014	405,411	434,067	5,489	447,189	2,388,644	3,680,800	2,158,883	5,839,683	
Profit for the year	-	-	-	-	1,283,791	1,283,791	598,187	1,881,978	
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations	-	-	-	(8,648)	-	(8,648)	(3,983)	(12,631)	
Total comprehensive income/(loss) for the year	-	-	-	(8,648)	1,283,791	1,275,143	594,204	1,869,347	
Acquisition of non-controlling interests	-	6,151	-	1,210	-	7,361	(10,885)	(3,524)	
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	(28,908)	(28,908)	
Final 2014 dividend declared	-	-	-	-	(27,568)	(27,568)	-	(27,568)	
At 31 March 2015 and 1 April 2015	405,411	440,218*	5,489*	439,751*	3,644,867*	4,935,736	2,713,294	7,649,030	
Profit for the year	-	-	-	-	309,615	309,615	212,358	521,973	
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations	-	-	-	(189,078)	-	(189,078)	(96,234)	(285,312)	
Total comprehensive income/(loss) for the year	-	-	-	(189,078)	309,615	120,537	116,124	236,661	
Share of deemed disposal of partial interests in a subsidiary of an associate	-	-	-	-	37,390	37,390	-	37,390	
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	(28,740)	(28,740)	
Final 2015 dividend declared	-	-	-	-	(27,568)	(27,568)	-	(27,568)	
<b>At 31 March 2016</b>	<b>405,411</b>	<b>440,218*</b>	<b>5,489*</b>	<b>250,673*</b>	<b>3,964,304*</b>	<b>5,066,095</b>	<b>2,800,678</b>	<b>7,866,773</b>	

\* These reserve accounts comprise the consolidated reserves of HK\$4,660,684,000 (2015: HK\$4,530,325,000) in the consolidated statement of financial position.



# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2016

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>892,008</b>	2,531,417
Adjustments for:			
Share of profits and losses of associates		<b>(48,982)</b>	(41,073)
Interest income	5	<b>(6,475)</b>	(5,041)
Finance costs	6	<b>134,491</b>	93,510
Depreciation	7	<b>11,343</b>	11,401
Amortisation of prepaid land lease payments	7	<b>1,240</b>	1,276
Fair value gains on investment properties, net	7	<b>(616,256)</b>	(2,528,809)
Loss/(gain) on disposal of items of property, plant and equipment, net	7	<b>10,580</b>	(21)
Fair value gains on equity investments at fair value through profit or loss, net	7	<b>(51)</b>	(149)
Gain on disposal of investment properties, net	7	–	(443)
Gain on disposal of a subsidiary	7	<b>(7,360)</b>	–
Impairment of trade receivables	7	<b>73</b>	–
		<b>370,611</b>	62,068
Increase in inventories		<b>(248)</b>	(1,368)
Decrease/(increase) in properties held for sale under development and completed properties held for sale		<b>344,325</b>	(425,860)
Increase in trade and bills receivables, prepayments, deposits and other receivables		<b>(44,842)</b>	(67,201)
Decrease in trade payables and accrued liabilities		<b>(35,105)</b>	(103,012)
Increase in an amount due to an associate		–	37,490
Increase in customer deposits		<b>700,432</b>	615,696
Cash generated from operations		<b>1,335,173</b>	117,813
Hong Kong profits tax refunded/(paid)		<b>(71)</b>	478
Overseas taxes paid		<b>(147,072)</b>	(58,041)
Net cash flows from operating activities		<b>1,188,030</b>	60,250

# CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

Year ended 31 March 2016

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	2015 HK\$'000
Net cash flows from operating activities		<u>1,188,030</u>	<u>60,250</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(5,910)	(7,706)
Acquisition of non-controlling interests		–	(3,524)
Additions to investment properties		(435,023)	(1,061,219)
Dividends received from an associate		6,924	6,059
Interest received		6,475	5,041
Proceeds from disposal of items of property, plant and equipment		822	340
Proceeds from disposal of investment properties		–	2,552
Purchase of equity investments at fair value through profit or loss		–	(14)
Decrease/(increase) in pledged deposits		199,252	(239,145)
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		(46,981)	134,401
Disposal of a subsidiary	32	<u>13,442</u>	<u>–</u>
Net cash flows used in investing activities		<u>(260,999)</u>	<u>(1,163,215)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		(241,579)	(203,873)
Dividends paid to non-controlling shareholders		(28,740)	(28,908)
Dividend paid		(27,568)	(27,568)
New bank loans		1,527,930	1,729,481
Repayment of bank loans		(1,039,961)	(471,454)
Capital element of finance lease payments		<u>(378)</u>	<u>–</u>
Net cash flows from financing activities		<u>189,704</u>	<u>997,678</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		1,116,735	(105,287)
Effect of foreign exchange rate changes, net		<u>573,494</u>	<u>680,044</u>
		<u>(12,729)</u>	<u>(1,263)</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u><u>1,677,500</u></u>	<u><u>573,494</u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	24	1,674,493	573,494
Non-pledged time deposits	24	<u>55,587</u>	<u>5,599</u>
Cash and bank balances as stated in the consolidated statement of financial position		1,730,080	579,093
Non-pledged time deposits with original maturity of more than three months when acquired		<u>(52,580)</u>	<u>(5,599)</u>
Cash and cash equivalents at end of year		<u><u>1,677,500</u></u>	<u><u>573,494</u></u>

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2016

## 1. CORPORATE AND GROUP INFORMATION

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

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

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

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

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

### Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Allwin Group Holdings Limited <sup>#</sup>	BVI	US\$1	–	100.00	Sourcing agent for garment
Champion Fine International Investments Inc. <sup>#</sup>	Canada	Canadian dollar (“CAD”) 1	–	68.09	Investment holding
Chinney Property Management Limited	Hong Kong	HK\$100	–	68.09	Property management
CP Parking Limited	Hong Kong	HK\$2,060,000	–	68.09	Carpark management
Crown Honour Developments Limited	Hong Kong	HK\$2	–	68.09	Nominee services
Dongguan Chinney Garments Limited <sup>#1</sup>	People’s Republic of China (“PRC”)/ Mainland China	HK\$16,000,000 (2015: HK\$11,100,000)	–	100.00	Garment manufacturing
Dongguan Marigold Industry City Developing Co., Ltd. <sup>#1</sup>	PRC/Mainland China	HK\$50,000,000	–	100.00	Property holding and letting

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 1. CORPORATE AND GROUP INFORMATION *(Continued)*

### Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Full Yip Development Limited	BVI/Hong Kong	US\$1	–	68.09	Property holding and letting
Foshan Nanhai XinDa Land Development Ltd. <sup>#1</sup>	PRC/Mainland China	HK\$300,000,000	–	68.09	Property development
Gold Famous Development Limited	Hong Kong	HK\$1	–	68.09	Property development
Guangzhou Honkwok Fuqiang Land Development Ltd. <sup>#1</sup>	PRC/Mainland China	Renminbi ("RMB") 185,000,000	–	40.85 <sup>2</sup>	Property development
Guangzhou Honkwok Hengsheng Land Development Ltd. <sup>#1</sup>	PRC/Mainland China	RMB220,000,000	–	51.07	Property development
Guangzhou Hua Yin Land Development Co., Ltd. <sup>#1</sup>	PRC/Mainland China	RMB80,000,000	–	68.09	Property development
Guangzhou Sheng Jin Real Estate Co., Ltd. <sup>#1</sup>	PRC/Mainland China	RMB52,114,000	–	68.09	Property development
Guangzhou Tungfu Property Management Co., Ltd. <sup>#1</sup>	PRC/Mainland China	RMB44,400,000	–	68.09	Property holding and letting
Guangzhou Zhong Lu Da Dao Real Estate Development Co., Ltd. <sup>#1</sup>	PRC/Mainland China	RMB90,000,000	–	68.09	Property development
Hon Kwok Land Investment (China) Limited	Hong Kong	HK\$2	–	68.09	Investment holding
Hon Kwok Land Investment Company, Limited ("Hon Kwok")	Hong Kong	HK\$720,429,301	68.09	–	Investment holding
Hon Kwok Land Investment (Shenzhen) Co., Ltd. <sup>#1</sup>	PRC/Mainland China	HK\$30,000,000	–	68.09	Property development

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 1. CORPORATE AND GROUP INFORMATION *(Continued)*

### Information about subsidiaries *(Continued)*

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 1. CORPORATE AND GROUP INFORMATION *(Continued)*

### Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shenzhen Guanghai Investment Co., Ltd. <sup>#1</sup>	PRC/Mainland China	RMB880,000,000 (2015: RMB600,000,000)	–	68.09	Property development
Shenzhen Honkwok Huaye Development Co., Ltd. <sup>#1</sup>	PRC/Mainland China	RMB50,000,000	–	68.09	Property holding and letting
The Bauhinia Hotel Management Limited	Hong Kong	HK\$2	–	68.09	Property letting
The Bauhinia Hotel (TST) Management Limited	Hong Kong	HK\$2	–	68.09	Property letting
Vast Champ Investment (Chongqing) Co., Ltd. <sup>#1</sup>	PRC/Mainland China	US\$30,000,000	–	68.09	Property development
Wide Fame Investment Limited	Hong Kong	HK\$2	–	68.09	Financing
Wise Pacific Investment Limited	Hong Kong	HK\$10,000	–	68.09	Money lending

<sup>#</sup> *Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.*

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 2.1 BASIS OF PREPARATION

The Group had consolidated net current liabilities of approximately HK\$340 million as at 31 March 2016. After taking into account the available unutilised banking facilities, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain investment properties and equity investments which have been measured at fair value. 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 2016. 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.

## 2.1 BASIS OF PREPARATION *(Continued)*

### **Basis of consolidation** *(Continued)*

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.

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 above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

*Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions*  
*Annual Improvements to HKFRSs 2010-2012 Cycle*  
*Annual Improvements to HKFRSs 2011-2013 Cycle*

The adoption of the above revised standards has had no significant financial effect on these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

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

In addition, the Group has voluntarily changed its accounting policy regarding the recognition of property agent commission expense arising from property sales. In prior years, the property agent commission was charged to profit or loss in the period when it was incurred. In the current year, the Group has changed its accounting policy. Under the revised accounting policy, the property agent commission is charged to profit or loss in the same period in which the relevant property sales income is recognised when the relevant properties are handed over to the buyers. In the opinion of the directors, the financial statements prepared using the revised policy will provide reliable and more relevant information to the users of the financial statements about the effects of transactions to sell properties on the Group's financial position and financial performance. This change in policy has been applied retrospectively, but does not have any significant financial effect on the Group's financial performance and cash flows for the year ended 31 March 2015 and on the Group's financial positions as of 31 March 2015 and 1 April 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> <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>5</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> <sup>1</sup>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <sup>1</sup>
HKFRS 14	<i>Regulatory Deferral Accounts</i> <sup>4</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>2</sup>
HKFRS 16	<i>Leases</i> <sup>3</sup>
Amendments to HKAS 1	<i>Disclosure Initiative</i> <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> <sup>1</sup>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> <sup>1</sup>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs <sup>1</sup>

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

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

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

4 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

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

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

*(Continued)*

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 April 2018. The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

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

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 April 2016.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 April 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

*(Continued)*

HKFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is yet to assess the full impact of the standard on its financial position and results of operations. The standard is mandatorily effective for annual periods beginning on or after 1 April 2019.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

- (i) the materiality requirements in HKAS 1;
- (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 April 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 April 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Investments in associates and a joint venture**

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Business combinations and goodwill**

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

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

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Business combinations and goodwill** *(Continued)*

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

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

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

### **Fair value measurement**

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

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Fair value measurement** *(Continued)*

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

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

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

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

### **Impairment of non-financial assets**

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Impairment of non-financial assets** *(Continued)*

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

### **Related parties**

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

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

or

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



# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 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.

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

Gains or losses arising from changes in the fair values of investment properties are included in 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.

### **Properties held for sale under development and properties held for sale**

#### *Completed properties held for sale*

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

#### *Properties held for sale under development*

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

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **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.

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

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.

### **Investments and other financial assets**

#### *Initial recognition and measurement*

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Investments and other financial assets** *(Continued)*

#### *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.

### **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.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Derecognition of financial assets** *(Continued)*

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

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

### **Impairment of financial assets**

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

#### *Financial assets carried at amortised cost*

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

## 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 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.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial liabilities** *(Continued)*

#### *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.

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

### **Income tax**

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

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Income tax** *(Continued)*

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if 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) 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 2016

## 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.

#### *Termination benefits*

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 3.88% (2015: 4.28%) has been applied to the expenditure on the individual assets.

### **Dividends**

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

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

### **Foreign currencies**

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Foreign currencies** *(Continued)*

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

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

## 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:

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

#### **Judgements** *(Continued)*

##### *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.

##### *Revenue recognition*

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

##### *Classification between investment properties and properties held for sale*

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

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

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

##### *Classification between investment properties and owner-occupied properties*

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 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 or the remaining construction cost can be accurately estimated.

#### *Deferred taxation on investment properties*

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

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

### **Estimation uncertainty**

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

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

#### **Estimation uncertainty** *(Continued)*

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

The Group considers information from a variety of sources, including recent prices of similar properties in the same location and condition, with adjustments to reflect any changes in economic conditions since the dates of transactions that occurred at those prices. Particulars of the properties held for sale under development and completed properties held for sale of the Group are set out in note 20 to the financial statements.

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

Total budgeted costs for properties held for sale under development comprise (i) prepaid land lease payments; (ii) building costs; and (iii) any other direct costs attributable to the development of the properties. In estimating the total budgeted costs for properties held for sale under development, management 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 15 to the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 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 28 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 for LAT in the period in which such determination is made.

## 4. OPERATING SEGMENT INFORMATION

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

- (a) the garment segment manufactures and trades garments;
- (b) the property development segment develops properties for sale;
- (c) the property investment segment holds investment properties for development and the generation of rental income; and
- (d) the “others” segment comprises, principally, the sub-leasing business and the property management service business which provides management services to residential and commercial properties.

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

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

Segment liabilities exclude other unallocated head office and corporate liabilities, including obligation under a finance lease, interest-bearing bank borrowings, tax payable and deferred tax 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 2016

## 4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 March 2016	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>
<b>Segment revenue:</b>					
Sales to external customers	86,183	1,357,389	175,227	36,889	1,655,688
<b>Segment results</b>	<b>(14,024)</b>	<b>357,232</b>	<b>664,361</b>	<b>(23,378)</b>	<b>984,191</b>
<i>Reconciliation:</i>					
Interest income					6,475
Dividend income and unallocated gains					88
Corporate and other unallocated expenses					(20,597)
Finance costs					(134,491)
Gain on disposal of a subsidiary					7,360
Share of profits and losses of associates					<u>48,982</u>
Profit before tax					<u><u>892,008</u></u>
<b>Segment assets</b>	<b>71,627</b>	<b>3,281,509</b>	<b>12,928,705</b>	<b>2,024,514</b>	<b>18,306,355</b>
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(3,060,947)
Investments in associates					628,002
Investment in a joint venture					199
Corporate and other unallocated assets					<u>1,890,054</u>
Total assets					<u><u>17,763,663</u></u>
<b>Segment liabilities</b>	<b>12,729</b>	<b>3,065,023</b>	<b>954,338</b>	<b>1,129,473</b>	<b>5,161,563</b>
<i>Reconciliation:</i>					
Elimination of intersegment payables					(3,060,947)
Corporate and other unallocated liabilities					<u>7,796,274</u>
Total liabilities					<u><u>9,896,890</u></u>
<b>Other segment information:</b>					
Fair value gains/(losses) on investment properties, net	(60)	–	616,316	–	616,256
Gain/(loss) on disposal of items of property, plant and equipment, net	403	–	–	(10,983)	(10,580)
Depreciation and amortisation	1,408	923	2,208	8,044	12,583
Capital expenditure*	<u>1,354</u>	<u>449</u>	<u>515,390</u>	<u>3,099</u>	<u>520,292</u>

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 March 2015	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>
<b>Segment revenue:</b>					
Sales to external customers	102,207	148,421	175,064	37,213	462,905
<b>Segment results</b>	(11,340)	29,084	2,583,397	(3,193)	2,597,948
<i>Reconciliation:</i>					
Interest income					5,041
Dividend income and unallocated gains					185
Corporate and other unallocated expenses					(19,320)
Finance costs					(93,510)
Share of profits and losses of associates					<u>41,073</u>
Profit before tax					<u><u>2,531,417</u></u>
<b>Segment assets</b>					
	81,989	3,250,650	11,597,834	1,950,591	16,881,064
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(2,512,790)
Investments in associates					554,319
Investment in a joint venture					199
Corporate and other unallocated assets					<u>968,193</u>
Total assets					<u><u>15,890,985</u></u>
<b>Segment liabilities</b>					
	15,180	1,984,856	892,124	650,951	3,543,111
<i>Reconciliation:</i>					
Elimination of intersegment payables					(2,512,790)
Corporate and other unallocated liabilities					<u>7,211,634</u>
Total liabilities					<u><u>8,241,955</u></u>
<b>Other segment information:</b>					
Fair value gains on investment properties, net	2,140	–	2,526,669	–	2,528,809
Gain/(loss) on disposal of items of property, plant and equipment, net	142	–	–	(121)	21
Depreciation and amortisation	1,447	997	2,210	8,023	12,677
Capital expenditure*	<u>127</u>	<u>879</u>	<u>1,151,351</u>	<u>1,638</u>	<u>1,153,995</u>

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 4. OPERATING SEGMENT INFORMATION *(Continued)*

### Geographical information

(a) Revenue

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong	113,331	104,713
Mainland China	1,468,490	262,388
Europe	72,700	94,635
North America	1,167	1,169
	<u>1,655,688</u>	<u>462,905</u>

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

(b) Non-current assets

	31 March 2016 <i>HK\$'000</i>	31 March 2015 <i>HK\$'000</i>
Hong Kong	3,216,978	3,356,198
Mainland China	8,728,540	7,757,508
	<u>11,945,518</u>	<u>11,113,706</u>

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 5. REVENUE AND OTHER INCOME

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

An analysis of revenue and other income is as follows:

	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>		
Sale of goods	<b>86,183</b>	102,207
Sale of properties	<b>1,357,389</b>	148,421
Gross rental income	<b>210,556</b>	210,432
Property management income	<b>1,560</b>	1,845
	<b>1,655,688</b>	462,905
<b>Other income</b>		
Bank interest income	<b>6,475</b>	5,041
Dividend income from listed investments at fair value through profit or loss	<b>37</b>	36
Management fee income received from an associate	<b>7,500</b>	–
Others	<b>7,866</b>	8,637
	<b>21,878</b>	13,714

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans	241,579	203,873
Less: Interest capitalised under property development projects	<u>(107,088)</u>	<u>(110,363)</u>
	<u><b>134,491</b></u>	<u><b>93,510</b></u>

## 7. PROFIT BEFORE TAX

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Cost of properties sold	948,360	88,785
Cost of inventories sold	71,001	84,026
Depreciation ( <i>note 13</i> )	11,343	11,401
Amortisation of prepaid land lease payments ( <i>note 14</i> )	1,240	1,276
Minimum lease payments under operating leases*	26,332	21,791
Auditors' remuneration	3,329	3,176
Employee benefit expense (including directors' remuneration ( <i>note 8</i> )):		
Wages, salaries, allowances and benefits in kind	97,386	89,516
Pension scheme contributions	<u>2,817</u>	<u>2,648</u>
	<b>100,203</b>	92,164
Less: Amount capitalised under property development projects	<u>(18,400)</u>	<u>(12,400)</u>
	<u><b>81,803</b></u>	<u><b>79,764</b></u>

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 7. PROFIT BEFORE TAX *(Continued)*

	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<hr/>		
Gross rental income included in the following categories:		
Rental income	(210,556)	(210,432)
Other income	(703)	(862)
	<hr/>	<hr/>
	(211,259)	(211,294)
Less: Outgoing expenses**	96,237	80,324
	<hr/>	<hr/>
	(115,022)	(130,970)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	58,282	45,753
Foreign exchange differences, net	875	312
Fair value gains on investment properties, net <i>(note 15)</i>	(616,256)	(2,528,809)
Fair value gains on equity investments at fair value through profit or loss, net	(51)	(149)
Interest income	(6,475)	(5,041)
Impairment of trade receivables <i>(note 21)</i>	73	–
Gain on disposal of investment properties, net	–	(443)
Loss/(gain) on disposal of items of property, plant and equipment, net	10,580	(21)
Gain on disposal of a subsidiary <i>(note 32)</i>	(7,360)	–
	<hr/> <hr/>	<hr/> <hr/>

At 31 March 2016 and 2015, the amount of forfeited pension scheme contributions available to the Group for future utilisation was not significant.

\* Included in the amount are rental expenses for carpark operations of HK\$14,350,000 (2015: HK\$9,636,000) 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 2016

## 8. DIRECTORS' REMUNERATION

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Fees	<u>414</u>	<u>300</u>
Other emoluments:		
Salaries, allowances and benefits in kind	11,928	10,880
Discretionary performance-related bonuses*	<u>4,000</u>	<u>3,400</u>
	<u>15,928</u>	<u>14,280</u>
	<u><u>16,342</u></u>	<u><u>14,580</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 were as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Clement Kwok-Hung Young	69	50
Peter Man-Kong Wong	69	50
James C. Chen	<u>69</u>	<u>50</u>
	<u><u>207</u></u>	<u><u>150</u></u>

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 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>
<b>2016</b>					
Executive directors:					
James Sai-Wing Wong	-	6,000	2,000	-	8,000
Herman Man-Hei Fung	-	5,928	2,000	-	7,928
	-	11,928	4,000	-	15,928
Non-executive directors:					
Madeline May-Lung Wong (retired on 27 August 2015)	-	-	-	-	-
William Chung-Yue Fan	69	-	-	-	69
Paul Hon-To Tong	69	-	-	-	69
James Wong-Sing Wai	69	-	-	-	69
	207	-	-	-	207
	207	11,928	4,000	-	16,135

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 8. DIRECTORS' REMUNERATION *(Continued)*

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

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Discretionary performance- related bonuses <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
2015					
Executive directors:					
James Sai-Wing Wong	–	5,500	1,700	–	7,200
Herman Man-Hei Fung	–	5,380	1,700	–	7,080
	<u>–</u>	<u>10,880</u>	<u>3,400</u>	<u>–</u>	<u>14,280</u>
Non-executive directors:					
Madeline May-Lung Wong	–	–	–	–	–
William Chung-Yue Fan	50	–	–	–	50
Paul Hon-To Tong	50	–	–	–	50
James Wong-Sing Wai	50	–	–	–	50
	<u>150</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>150</u>
	<u>150</u>	<u>10,880</u>	<u>3,400</u>	<u>–</u>	<u>14,430</u>

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 2016

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2015: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2015: three) non-director, highest paid employees for the year are as follows:

	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Salaries, allowances and benefits in kind	<b>12,055</b>	10,729
Discretionary performance-related bonuses	<b>3,500</b>	3,100
Pension scheme contributions	<b>208</b>	188
	<b>15,763</b>	<b>14,017</b>

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

	<b>Number of employees</b>	
	<b>2016</b>	<b>2015</b>
HK\$3,000,001 to HK\$3,500,000	<b>1</b>	1
HK\$3,500,001 to HK\$4,000,000	–	–
HK\$4,000,001 to HK\$4,500,000	–	–
HK\$4,500,001 to HK\$5,000,000	–	1
HK\$5,000,001 to HK\$5,500,000	–	–
HK\$5,500,001 to HK\$6,000,000	<b>1</b>	–
HK\$6,000,001 to HK\$6,500,000	–	1
HK\$6,500,001 to HK\$7,000,000	<b>1</b>	–
	<b>3</b>	<b>3</b>

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	54	25
Current – Elsewhere		
Charge for the year	81,580	14,446
LAT in Mainland China	91,279	13,753
Deferred ( <i>note 28</i> )	<u>197,122</u>	<u>621,215</u>
Total tax charge for the year	<u><u>370,035</u></u>	<u><u>649,439</u></u>

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit before tax	<u>892,008</u>	<u>2,531,417</u>
Tax at the statutory tax rate	249,484	634,523
Income not subject to tax	(1,442)	(12,373)
Expenses not deductible for tax	45,737	15,863
Tax losses utilised from previous periods	(1,065)	(1,534)
Tax losses not recognised	15,781	19,203
Profits and losses attributable to associates	(8,063)	(6,749)
LAT	91,279	13,753
Others	<u>(21,676)</u>	<u>(13,247)</u>
Tax charge at the Group's effective rate of 41% (2015: 26%)	<u>370,035</u>	<u>649,439</u>

The share of net tax charge attributable to associates amounting to HK\$11,124,000 (2015: HK\$6,818,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss. There was no share of tax attributable to a joint venture during the year ended 31 March 2016 (2015: Nil).

## 11. DIVIDEND

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Proposed final – 5 HK cents (2015: 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.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$309,615,000 (2015: HK\$1,283,791,000) and the weighted average number of ordinary shares in issue during the year of 551,368,153 (2015: 551,368,153).

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2016 and 2015 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2016 and 2015.

## 13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings		Leasehold improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Total
	Hong Kong	Mainland China					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>31 March 2016</b>							
At 31 March 2015 and at 1 April 2015:							
Cost	51,800	70,629	42,185	11,721	10,225	28,313	214,873
Accumulated depreciation	(21,290)	(33,317)	(29,395)	(11,585)	(7,194)	(21,760)	(124,541)
Net carrying amount	<u>30,510</u>	<u>37,312</u>	<u>12,790</u>	<u>136</u>	<u>3,031</u>	<u>6,553</u>	<u>90,332</u>
At 1 April 2015, net of accumulated depreciation	30,510	37,312	12,790	136	3,031	6,553	90,332
Additions	-	1,104	-	8	3,438	2,129	6,679
Disposals	-	-	(8,841)	-	(248)	(2,313)	(11,402)
Depreciation provided during the year	(1,042)	(3,397)	(3,336)	(72)	(1,546)	(1,950)	(11,343)
Exchange realignment	-	(1,572)	(455)	(6)	(99)	(146)	(2,278)
<b>At 31 March 2016, net of accumulated depreciation</b>	<u>29,468</u>	<u>33,447</u>	<u>158</u>	<u>66</u>	<u>4,576</u>	<u>4,273</u>	<u>71,988</u>
At 31 March 2016:							
Cost	51,800	68,634	15,063	11,161	10,688	22,212	179,558
Accumulated depreciation	(22,332)	(35,187)	(14,905)	(11,095)	(6,112)	(17,939)	(107,570)
Net carrying amount	<u>29,468</u>	<u>33,447</u>	<u>158</u>	<u>66</u>	<u>4,576</u>	<u>4,273</u>	<u>71,988</u>

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold land and buildings		Leasehold improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Total
	Hong Kong	Mainland China					
	<i>HK\$'000</i>	<i>HK\$'000</i>					
31 March 2015							
At 1 April 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>
At 1 April 2014, net of							
accumulated depreciation	31,553	36,730	16,027	137	4,024	5,867	94,338
Additions	–	3,972	188	75	628	2,843	7,706
Disposals	–	–	–	–	(227)	(92)	(319)
Depreciation provided during the year	(1,043)	(3,397)	(3,425)	(76)	(1,394)	(2,066)	(11,401)
Exchange realignment	<u>–</u>	<u>7</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1</u>	<u>8</u>
At 31 March 2015, net of							
accumulated depreciation	<u>30,510</u>	<u>37,312</u>	<u>12,790</u>	<u>136</u>	<u>3,031</u>	<u>6,553</u>	<u>90,332</u>
At 31 March 2015:							
Cost	51,800	70,629	42,185	11,721	10,225	28,313	214,873
Accumulated depreciation	<u>(21,290)</u>	<u>(33,317)</u>	<u>(29,395)</u>	<u>(11,585)</u>	<u>(7,194)</u>	<u>(21,760)</u>	<u>(124,541)</u>
Net carrying amount	<u>30,510</u>	<u>37,312</u>	<u>12,790</u>	<u>136</u>	<u>3,031</u>	<u>6,553</u>	<u>90,332</u>

The net carrying amount of the Group's fixed assets held under a finance lease included in the total amount of motor vehicles at 31 March 2016 was HK\$699,000 (2015: Nil).

At 31 March 2016, certain of the Group's leasehold land and buildings with a net carrying amount of approximately HK\$29,468,000 (2015: HK\$30,510,000) were pledged to secure general banking facilities granted to the Group as detailed in note 27(a)(vi).



# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 14. PREPAID LAND LEASE PAYMENTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
At beginning of year	11,589	12,861
Recognised during the year	(1,240)	(1,276)
Exchange realignment	(557)	4
At end of year	9,792	11,589
Current portion	(1,240)	(1,276)
Non-current portion	<u>8,552</u>	<u>10,313</u>

## 15. INVESTMENT PROPERTIES

	2016			Total <i>HK\$'000</i>
	Completed investment properties at fair value <i>HK\$'000</i>	Investment properties under construction at fair value <i>HK\$'000</i>	Investment properties under construction at cost <i>HK\$'000</i>	
At 1 April 2015	4,733,340	5,590,000	689,721	11,013,061
Additions	5,802	495,262	12,549	513,613
Transfer	1,271,084	(1,271,084)	–	–
Net gains/(losses) from fair value adjustments	(107,759)	724,015	–	616,256
Exchange realignment	(75,904)	(202,048)	–	(277,952)
<b>At 31 March 2016</b>	<u>5,826,563</u>	<u>5,336,145</u>	<u>702,270</u>	<u>11,864,978</u>

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 15. INVESTMENT PROPERTIES *(Continued)*

	2015			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 2014	4,631,250	1,276,250	1,432,572	7,340,072
Additions	17,183	155,354	973,752	1,146,289
Disposals	(2,109)	–	–	(2,109)
Transfer	–	1,716,603	(1,716,603)	–
Net gains from fair value adjustments	<u>87,016</u>	<u>2,441,793</u>	<u>–</u>	<u>2,528,809</u>
At 31 March 2015	<u><u>4,733,340</u></u>	<u><u>5,590,000</u></u>	<u><u>689,721</u></u>	<u><u>11,013,061</u></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 2016 based on valuations performed by Savills Valuation and Professional Services Limited and AA Property Services Limited, independent professionally qualified valuers, at an aggregate value of HK\$11,162,708,000. Each year, the Group's management decides to appoint which external valuers to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for the interim and annual financial reporting.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 15. INVESTMENT PROPERTIES *(Continued)*

Certain completed investment properties are leased to third parties under operating leases, further summary details of which are included in note 36(a) to the financial statements.

Investment properties under construction included interest expense of HK\$78,590,000 (2015: HK\$70,969,000) that was incurred and capitalised during the year.

In the prior year, one of the Group's investment properties under construction which was stated at cost as at 31 March 2014 was revalued on an open market, existing use basis, by independent professionally qualified valuers as its fair value can be determined reliably. That gave rise to a revaluation gain of HK\$2,383 million and a related deferred tax of HK\$596 million which were both recognised in the consolidated statement of profit or loss for that 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 they were therefore measured at cost in the consolidated statement of financial position.

At 31 March 2016, the Group's investment properties with an aggregate carrying value of HK\$11,820,778,000 (2015: HK\$10,987,361,000) were pledged to secure the banking facilities granted to the Group as detailed in note 27(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 27(a)(iv).

Based on the property ownership certificates, a portion of the completed investment properties with a total gross floor area of approximately 3,023 sq.m. is designated as non-market commodity housing which is not freely transferable in the market. As at 31 March 2016, the carrying amount of such portion was HK\$101,205,000 (2015: HK\$101,500,000).

Further particulars of the Group's investment properties are included in "Particulars of Properties" on pages 137 to 140.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 15. INVESTMENT PROPERTIES *(Continued)*

### Fair value hierarchy

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

	Fair value measurement as at 31 March 2016 using			Total HK\$'000	
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000		
	Recurring fair value measurement for:				
	Commercial properties	–	–		11,162,708
	<u>–</u>	<u>–</u>	<u>11,162,708</u>		

	Fair value measurement as at 31 March 2015 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	–	–		10,323,340
	<u>–</u>	<u>–</u>	<u>10,323,340</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 (2015: Nil).

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 15. INVESTMENT PROPERTIES *(Continued)*

### Fair value hierarchy *(Continued)*

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

	<b>HK\$'000</b>
Carrying amount at 1 April 2014	5,907,500
Additions	172,537
Disposals	(2,109)
Transfer in	1,716,603
Net gains from fair value adjustments	<u>2,528,809</u>
Carrying amount at 31 March 2015 and 1 April 2015	<b>10,323,340</b>
Additions	<b>501,064</b>
Net gains from fair value adjustments	<b>616,256</b>
Exchange realignment	<u><b>(277,952)</b></u>
Carrying amount at 31 March 2016	<u><b>11,162,708</b></u>

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	
Commercial properties			2016	2015
Completed	Income capitalisation approach	Estimated rental value per sq.ft. and per month (HK\$)	<b>21 to 153</b>	20 to 165
		per sq.m. and per month (RMB)	<b>60 to 400</b>	60 to 400
		Capitalisation rate	<b>3.1% to 6.5%</b>	3% to 6.5%
	Direct comparison approach	Unit price (HK\$/unit)	<b>790,000 to 1,950,000</b>	700,000 to 1,500,000
		Unit price (RMB/unit)	<b>80,000 to 440,000</b>	80,000 to 400,000
		Price per sq.ft. (HK\$)	<b>5,476 to 11,000</b>	5,536 to 11,000
	Discounted cash flow approach	Room tariff (RMB)	<b>460</b>	460
		Occupancy rate	<b>72%</b>	71%
		Stabilised growth rate	<b>3%</b>	3%
		Terminal capitalisation rate	<b>5.5%</b>	5.5%
		Discount rate	<b>8.5%</b>	8.5%
Under construction	Direct comparison approach and discounted cash flow approach	Interest rate	<b>4.35%</b>	5.35% to 5.75%
		Estimated cost to completion per sq.m. (RMB)	<b>1,586</b>	2,630 to 4,720
		Developer's profit margin	<b>7%</b>	3% to 15%

## 15. INVESTMENT PROPERTIES *(Continued)*

### **Fair value hierarchy** *(Continued)*

#### *Income capitalisation approach*

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

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

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

#### *Direct comparison approach*

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

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

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

#### *Discounted cash flow approach*

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 15. INVESTMENT PROPERTIES *(Continued)*

### Fair value hierarchy *(Continued)*

#### *Discounted cash flow approach (Continued)*

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

The key inputs were the 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.

## 16. GOODWILL

	<i>HK\$'000</i>
<hr/>	
At 1 April 2014, 31 March 2015, 1 April 2015 and 31 March 2016:	
Cost	2,463
Accumulated impairment	<u>(2,463)</u>
Net carrying amount	<u><u>–</u></u>

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 17. INVESTMENT IN A JOINT VENTURE

	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Share of net assets	<b>199</b>	<b>199</b>

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

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

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

<sup>#</sup> *Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network*

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

	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Share of the joint venture's profit for the year	—	—
Share of the joint venture's other comprehensive income	—	—
Share of the joint venture's total comprehensive income	—	—
Carrying amount of the Group's investment in the joint venture	<b>199</b>	<b>199</b>



# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 18. INVESTMENTS IN ASSOCIATES/DUE TO AN ASSOCIATE

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Goodwill on acquisition	18,374	18,374
Share of net assets	<u>609,628</u>	<u>535,945</u>
	<u>628,002</u>	<u>554,319</u>
Due to an associate	<u>37,490</u>	<u>37,490</u>

Particulars of the associates are as follows:

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

<sup>#</sup> *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.*

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

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

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

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of the associates' profit for the year	<b>48,982</b>	41,073
Share of the associates' other comprehensive loss	<b>(5,765)</b>	(118)
Share of the associates' total comprehensive income	<b>43,217</b>	40,955
Aggregate carrying amount of the Group's investments in the associates	<b><u>628,002</u></b>	<b><u>554,319</u></b>

## 19. INVENTORIES

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	<b>1,140</b>	998
Work in progress	<b><u>3,547</u></b>	<u>3,441</u>
	<b><u>4,687</u></b>	<b><u>4,439</u></b>

## 20. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Completed properties held for sale	<b>1,244,366</b>	882,630
Properties held for sale under development	<b><u>1,821,584</u></b>	<u>2,182,979</u>
	<b><u>3,065,950</u></b>	<b><u>3,065,609</u></b>

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Properties held for sale under development		
– expected to be recovered:		
Within one year	604,403	770,889
After one year	364,193	554,873
– pending construction expected to be recovered after one year	<u>852,988</u>	<u>857,217</u>
	<u><u>1,821,584</u></u>	<u><u>2,182,979</u></u>

Properties held for sale under development and completed properties held for sale included interest expense of HK\$28,498,000 (2015: HK\$39,394,000) that was incurred and capitalised during the year prior to the completion of the development of the properties.

Certain of the Group's properties held for sale under development and completed properties held for sale with an aggregate carrying value of HK\$488,934,000 (2015: HK\$408,633,000) at the end of the reporting period were pledged to secure the banking facilities granted to the Group as detailed in note 27(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\$319,018,000 (2015: HK\$310,191,000) 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 was completed and those property units were delivered to purchasers from the financial year 2012/13.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

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

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\$67 million (2015: 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 significant impact on the development of the project.

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 137 to 140.

## 21. TRADE AND BILLS RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade and bills receivables	25,298	27,939
Impairment	<u>(788)</u>	<u>(723)</u>
	<u>24,510</u>	<u>27,216</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 the sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 21. 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 30 days	5,082	4,230
31 to 60 days	2,153	6,011
61 to 90 days	2,269	3,339
Over 90 days	<u>15,006</u>	<u>13,636</u>
	<u><u>24,510</u></u>	<u><u>27,216</u></u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
At beginning of year	723	1,090
Impairment losses recognised ( <i>note 7</i> )	73	–
Amount written off as uncollectible	<u>(8)</u>	<u>(367)</u>
At end of year	<u><u>788</u></u>	<u><u>723</u></u>

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK\$788,000 (2015: HK\$723,000) with a carrying amount before provision of HK\$788,000 (2015: HK\$723,000). 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 2016

## 21. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Neither past due nor impaired	5,293	5,587
Less than 30 days past due	3,309	10,862
30 to 90 days past due	2,760	2,530
Over 90 days past due	<u>13,148</u>	<u>8,237</u>
	<u><b>24,510</b></u>	<u><b>27,216</b></u>

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

## 22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Prepayments	148,203	81,145
Deposits	14,222	13,605
Other receivables	51,657	71,857
Impairment	<u>(10,579)</u>	<u>(10,579)</u>
	<u><b>203,503</b></u>	<u><b>156,028</b></u>

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

Included in the above provision for impairment of other receivables is a provision for impaired other receivables of HK\$10,579,000 (2015: HK\$10,579,000) with a carrying amount before provision of HK\$10,579,000 (2015: HK\$10,579,000). 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.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 23. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Listed equity investments at market value	<u>871</u>	<u>820</u>

The above equity investments at 31 March 2016 and 2015 were classified as held for trading.

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

## 24. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Cash and bank balances	1,674,493	573,494
Time deposits	<u>197,794</u>	<u>349,647</u>
	1,872,287	923,141
Less: Pledged time deposits pledged for short term bank loans ( <i>note 27(a)(v)</i> )	<u>(142,207)</u>	<u>(344,048)</u>
	<u>1,730,080</u>	<u>579,093</u>

Included in cash and bank balances are restricted bank deposits of HK\$623,039,000 (2015: HK\$171,907,000) which can only be applied in the designated property development projects prior to their completion of construction.

At the end of the reporting period, the cash and bank balances including time deposits of the Group denominated in RMB amounted to HK\$1,404,481,000 (2015: HK\$332,089,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 25. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in trade payables and accrued liabilities are trade payables of HK\$73,932,000 (2015: HK\$62,870,000). An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within 30 days	<b>71,330</b>	59,393
31 to 60 days	<b>1,979</b>	3,122
61 to 90 days	<b>401</b>	311
Over 90 days	<b>222</b>	44
	<b>73,932</b>	62,870

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

## 26. OBLIGATION UNDER A FINANCE LEASE

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

At 31 March 2016, the total future minimum lease payments under the finance lease and their present values are as follows:

	<b>Minimum lease payments</b>	<b>Present value of minimum lease payments</b>
	<b>2016</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Amounts payable:		
Within one year	<b>162</b>	<b>153</b>
In the second year	<b>162</b>	<b>157</b>
In the third year	<b>81</b>	<b>81</b>
	<b>405</b>	<b>391</b>
Total minimum finance lease payments		
Future finance charges	<b>(14)</b>	
Total net finance lease payables	<b>391</b>	
Portion classified as current liabilities	<b>(153)</b>	
Non-current portion	<b>238</b>	



# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 27. INTEREST-BEARING BANK BORROWINGS

	31 March 2016			31 March 2015		
	Effective annual interest rate (%)	Maturity	HK\$'000	Effective annual interest rate (%)	Maturity	HK\$'000
<b>Current</b>						
		2016-2017			2015-2016	
Bank loans – unsecured	2.8-4.4	or on demand	162,000	2.8-5.0	or on demand	87,149
		2016-2017			2015-2016	
Bank loans – secured	1.5-6.2	or on demand	<u>3,168,804</u>	1.5-7.3	or on demand	<u>2,982,579</u>
			<u>3,330,804</u>			<u>3,069,728</u>
<b>Non-current</b>						
Bank loans – unsecured	4.0-4.4	2017-2019	1,115,000	4.0-5.0	2016-2019	1,270,000
Bank loans – secured	2.0-5.8	2017-2024	<u>2,005,285</u>	2.0-7.3	2016-2024	<u>1,676,190</u>
			<u>3,120,285</u>			<u>2,946,190</u>
			<u>6,451,089</u>			<u>6,015,918</u>

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 27. INTEREST-BEARING BANK BORROWINGS *(Continued)*

	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<hr/>		
Analysed into:		
Bank loans repayable:		
Within one year or on demand	3,330,804	3,069,728
In the second year	1,444,408	720,799
In the third to fifth years, inclusive	1,659,432	2,198,984
Beyond five years	16,445	26,407
	<b>6,451,089</b>	<b>6,015,918</b>

*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\$11,820,778,000 (2015: HK\$10,987,361,000);*
  - (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\$488,934,000 (2015: HK\$408,633,000);*
  - (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 time deposits amounting to HK\$142,207,000 (2015: HK\$344,048,000); and*
  - (vi) *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\$29,468,000 (2015: HK\$30,510,000).*
- (b) *Except for certain bank loans denominated in RMB equivalent to HK\$1,553,861,000 (2015: HK\$1,460,714,000), all bank borrowings at the end of the reporting period were denominated in Hong Kong dollars.*

As further explained in note 41 to the financial statements, the Group's interest-bearing bank borrowings in the amount of HK\$163,005,000 (2015: HK\$181,500,000) 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.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 27. INTEREST-BEARING BANK BORROWINGS *(Continued)*

Based on the maturity terms of the loans, the amounts repayable in respect of the loans are: HK\$3,167,799,000 (2015: HK\$2,888,228,000) within one year or on demand; HK\$1,459,413,000 (2015: HK\$744,299,000) in the second year; HK\$1,697,432,000 (2015: HK\$2,232,984,000) in the third to fifth years, inclusive; and HK\$126,445,000 (2015: HK\$150,407,000) beyond five years.

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

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

## 28. DEFERRED TAX

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

	Depreciation allowance in excess of related depreciation <i>HK\$'000</i>	Revaluation of investment properties <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2014	(9,200)	(460,956)	577	(3,289)	(472,868)
Deferred tax charged to the statement of profit or loss during the year ( <i>note 10</i> )	<u>(1,552)</u>	<u>(619,663)</u>	–	–	<u>(621,215)</u>
Net deferred tax liabilities at 31 March 2015	<u>(10,752)</u>	<u>(1,080,619)</u>	<u>577</u>	<u>(3,289)</u>	<u>(1,094,083)</u>
At 1 April 2015	(10,752)	(1,080,619)	577	(3,289)	(1,094,083)
Deferred tax charged to the statement of profit or loss during the year ( <i>note 10</i> )	(3,652)	(193,470)	–	–	(197,122)
Exchange realignment	<u>–</u>	<u>44,468</u>	<u>–</u>	<u>–</u>	<u>44,468</u>
Net deferred tax liabilities at 31 March 2016	<u>(14,404)</u>	<u>(1,229,621)</u>	<u>577</u>	<u>(3,289)</u>	<u>(1,246,737)</u>

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 28. DEFERRED TAX *(Continued)*

At the end of the reporting period, the Group had unrecognised deductible temporary differences of HK\$743,000 (2015: HK\$1,861,000) and unrecognised tax losses arising in Hong Kong of HK\$1,335,710,000 (2015: HK\$1,271,061,000) and in Mainland China of HK\$106,949,000 (2015: HK\$91,843,000). Tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose and tax losses arising in Mainland China will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these deductible temporary differences and tax losses as they have arisen in the companies that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the deductible temporary differences and tax losses can be utilised.

At 31 March 2016, 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\$492,782,000 at 31 March 2016 (2015: HK\$412,443,000).

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

## 29. SHARE CAPITAL

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Issued and fully paid:		
551,368,153 (2015: 551,368,153) ordinary shares	<u>405,411</u>	<u>405,411</u>

## 30. RESERVES

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

## 31. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

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

	2016	2015
Percentage of equity interest held by non-controlling interests:		
Hon Kwok	<u>31.91%</u>	<u>31.91%</u>

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit for the year allocated to non-controlling interests:		
Hon Kwok	<u>212,358</u>	<u>598,187</u>
Dividends paid to non-controlling interests of Hon Kwok	<u>28,740</u>	<u>28,908</u>
Accumulated balances of non-controlling interests at the reporting dates:		
Hon Kwok	<u>2,800,678</u>	<u>2,713,294</u>

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	1,569,505	360,698
Total expenses	(1,677,378)	(1,009,241)
Other income	13,435	12,001
Fair value gains on investment properties, net	616,316	2,526,669
Gain on disposal of investment properties, net	–	443
Gain on disposal of a subsidiary	7,360	–
Profit for the year	529,238	1,890,570
Total comprehensive income for the year	<u>245,347</u>	<u>1,878,089</u>
Current assets	5,136,204	4,139,676
Non-current assets	12,223,223	11,391,585
Current liabilities	(5,069,109)	(3,803,629)
Non-current liabilities	<u>(4,170,390)</u>	<u>(3,762,997)</u>
Net cash flows from operating activities	1,202,230	86,121
Net cash flows used in investing activities	(267,763)	(1,166,117)
Net cash flows from financing activities	<u>188,800</u>	<u>1,069,272</u>
Net increase/(decrease) in cash and cash equivalents	<u>1,123,267</u>	<u>(10,724)</u>

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 32. DISPOSAL OF A SUBSIDIARY

	2016 <i>HK\$'000</i>
<hr/>	
Net assets disposed of:	
Properties held for sale	3,100
Due to the immediate holding company	<u>(1,845)</u>
	1,255
Assignment of a shareholder's loan	1,845
Tax provision	2,982
Gain on disposal of a subsidiary ( <i>note 7</i> )	<u>7,360</u>
	<u><u>13,442</u></u>
Satisfied by:	
Cash	<u><u>13,442</u></u>

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

	2016 <i>HK\$'000</i>
<hr/>	
Cash consideration	13,442
Cash and bank balances disposed of	<u>—</u>
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u><u>13,442</u></u>

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### Major non-cash transactions

- (a) Certain additions of properties held for sale under development and completed properties held for sale of HK\$426,065,000 (2015: HK\$64,991,000) were not paid at the end of the reporting period and were recorded as accrued liabilities.

In the prior year, certain additions of investment properties under construction of HK\$14,101,000 were not paid at the end of the reporting period and were recorded as accrued liabilities.

- (b) During the year, the Group entered into a finance lease arrangement in respect of property, plant and equipment with a total capital value at the inception of the lease of HK\$769,000 (2015: Nil).

## 34. CONTINGENT LIABILITIES

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Guarantee given to a bank in connection with the facility granted to an associate	<u>40,000</u>	<u>40,000</u>

As at 31 March 2016, the banking facility guaranteed by the Group to an associate was utilised to the extent of HK\$40,000,000 (2015: HK\$40,000,000).

- (b) As at 31 March 2016, the Group has given guarantees of HK\$1,119,000,000 (2015: HK\$191,000,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date the loans are granted to the purchasers up to the date of issuance of property ownership certificates to the purchasers.

The fair value of the guarantees is not significant and the directors of the Company consider that, in case of default in payments by the purchasers, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties and therefore no provision has been made in the financial statements for the years ended 31 March 2016 and 2015 for the guarantees.

## 35. PLEDGE OF ASSETS

Details of the Group's bank loans, which are secured by the assets of the Group, are included in note 27 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 36. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

The Group leases its investment properties (note 15 to the financial statements) 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 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	<b>136,048</b>	128,182
In the second to fifth years, inclusive	<b>209,867</b>	213,919
After five years	<b>321,538</b>	346,925
	<b>667,453</b>	689,026

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 27(a)(iv).

### (b) As lessee

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

At 31 March 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	<b>22,629</b>	20,481
In the second to fifth years, inclusive	<b>20,321</b>	15,018
	<b>42,950</b>	35,499



# NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 March 2016

## 37. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 36(b) above, the Group had the following capital commitments at the end of the reporting period:

	2016 HK\$'000	2015 HK\$'000
Contracted, but not provided for:		
Property development expenditure	<u>202,650</u>	<u>401,949</u>

## 38. RELATED PARTY TRANSACTIONS

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

	Notes	2016 HK\$'000	2015 HK\$'000
Management fee income received			
from an associate	(i)	7,500	–
Purchase of a property from an associate	(ii)	<u>–</u>	<u>8,063</u>

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\$8,063,000 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, the Chairman and controlling shareholder of the Company, is also the 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.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 38. RELATED PARTY TRANSACTIONS *(Continued)*

### (b) Outstanding balances with related parties

The Group has an outstanding balance with an associate as at the end of the reporting period. Particulars of the terms of the balance with the associate are set out in note 18 to the financial statements.

### (c) Compensation of key management personnel of the Group

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short term employee benefits	<b>31,897</b>	28,409
Post-employment benefits	<b>208</b>	188
	<b>32,105</b>	28,597

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 39. FINANCIAL INSTRUMENTS BY CATEGORY

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

2016

### 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	871	–	871
Trade and bills receivables	–	24,510	24,510
Financial assets included in prepayments, deposits and other receivables	–	55,300	55,300
Pledged deposits	–	142,207	142,207
Cash and bank balances	–	1,730,080	1,730,080
	<u>871</u>	<u>1,952,097</u>	<u>1,952,968</u>

### Financial liabilities

	Financial liabilities at amortised cost <i>HK\$'000</i>
Financial liabilities included in trade payables and accrued liabilities	544,254
Financial liabilities included in customer deposits	23,728
Due to an associate	37,490
Obligation under a finance lease	391
Interest-bearing bank borrowings	<u>6,451,089</u>
	<u>7,056,952</u>

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 39. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2015

### 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	820	–	820
Trade and bills receivables	–	27,216	27,216
Financial assets included in prepayments, deposits and other receivables	–	74,883	74,883
Pledged deposits	–	344,048	344,048
Cash and bank balances	–	579,093	579,093
	<u>820</u>	<u>1,025,240</u>	<u>1,026,060</u>

### Financial liabilities

	Financial liabilities at amortised cost <i>HK\$'000</i>
Financial liabilities included in trade payables and accrued liabilities	144,670
Financial liabilities included in customer deposits	23,592
Due to an associate	37,490
Interest-bearing bank borrowings	<u>6,015,918</u>
	<u>6,221,670</u>

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Financial assets</b>				
Equity investments at fair value through profit or loss	<u>871</u>	<u>820</u>	<u>871</u>	<u>820</u>
<b>Financial liabilities</b>				
Obligation under a finance lease	391	–	391	–
Interest-bearing bank borrowings	<u>6,451,089</u>	<u>6,015,918</u>	<u>6,451,089</u>	<u>6,015,918</u>

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

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

The fair values of the non-current portion of interest-bearing bank borrowings and an obligation under a finance lease have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings and an obligation under a finance lease as at 31 March 2016 was assessed to be insignificant.

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

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

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

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

### Assets measured at fair value:

As at 31 March 2016	Fair value measurement using			Total <i>HK\$'000</i>
	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>	
Equity investments at fair value through profit or loss	<u>871</u>	<u>–</u>	<u>–</u>	<u>871</u>

As at 31 March 2015	Fair value measurement using			Total <i>HK\$'000</i>
	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>	
Equity investments at fair value through profit or loss	<u>820</u>	<u>–</u>	<u>–</u>	<u>820</u>

The Group did not have any financial liabilities measured at fair value as at 31 March 2016 and 31 March 2015. As at 31 March 2016, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included interest-bearing bank borrowings (non-current portion) of HK\$3,120,285,000 (2015: HK\$2,946,190,000) and an obligation under a finance lease (non-current portion) of HK\$238,000 (2015: Nil). 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 (2015: Nil).

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 41. 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 bank balances, other payables, customer deposits and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

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

### Foreign currency risk

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

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

	Change in exchange rate %	Increase/ (decrease) in profit after tax and equity HK\$'000
<b>2016</b>		
If Hong Kong dollar weakens against RMB	5	(4,240)
If Hong Kong dollar strengthens against RMB	5	4,240
<b>2015</b>		
If Hong Kong dollar weakens against RMB	5	(652)
If Hong Kong dollar strengthens against RMB	5	652

## 41. 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 23) as at 31 March 2016. 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.

	<b>Carrying amount of equity investments HK\$'000</b>	<b>Increase in profit after tax HK\$'000</b>	<b>Increase in equity* HK\$'000</b>
<b>2016</b>			
Investments listed in:			
Hong Kong – held-for-trading	871	87	–
<b>2015</b>			
Investments listed in:			
Hong Kong – held-for-trading	820	82	–

\* *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 27 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 2016

## 41. 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\$19,701,000 (2015: HK\$16,056,000).

	<b>Increase/ (decrease) in basis points</b>	<b>Increase/ (decrease) in profit after tax and equity HK\$'000</b>
<b>2016</b>		
Hong Kong dollar	<b>100</b>	<b>(22,963)</b>
RMB	<b>50</b>	<b>(2,397)</b>
Hong Kong dollar	<b>(100)</b>	<b>22,963</b>
RMB	<b>(50)</b>	<b>2,397</b>
<b>2015</b>		
Hong Kong dollar	100	(23,966)
RMB	50	(932)
Hong Kong dollar	(100)	23,966
RMB	(50)	932

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### **Credit risk**

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

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

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 21 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. 52% (2015: 51%) of the Group's debts, which comprise interest-bearing borrowings and an obligation under a finance lease, would mature in less than one year as at 31 March 2016 based on the carrying values of the borrowings reflected in the financial statements. If based on the maturity dates as set out in the loan agreements, 49% (2015: 48%) of the Group's debts would mature in less than one year.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### Liquidity risk *(Continued)*

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

	On demand HK\$'000	Less than 12 months HK\$'000	2016 1 to 2 years HK\$'000	Over 2 years HK\$'000	Total HK\$'000
Financial liabilities included in trade payables and accrued liabilities	4,905	539,349	–	–	544,254
Financial liabilities included in customer deposits	23,728	–	–	–	23,728
Due to an associate	37,490	–	–	–	37,490
Obligation under a finance lease	–	162	162	81	405
Interest-bearing bank borrowings	721,178	2,797,842	1,543,891	1,757,962	6,820,873
Guarantee given to a bank in connection with the facility granted to an associate	40,000	–	–	–	40,000
Guarantees given to banks in respect of mortgage facilities granted to certain purchasers of the Group's properties	1,119,000	–	–	–	1,119,000
	<u>1,946,301</u>	<u>3,337,353</u>	<u>1,544,053</u>	<u>1,758,043</u>	<u>8,585,750</u>
	On demand HK\$'000	Less than 12 months HK\$'000	2015 1 to 2 years HK\$'000	Over 2 years HK\$'000	Total HK\$'000
Financial liabilities included in trade payables and accrued liabilities	4,919	139,751	–	–	144,670
Financial liabilities included in customer deposits	23,592	–	–	–	23,592
Due to an associate	37,490	–	–	–	37,490
Interest-bearing bank borrowings	699,998	2,536,196	820,818	2,314,770	6,371,782
Guarantee given to a bank in connection with the facility granted to an associate	40,000	–	–	–	40,000
Guarantees given to banks in respect of mortgage facilities granted to certain purchasers of the Group's properties	191,000	–	–	–	191,000
	<u>996,999</u>	<u>2,675,947</u>	<u>820,818</u>	<u>2,314,770</u>	<u>6,808,534</u>

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### **Liquidity risk** *(Continued)*

In respect of interest-bearing bank borrowings of HK\$721,178,000 (2015: HK\$699,998,000), 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 2016 for the interest-bearing bank borrowings in respect of the Group are, HK\$3,363,749,000 (2015: HK\$3,066,375,000) within one year, HK\$1,561,629,000 (2015: HK\$847,313,000) in the second year and HK\$1,919,087,000 (2015: HK\$2,488,810,000) beyond two years.

### **Capital management**

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2016 and 2015.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### Capital management *(Continued)*

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest-bearing bank borrowings	6,451,089	6,015,918
Obligation under a finance lease	391	–
Less: Cash and bank balances and pledged deposits	<u>(1,872,287)</u>	<u>(923,141)</u>
Net interest-bearing debt	<u>4,579,193</u>	<u>5,092,777</u>
Equity attributable to owners of the Company	5,066,095	4,935,736
Non-controlling interests	<u>2,800,678</u>	<u>2,713,294</u>
Equity attributable to owners of the Company and non-controlling interests	<u>7,866,773</u>	<u>7,649,030</u>
Gearing ratio	<u>58%</u>	<u>67%</u>

## 42. EVENT AFTER THE REPORTING PERIOD

On 9 May 2016, True Light Enterprises Limited (“True Light”), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Rich Fate Limited (“Rich Fate”), pursuant to which True Light has conditionally agreed to acquire and Rich Fate has conditionally agreed to sell the entire issued share capital of Right Colour Limited (“Right Colour”) and the assignment of the related shareholder’s loan to True Light for an aggregate cash consideration of HK\$68,795,000, net of PRC tax which Rich Fate is required to pay in connection with the sale of the entire issued share capital of Right Colour. A deposit of HK\$6,879,500 was paid upon signing of the above agreement.

On 9 May 2016, True Light also entered into a sale and purchase agreement with Pine International Limited (“Pine International”), pursuant to which True Light has conditionally agreed to acquire and Pine International has conditionally agreed to sell the entire issued share capital of Network Success Limited (“Network Success”) and the assignment of the related shareholder’s loan to True Light for an aggregate cash consideration of HK\$68,795,000, net of PRC tax which Pine International is required to pay in connection with the sale of the entire issued share capital of Network Success. A deposit of HK\$6,879,500 was paid upon signing of the above agreement.

Each of Right Colour and Network Success holds 50% of the issued share capital of a Hong Kong company which indirectly holds the entire interest of an investment property in Guangzhou, the PRC.

As Rich Fate is beneficially owned by Dr. James Sai-Wing Wong, the Chairman and substantial shareholder of the Company, the related transaction constitutes a connected transaction of the Company under the Listing Rules and is subject to the approval of the independent shareholders at the forthcoming extraordinary general meetings. Pine International is an independent third party and the related transaction was completed on 3 June 2016. For details, please refer to the Company’s announcement dated 9 May 2016 and circular dated 20 June 2016.

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	6	8
Investments in subsidiaries	<u>1,522,819</u>	<u>1,522,819</u>
Total non-current assets	<u>1,522,825</u>	<u>1,522,827</u>
<b>CURRENT ASSETS</b>		
Prepayments, deposits and other receivables	298	107
Due from subsidiaries	81,417	78,452
Cash and bank balances	<u>18,853</u>	<u>31,630</u>
Total current assets	<u>100,568</u>	110,189
<b>CURRENT LIABILITIES</b>		
Trade payables and accrued liabilities	5,917	5,439
Due to a subsidiary	75,000	30,000
Interest-bearing bank borrowings	<u>280,000</u>	<u>235,000</u>
Total current liabilities	<u>360,917</u>	<u>270,439</u>
<b>NET CURRENT LIABILITIES</b>	<u>(260,349)</u>	<u>(160,250)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>1,262,476</u>	<u>1,362,577</u>
<b>NON-CURRENT LIABILITIES</b>		
Due to a subsidiary	<u>177,082</u>	<u>301,718</u>
Net assets	<u><u>1,085,394</u></u>	<u><u>1,060,859</u></u>

# NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 March 2016

## 43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>EQUITY</b>		
Share capital	405,411	405,411
Retained profits <i>(note)</i>	679,983	655,448
 Total equity	<b>1,085,394</b>	<b>1,060,859</b>

**James Sai-Wing Wong**  
*Director*

**Herman Man-Hei Fung**  
*Director*

*Note:*

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

	<b>Retained profits</b>
	<b>HK\$'000</b>
Balance at 1 April 2014	647,927
Total comprehensive income for the year	35,089
Final 2014 dividend paid	(27,568)
 At 31 March 2015 and 1 April 2015	655,448
Total comprehensive income for the year	52,103
Final 2015 dividend paid	(27,568)
 <b>At 31 March 2016</b>	<b>679,983</b>

## 44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 June 2016.



## 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				
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
<b>RESULTS</b>					
REVENUE	<u>1,655,688</u>	<u>462,905</u>	<u>496,323</u>	<u>363,330</u>	<u>1,059,030</u>
Profit before tax	<b>892,008</b>	2,531,417	626,998	443,322	381,075
Tax charge	<u>(370,035)</u>	<u>(649,439)</u>	<u>(187,902)</u>	<u>(25,078)</u>	<u>(93,838)</u>
<b>PROFIT FOR THE YEAR</b>	<u><b>521,973</b></u>	<u>1,881,978</u>	<u>439,096</u>	<u>418,244</u>	<u>287,237</u>
Attributable to:					
Owners of the Company	<b>309,615</b>	1,283,791	256,490	242,540	127,899
Non-controlling interests	<u>212,358</u>	<u>598,187</u>	<u>182,606</u>	<u>175,704</u>	<u>159,338</u>
	<u><b>521,973</b></u>	<u>1,881,978</u>	<u>439,096</u>	<u>418,244</u>	<u>287,237</u>
<b>As at 31 March</b>					
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
<b>ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS</b>					
TOTAL ASSETS	<b>17,763,663</b>	15,890,985	11,561,255	9,683,019	8,506,236
TOTAL LIABILITIES	<u>(9,896,890)</u>	<u>(8,241,955)</u>	<u>(5,721,572)</u>	<u>(4,261,128)</u>	<u>(3,559,457)</u>
NET ASSETS	<b>7,866,773</b>	7,649,030	5,839,683	5,421,891	4,946,779
NON-CONTROLLING INTERESTS	<u>(2,800,678)</u>	<u>(2,713,294)</u>	<u>(2,158,883)</u>	<u>(2,435,047)</u>	<u>(2,243,203)</u>
SHAREHOLDERS' FUNDS	<u><b>5,066,095</b></u>	<u>4,935,736</u>	<u>3,680,800</u>	<u>2,986,844</u>	<u>2,703,576</u>

# PARTICULARS OF PROPERTIES

31 March 2016

## 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 28 June 2016)	Estimated completion date	Attributable interest of the Group (%)
<b>MAINLAND CHINA</b>						
1. Metropolitan Oasis (雅瑤綠洲) Da Li District Nanhai Guangdong Province	Low density residential	247,987 sq.m. (2,668,340 sq.ft.)	272,786 sq.m. (2,935,177 sq.ft.)	Phase 2 town houses of ~23,500 sq.m. – Construction works in progress	2017	68.09
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	–	51.07
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.)	Phase 4 of ~63,500 sq.m. – Construction/internal finishing works in progress	2017	40.85
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.)	Preliminary works in progress	–	68.09
5. 67-107 Beijing Nan Road Yue Xiu District Guangzhou Guangdong Province	Commercial/ Office	2,781 sq.m. (29,923 sq.ft.)	38,568 sq.m. (414,991 sq.ft.)	Preliminary works in progress	–	68.09
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/ Office	7,845 sq.m. (84,412 sq.ft.)	128,000 sq.m. (1,377,280 sq.ft.)	Construction works in progress	2016	68.09

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

# PARTICULARS OF PROPERTIES *(Continued)*

31 March 2016

## 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 28 June 2016)	Estimated completion date	Attributable interest of the Group (%)
<b>MAINLAND CHINA</b>						
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.)	Construction works in progress	2016 to 2017	13.62
<b>HONG KONG</b>						
8. Kwai Chung Town Lot No. 495 Kin Chuen Street Kwai Chung New Territories (New Grant No. 22041)	Non-residential	29,934 sq.ft.	228,033 sq.ft.	Planning and design stage	–	68.09
9. Lot 716 & Others in DD111, Yuen Long New Territories	–	35,386 sq.ft.	–	Temporary open storage	–	68.09

## GROUP II – COMPLETED PROPERTIES

Location	Use	Remaining unsold units	Gross floor area (sq.m./sq.ft.)	Car parking spaces	Attributable interest of the Group (%)
<b>MAINLAND CHINA</b>					
10. Ganghui Huating (港滙華庭) 5 Beijing Road Yue Xiu District Guangzhou Guangdong Province	Commercial	4-storey of commercial podium	4,157 sq.m. (44,729 sq.ft.)	71	68.09
11. Botanica Phases 1, 2 & 3 (寶翠園一、二及三期) Tian He District Guangzhou Guangdong Province	Commercial/ residential	5 ground floor shops & 9 residential units	1,709 sq.m. (18,389 sq.ft.)	1,596	40.85
12. Metropolitan Oasis Phase 1 (雅瑤綠洲第一期) Da Li District Nanhai Guangdong Province	Low density residential	203 apartment units	31,869 sq.m. (342,910 sq.ft.)	871	68.09

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

# PARTICULARS OF PROPERTIES *(Continued)*

31 March 2016

## 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 (%)
<b>MAINLAND CHINA</b>					
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	68.09
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	68.09
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	68.09
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	68.09
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	68.09

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

## PARTICULARS OF PROPERTIES (Continued)

31 March 2016

### 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 (%)
<b>HONG KONG</b>					
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	68.09
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	68.09
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	Medium term lease	68.09
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

### GROUP IV – CARPARKS HELD FOR INVESTMENT

Location	Car parking spaces	Ownership status	Attributable interest of the Group (%)
<b>HONG KONG</b>			
22. Provident Centre (和富中心) 21-53 Wharf Road North Point Hong Kong	9	Long term lease	68.09
23. Lido Garden (麗都花園) 41-63 Castle Peak Road Sham Tseng Tsuen Wan New Territories	36	Medium term lease	68.09
24. Shining Court (順寧居) 439 Shun Ning Road Cheung Sha Wan Kowloon	26	Medium term lease	68.09
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, 3rd Floor, East Wing, Shun Tak Centre, 200 Connaught Road Central, Hong Kong on Thursday, 25 August 2016 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 2016.
2. To declare a final dividend for the year ended 31 March 2016.
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 number of issued shares of the Company at the date of passing this Ordinary Resolution (subject to adjustment in the case of any conversion of all or any of the shares of the Company into a larger or smaller number of shares in accordance with Section 170(2)(e) of the Companies Ordinance after the passing of this Ordinary Resolution) and the said approval shall be limited accordingly.

## NOTICE OF ANNUAL GENERAL MEETING *(Continued)*

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

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

By Order of the Board  
**Louisa Kai-Nor Siu**  
*Company Secretary*

Hong Kong, 26 July 2016

*Notes:*

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to represent respectively the number of shares held by such member, to attend and to speak and vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a proxy form, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be completed and deposited with the Company’s share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. In the case of joint holders of a share, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders be present at the above meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
4. All the resolutions set out in this notice will be decided by poll.