Chinney Investments, Limited

Stock Code: 216

Annual Report 2018/19

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CORPORATE INFORMATION

DIRECTORS

James Sai-Wing Wong *(Chairman)*
Yuen-Keung Chan *(Vice Chairman and Managing Director)*
James Sing-Wai Wong
Paul Hon-To Tong
Emily Yen Wong
Clement Kwok-Hung Young*
James C. Chen*
Richard Chi-Ho Lo*

* *Independent non-executive directors*

AUDIT COMMITTEE

James C. Chen *(Chairman)*
Clement Kwok-Hung Young
Richard Chi-Ho Lo

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Ka-Yee Wan

PRINCIPAL BANKERS

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

AUDITOR

Ernst & Young

REGISTRAR

Tricor Tengis Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

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

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

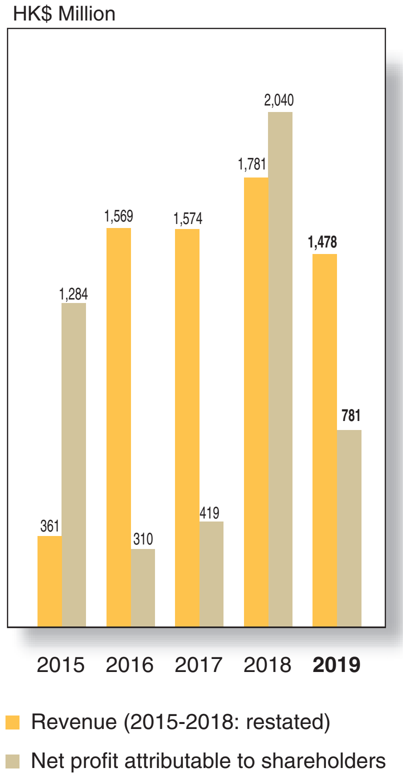
STOCK CODE

SEHK 216

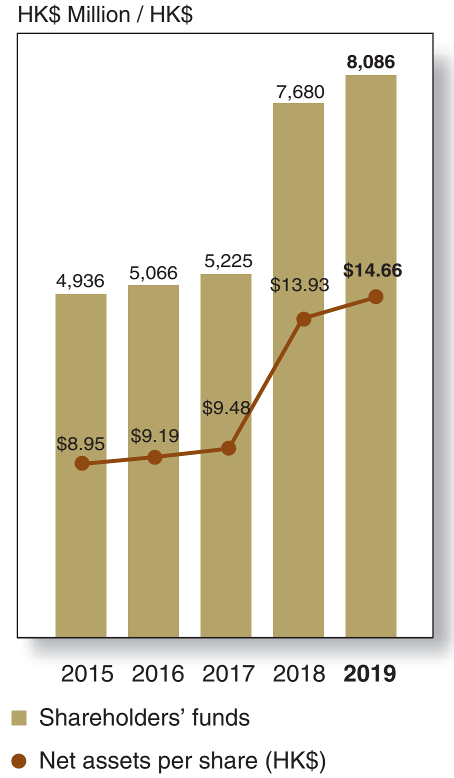
WEBSITE

http://www.chinney.com.hk

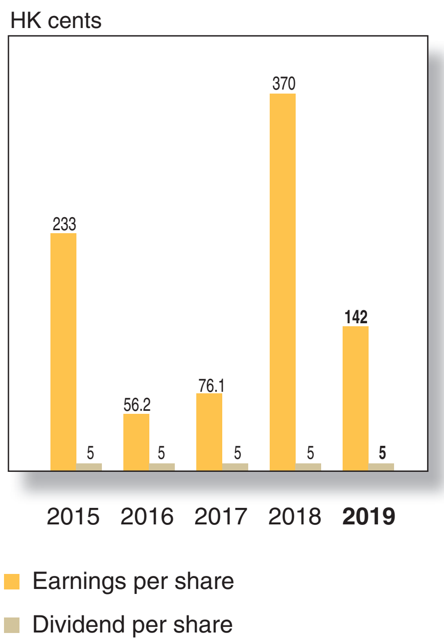
Revenue/Net Profit



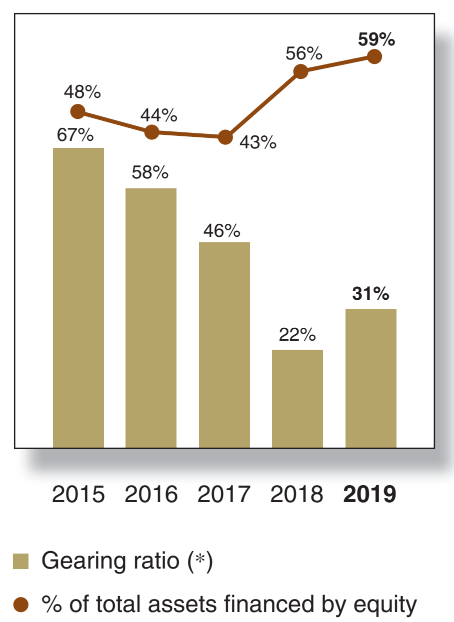
Shareholders' Funds/Net Assets per Share



Earnings/Dividend per Share



Gearing/Equity Funding



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

LOCATION OF PROPERTY PROJECTS IN MAINLAND CHINA

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

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

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

Acquired Property
14 Ganghui Dasha 港滙大廈, held as investment property

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

Project under redevelopment plan
17 Zhongtang, Dongguan 東莞市中堂 project (not shown above)

FINANCIAL RESULTS

Despite ongoing geopolitical tensions and market uncertainties, the Group achieved solid returns. Our consolidated revenue was HK$1,478 million (2018 restated: HK$1,781 million) and net profit attributable to shareholders was HK$781 million (2018: HK$2,040 million), including an increase in fair value of investment properties net of deferred tax charges of HK$481 million (2018 restated: HK$178 million). Basic earnings per share was HK$1.42 (2018: HK$3.70). As at 31 March 2019, the shareholders' equity amounted to HK$8,086 million (2018: HK$7,680 million). Net assets per share attributable to shareholders was HK$14.66 (2018: HK$13.93).

DIVIDEND

The Directors recommend the payment of a final dividend of 5 Hong Kong cents per ordinary share for the year ended 31 March 2019 (2018: 5 Hong Kong cents) to shareholders whose names appear on the Company's register of members on 6 September 2019. 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 30 September 2019.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 29 August 2019. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 26 August 2019 to 29 August 2019 (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 (which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019) not later than 4:30 p.m. on 23 August 2019.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 March 2019 is subject to the approval by the shareholders at the annual general meeting. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 5 September 2019 to 6 September 2019, 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 2 September 2019. 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 (which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019) not later than 4:30 p.m. on 4 September 2019.

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"). The Hon Kwok Group reported revenue of HK$1,478 million (2018: HK$1,781 million) and net profit attributable to its shareholders of HK$1,159 million (2018: HK$2,980 million) for the financial year 2018/19. The decrease in revenue primarily reflects the expected reduction in property sales attributable to two of Hon Kwok Group's development projects in Mainland China, namely The Botanica in Guangzhou at its completion stage and Metropolitan Oasis in Nanhai at the beginning of its phase 3 construction. The decrease in profit was mainly due to the recognition of gain on disposal of a bare site in Guangzhou amounting to HK$2.4 billion in the prior year which was non-recurring in nature.

Property Development and Investment – Mainland China

Guangzhou, PRC

The Botanica project – full view

The Botanica 寶翠園, situated in the greenery zone of Tian He District near the Botanical Garden, comprises 39 blocks of high-rise residential buildings. This project, with a total gross floor area of approximately 229,000 sq.m., was developed in four phases. The final phase of the development was completed in December 2016 with all residential units already sold out in prior years. For the year ended 31 March 2019, Hon Kwok Group booked revenue of HK$1,035 million (2018: HK$1,129 million) from the units delivered during the year. As at 31 March 2019, property sales contracted but revenue not yet booked amounted to RMB120 million.

BUSINESS REVIEW *(Continued)*

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

Property Development and Investment – Mainland China *(Continued)*

Guangzhou, PRC *(Continued)*

Ganghui Dasha 港滙大廈, a 20-storey commercial/office building, is situated at the junction of Beijing Road, Nanti Er Road and Baqi Er Road, Yue Xiu District. The average occupancy rate of the building was about 95%.

The development site at **45-107 Beijing Nan Road**, Yue Xiu District, adjacent to a pedestrian street and ultimately terminating at the Pearl River, will be developed into a 30-storey residential building and a 32-storey commercial/office building. Foundation works for the project commenced in the first quarter of this year.

Nanhai, Foshan, PRC

Metropolitan Oasis 雅瑤綠洲, situated in Da Li District, Nanhai with a total gross floor area of approximately 273,000 sq.m., was developed in phases. For the year ended 31 March 2019, Hon Kwok Group recorded revenue of HK$189 million (2018: HK$439 million) from the units of phase 1 & 2 delivered during the year. Phase 3 of the project, comprising 19 blocks of high-rise apartments of approximately 550 units, is scheduled for completion in 2020. Some units in Phase 3 were launched to the market for pre-sale and achieved contract revenue of RMB514 million up to the date of this record.

Metropolitan Oasis project – full view

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

Property Development and Investment – Mainland China *(Continued)*

Shenzhen, PRC

Hon Kwok City Commercial Centre

Hon Kwok City Commercial Centre 漢國城市商業中心, Hon Kwok Group's investment property, with a total gross floor area of approximately 128,000 sq.m., is situated at the junction of Shen Nan Zhong Road and Fu Ming Road, Futian District of Shenzhen. Our signature landmark is a 75-storey high commercial/office tower above ground with 5-level basement, offering Grade A office and retail space. Construction works were completed with the issuance of the property ownership certificate during the year. Leasing of office/commercial space is in progress and tenants are expected to move in during the coming months.

City Square 城市天地廣場, situated at Jia Bin Road, Luo Hu District, is a 5-storey commercial podium. All the retail shops at ground level and the entire first floor of the podium are fully let. **The Bauhinia Hotel (Shenzhen)** 寶軒酒店(深圳), a 162-room hotel located on the upper three floors of the above podium, maintained occupancy and room rates at a satisfactory level. The average occupancy rate of **City Suites** 寶軒公寓, a 64-unit serviced apartment on top of the podium was approximately 90%.

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

Property Development and Investment – Mainland China *(Continued)*

Shenzhen, PRC *(Continued)*


Enterprise Square

Enterprise Square 僑城坊, in which Hon Kwok Group owns a 20% interest, is situated at Qiaoxiang Road North, Nanshan District, covering a site area of approximately 49,000 sq.m. and a total gross floor area of approximately 224,500 sq.m. It has been developed into a commercial complex composed of office towers, a residential apartment tower and a commercial mall offering dining and entertainment facilities to the tenants. Development for the entire project was completed in June 2018. The office portion of the project was launched to the market for pre-sale in January 2017. For the year ended 31 March 2019, the project realised revenue of RMB1,884 million (2018: RMB1,174 million) from the units delivered during the year. As at 31 March 2019, the property sales contracted but revenue not yet booked amounted to RMB188 million. Net profit attributable to Hon Kwok Group in respect of Enterprise Square, including an increase in fair value of the commercial mall and an office tower which are classified as investment properties, amounted to HK$317 million (2018: HK$114 million) for the year ended 31 March 2019.

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

Property Development and Investment – Mainland China *(Continued)*

Chongqing, PRC

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

Left: Chongqing Hon Kwok Centre
Right: Chongqing Jinshan Shangye Zhongxin

Chongqing Jinshan Shangye Zhongxin 重慶金山商業中心, a twin-tower project, is also situated at Bei Bu Xin Qu and adjacent to the above **Chongqing Hon Kwok Centre** 重慶漢國中心. It comprises a 41-storey office tower and a 42-storey hotel and office composite tower each with its respective 4-storey retail/commercial podium. The leasing up activities at the office tower are ongoing with occupancy rates climbing steadily. The refurbishment works of the hotel/office tower have finished and the hotel was opened in November 2018.

Hotel-Cafe

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

Property Investment – Hong Kong

The development project at **Kin Chuen Street, Kwai Chung, New Territories**, with total gross floor area of approximating 228,000 sq.ft. is currently at the stage of superstructure works. The property as planned will be developed into a data centre producing recurring rental income and is scheduled for completion in 2020.

K.C.T.L. No.495, Kin Chuen Street, Kwai Chung – construction works in progress

On 12 June 2018, Hon Kwok Group entered into a connected transaction regarding the appointment of Shun Cheong Data Centre Solutions Company Limited ("Shun Cheong Data Centre Solutions"), an indirect wholly-owned subsidiary of Chinney Alliance Group Limited ("Chinney Alliance") (Stock Code: 385), as a consultant to provide consultancy services in respect of the development of the data centre at a fixed fee of HK$16.2 million. The transaction was subject to the reporting and announcement requirements under the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). For details, please refer to the Company's announcement dated 12 June 2018. On 12 July 2018, Hon Kwok Group entered into another connected transaction regarding the appointment of Chinney Construction Company, Limited ("Chinney Construction"), an indirect wholly-owned subsidiary of Chinney Alliance, as the main contractor for carrying out the substructure and superstructure works for the data centre at a total contract sum not exceeding HK$757.8 million. The transaction was approved by the independent shareholders of the Company, Hon Kwok and Chinney Alliance respectively at the general meetings held by each of the companies on 24 August 2018. For details, please refer to the Company's announcement dated 12 July 2018 and the circular of the Company dated 8 August 2018.

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

Property Investment – Hong Kong *(Continued)*

The average occupancy rate of **The Bauhinia Hotel (Central)** 寶軒酒店(中環), a 42-room boutique hotel situated at four podium floors of the hotel/apartment building at Connaught Road Central and Des Voeux Road Central was close to 100% with satisfactory room rates whilst that of **The Bauhinia** 寶軒, a 171-room serviced apartment atop the hotel, was above 85%. The retail shops at street level of the aforesaid building are fully let.

The average occupancy rate of **The Bauhinia Hotel (TST)** 寶軒酒店(尖沙咀), a 98-room boutique hotel occupying a total of 20 floors of a 23-storey commercial/office building at Observatory Court, Tsim Sha Tsui, was about 95% with satisfactory room rates. All the remaining floors of the above building have been leased out for commercial use.

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

Property, carpark management and others

For the year ended 31 March 2019, the property, carpark management and others segment revenue was HK$32 million compared with HK$23 million in 2018. The increase in revenue was mainly due to more parking spaces being managed by Hon Kwok Group. As at 31 March 2019, Hon Kwok Group managed 11 car parks (31 March 2018: 11 car parks) with 2,000 parking spaces (31 March 2018: 1,700 parking spaces).

BUSINESS REVIEW *(Continued)*

2. Garment

J.L. Garment Group, a wholly-owned subsidiary of the Company with garment factory situated at Dongguan, the Mainland China, reported revenue of HK$20 million (2018: HK$76 million) with net loss of HK$14.0 million (2018 restated: net loss of HK$13.5 million) for the year ended 31 March 2019.

The Group's garment business, which focused on fashionable garment production in Mainland China and exported mainly to European market, continued to suffer from persistent sluggish markets in the European countries. The general market demand in the garment industry remained subdued and diminished our profitability.

In light of continuous operating losses in the garment business in recent years, the Group decided to cease its garment operation. The close down of the Dongguan factory operation has incurred a substantial labour redundancy cost. Nevertheless, the management has proactively explored business opportunities to rationalize its resources. During the year under review, the Group has formally obtained approval from the Dongguan Land and Resources, a government authority in the PRC, for redevelopment of the parcel of land where our garment factory is situated from industrial use to commercial/residential use. The land covers a site area of approximately 19,000 sq.m. and a total gross floor area of approximately 58,000 sq.m. The land premium has been paid and the Group is currently in the planning stage of developing the land into residential/commercial property.

The Garment Group's Hong Kong offices were vacated and that property is being held for investment/rental purposes. Due to the moderating demand of the local industrial property market, there was no change in fair value of J.L. Garment Group's investment properties (2018: HK$19.8 million) during the year under review.

BUSINESS REVIEW *(Continued)*

3. Construction and Trading

Foundation piling works at Diamond Hill

Chinney Alliance, a 29.1% owned associate recorded revenue of HK$6,048 million (2017: HK$5,596 million) and net profit attributable to its shareholders of HK$195.9 million (2017: HK$176.8 million) for the year ended 31 December 2018.

Chinney Alliance's foundation piling and ground investigation businesses are conducted by Chinney Kin Wing Holdings Limited ("Chinney Kin Wing") (Stock Code: 1556), a 74.5% owned subsidiary listed on the Main Board of the Stock Exchange. Chinney Kin Wing contributed revenue of HK$1,243 million (2017: HK$1,190 million) and operating profit of HK$68.7 million (2017: HK$95.5 million). Despite the slight increase in revenue due to certain sizable foundation projects being recognized in the current year, profit contribution decreased compared with the prior year due to surging labour/material costs and intense competition within the foundation industry. Nevertheless, Chinney Kin Wing took advantage of its competitive edge to improve its production efficiency through implementing strategic cost control measures and strengthening its project management teams.

BUSINESS REVIEW *(Continued)*

3. Construction and Trading *(Continued)*

Main contract works – Student Hostels at the Chinese University of Hong Kong

The building construction division, mainly consists of Chinney Construction, a wholly-owned subsidiary of Chinney Alliance, engaged in superstructure construction works, contributed revenue of HK$1,497 million (2017: HK$1,649 million) and operating profit of HK$79.2 million (2017: HK$51.9 million). Revenue dropped slightly as major projects reached their finalized stages whereas operating profits increased due to project cost savings and profits from variation orders. The division continues to actively seek tender opportunities in Hong Kong and Macau.

The building related contracting services division, consisting of Shun Cheong Investments Limited and its subsidiaries, continued its steady growth of core HVAC, water, electrical and fire services. Shun Cheong generated increased revenue of HK$2,668 million (2017: HK$2,179 million) and operating profit of HK$122.9 million (2017: HK$102.9 million). In the second half of the year, newly acquired IDC Realty Holdings Limited nearly completed construction of the internet data centre and has proceeded to its testing stage.

The plastic trading division, consisting of Jacobson van den Berg (Hong Kong) Limited, contributed revenue of HK$610 million (2017: HK$557 million) and operating profit of HK$5.8 million (2017: HK$13.6 million). The profit margin continued to suffer from severe competition under prevailing weak market sentiment, and was further eroded by the devaluation of Renminbi. The division continues to develop diversified products to enhance its profitability.

OUTLOOK

Looking forward, the global economy is expected to grow moderately amidst rising trade protectionism and uncertainties. The US-China trade tensions have escalated and become widespread, stemming from the recent raising of additional tariffs by the United States on US$200 billion worth of imports from China, leading to affirmative countermeasures announced by China. The uncertainties created by the ongoing trade conflicts not only undermine growth momentum in both countries, but also severely disrupt global supply chains. For Eurozone countries, economic growth remained lackluster as uncertainty still reigned. The possible no-deal Brexit weighs heavily on business confidence and continues to hamper growth momentum. It is likely that the European Central Bank will adopt a supportive monetary policy to add impetus for economic growth.

In mainland China, GDP expanded by 6.4 percent in the first quarter of 2019, within the government's range of target GDP for 2019. Nevertheless, the economy is forecasted to soften under the heighted trade conflicts and general prevailing global market uncertainties. To boost near-term economic growth, the Central Government is likely to implement accommodative measures to stimulate domestic demand in tandem with debt deleveraging policies to mitigate financial risks. Meanwhile, to curb speculative activity in the real estate market, the Central Government will continue to adhere to its city-specific housing policy of "one policy for one city" in major cities, with the aim towards stabilizing the property market and enabling long term healthy growth.

In Hong Kong, economic growth has also weakened as the result of external uncertainties, in particular, the US-China trade disputes. Business sentiment became cautious and hampered our exports. Fortunately, our domestic market is underpinned by a stable employment market and income conditions. Furthermore, the local government is determined to increase public housing supply and has contemplated different measures to alleviate land shortage in the long run. Coupled with the announcement of the development plan of the Greater Bay Area, the local economy is expected to benefit from ample business opportunities and massive infrastructure works in the near future.

Therefore, we remain optimistic and will continue to closely monitor market developments and adjust investment strategies to maximize return for our investors.

A NOTE OF THANKS AND APPRECIATION

On behalf of the Board, I would like to thank our shareholders and business partners for their tremendous support and loyalty.

On a personal note, I would like to thank my fellow directors for their advice and all staff members for their dedication and hard work during the year under review.

James Sai-Wing Wong
Chairman

Hong Kong, 27 June 2019

DIRECTORS

James Sai-Wing Wong

Aged 81, 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. He is also a director of certain subsidiaries of the Company. He was appointed a Justice of the Peace for Hong Kong in 1987.

Yuen-Keung Chan

Aged 64, was appointed as the managing director and executive director of the Company in April 2018 and subsequently the Vice Chairman of the Company in July 2018. He was an executive director of Hon Kwok during the period from January 2007 to July 2018. Mr. Chan is also the Vice Chairman, the Managing Director and executive director of Chinney Alliance and an executive director and the Chairman of Chinney Kin Wing. Hon Kwok, Chinney Alliance and Chinney Kin Wing are all listed on the Main Board of the Stock Exchange. He is also a director of various subsidiaries and associates of the Company. He has 45 years of experience in the construction industry. He is a member of the Chartered Institute of Building.

James Sing-Wai Wong

Aged 55, was appointed as an executive director of the Company in August 2018. He 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's 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 30 years of 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 Chinney Holdings and Lucky Year, both of which are substantial shareholders of the Company. Mr. Wong is an executive director of Hon Kwok, Chinney Alliance and Chinney Kin Wing. He was a non-executive director of the Company during the period from June 2013 to August 2017 and was a non-executive director of Hon Kwok during the period from August 2017 to July 2018. Hon Kwok, Chinney Alliance and Chinney Kin Wing are all listed on the Main Board of the Stock Exchange. He is also a director of certain subsidiaries of the Company. He is the son of Dr. James Sai-Wing Wong, the Chairman and a substantial shareholder of the Company.

DIRECTORS *(Continued)*

Paul Hon-To Tong

Aged 73, 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.

Emily Yen Wong

Aged 53, was appointed as a non-executive director of the Company in August 2017. Dr. Emily Wong holds a Doctor of Medicine degree and an Executive Masters of Health Administration degree from University of Washington and is a Diplomate of the American Board of Internal Medicine.

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Clement Kwok-Hung Young

Aged 85, was appointed as an independent non-executive director of the Company in 1999. He obtained his Ph.D. Degree from The University of Texas, USA and served as university professor and administrator before his retirement from the Hong Kong Baptist University. He was the supervisor of Pui Ching Academy, Pui Ching Middle and Primary Schools and a court member of the Hong Kong Baptist University. He is a director of Pui Ching Academy.

Richard Chi-Ho Lo

Aged 51, was appointed as an independent non-executive director of the Company in 2017. He obtained his Bachelor of Arts degree in Economics from the University of California, Los Angeles in the United States, Master of Business Administration (Investment and Finance) degree from the University of Hull in the United Kingdom, and an Executive Program Certificate from Stanford University Graduate School of Business in the United States and a Sustainability Leadership Program Certificate from University of Cambridge in the United Kingdom. Mr. Lo has over 27 years of experience in the investment and real estate industry. He is currently the chief executive officer of Fulldiamond Group, an investment and consulting company specializing in real estate, finance, securities, project and fund raising. Mr. Lo is the vice president cum chairman of Commercial Liaison of The Hong Kong Real Property Federation, founder and vice president of the World Outstanding Chinese Youth Association and a member of the Hong Kong Pei Hua Education Foundation. He is also a committee member of the Chinese People's Political Consultative Conference Jiangxi Provincial Committee. Mr. Lo is an independent non-executive director of Shi Shi Services Limited (formerly known as Heng Sheng Holdings Limited) which is listed on GEM of the Stock Exchange.

James C. Chen

Aged 69, was appointed as an independent non-executive director of the Company in 2007. He has over 40 years of experience in accounting, financial management and multinational business. He held various senior executive positions in several multinational companies in Hong Kong and is responsible for the overall management and strategic planning. Mr. Chen holds a Bachelor of Arts Degree, Cum Laude (majors in Accounting, Business Administration and International Business) from Carthage College, Wisconsin, USA. He is also a fellow member of the Hong Kong Institute of Directors and a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the American Institute of Certified Public Accountants and the Chartered Global Management Accountant.

SENIOR MANAGEMENT

Kai-Nor Siu

Aged 53, joined the Company in 2005 and is the Financial Controller of the Company and Director of Finance of Hon Kwok. She has 30 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 47, joined the Company in 2010 and is currently the Director – Corporate Finance & Business Development of the Company and of Hon Kwok. He has 24 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.

Ka-Yee Wan

Aged 45, was appointed as the Company Secretary of the Company in May 2018. She is also the Company Secretary of Hon Kwok. She has over 20 years of experience in company secretarial and corporate governance practices. Ms. Wan has obtained a Bachelor of Arts degree from The Chinese University of Hong Kong and a postgraduate diploma in corporate administration from The City University of Hong Kong. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

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

Executive Directors

James Sai-Wing Wong *(Chairman)*
Yuen-Keung Chan *(Vice Chairman and Managing Director)*
James Sing-Wai Wong *(appointed on 28 August 2018)*

Non-Executive Directors

Paul Hon-To Tong
Emily Yen Wong

Independent Non-Executive Directors

Clement Kwok-Hung Young
James C. Chen
Richard Chi-Ho Lo

Details of background and qualifications of each director are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 17 to 20 of this annual report.

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. All regular board meetings adhere to a formal agenda in which a schedule of matters is addressed to the Board. All directors have access to board papers and related materials, and are provided with adequate information which enable the Board to make an informed decision on the matters to be discussed and considered at the board meetings. Minutes of board meetings are kept by the Company Secretary and are open for inspection by any director at any reasonable time.

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

CG Code provision A.1.1 stipulates that the board of directors should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the year, two full board meetings were held. As business operations were under the management and supervision of the executive directors of the Company, who from time to time held management/executive meetings to resolve all material business or management issues, thus only two full board meetings were held for the year ended 31 March 2019.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

NON-EXECUTIVE DIRECTORS

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

The non-executive directors of the Company are not appointed for a specific term as stipulated in CG Code provision A.4.1, but are subject to retirement by rotation and re-election at the Company's 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; which deviates from 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.

In accordance with article 95 of the Articles of Association, James Sing-Wai Wong who was appointed by the Board as an executive director effective 28 August 2018 will hold office until the forthcoming annual general meeting and, being eligible, offer himself for re-election. In accordance with article 104 of the Articles of Association, Clement Kwok-Hung Young and James C. Chen shall retire by rotation at the forthcoming annual general meeting. James C. Chen, being eligible, will offer himself for re-election while Clement Kwok-Hung Young has notified the Board that he has decided not to stand for re-election and will retire as an independent non-executive director of the Company upon conclusion of the forthcoming annual general meeting.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

Directors are required to submit to the Company annually details of training sessions undertaken by them in each financial year for the Company to maintain a training record for its directors. According to the training records maintained by the Company, the training received by each of the existing directors during the year ended 31 March 2019 is summarised as follows:

Name of director	Type of training
Executive Directors	
James Sai-Wing Wong	A, B
Yuen-Keung Chan *(appointed on 1 April 2018)*	A, B
James Sing-Wai Wong *(appointed on 28 August 2018)*	A, B
Non-Executive Directors	
Paul Hon-To Tong	A, B
Emily Yen Wong	B
Independent Non-Executive Directors	
Clement Kwok-Hung Young	A, B
James C. Chen	A, B
Richard Chi-Ho Lo	A, B

A: attending seminars/conferences/forums
B: reading newspapers, journals and updates relating to the economy, general business, investment, corporate governance and director's duties and responsibilities

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

During the year, the Company appointed two new executive directors namely (i) Yuen-Keung Chan who was a former executive director of Hon Kwok and is an executive director, the Vice Chairman and the Managing Director of Chinney Alliance and an executive director and the Chairman of Chinney Kin Wing and (ii) James Sing-Wai Wong who was a former non-executive director of the Company and is an executive director of each of Hon Kwok, Chinney Alliance and Chinney Kin Wing. Induction program has not been provided to Mr. Chan and Mr. Wong as they are both familiar with the Group's operations and businesses, and by way of their professional background and working experience in listed companies, they are well aware of their responsibilities under the Listing Rules and other regulatory requirements.

CORPORATE GOVERNANCE FUNCTION

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

(a) to develop, review and update the Company's policy and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(d) to review the Company's compliance with the CG Code and disclosure in the "Corporate Governance Report"; and

(e) to perform such other corporate governance duties and functions set out in the CG Code (as amended from time to time) for which the Board is responsible.

REMUNERATION OF DIRECTORS

The Remuneration Committee was established in 2005. The Remuneration Committee currently comprises two independent non-executive directors, namely Clement Kwok-Hung Young and James C. Chen and one executive director, namely Yuen-Keung Chan. The Chairman of the Remuneration Committee is Clement Kwok-Hung Young.

CG Code provision B.1.2 stipulates that the terms of reference of the remuneration committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company has adopted the revised terms of reference of the Remuneration Committee on 30 March 2012 with certain deviations from the CG Code provisions. Pursuant to the revised terms of reference, the Remuneration Committee reviews and makes recommendations to the Board on the remuneration packages of directors (as opposed to directors and senior management).

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

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

AUDIT COMMITTEE

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

The Audit Committee's functions include:

- to review and monitor financial reporting and the reporting judgement contained in them; and

- to review financial and internal controls, accounting policies and practices with management and external auditor.

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

- the half-yearly and annual results and the related financial reporting matters;

- the financial and accounting policies and practices of the Group;

- the relationships with external auditor, including remuneration, independence, objectivity and effectiveness of the audit process; and

- the effectiveness of the Group's financial and internal controls and risk management system.

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

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

	Number of meetings attended during the year ended 31 March 2019				
	Board Meetings	Remuneration Committee Meeting	Audit Committee Meetings	Extraordinary General Meeting held on 24 August 2018	Annual General Meeting held on 24 August 2018
Number of meetings held during the year ended 31 March 2019	2	1	2	1	1
James Sai-Wing Wong	2	N/A	N/A	0*	1
Yuen-Keung Chan	2	1	2	1	1
James Sing-Wai Wong *(appointed on 28 August 2018)*	1	N/A	N/A	N/A	N/A
Paul Hon-To Tong	2	N/A	N/A	1	1
Emily Yen Wong	1	N/A	N/A	0*	1
Clement Kwok-Hung Young	2	1	2	0	0
James C. Chen	2	1	2	1	1
Richard Chi-Ho Lo	1	N/A	1	1	1

* James Sai-Wing Wong did not attend the said meeting as he together with his associates were materially interested in the resolution put forward at the meeting and be required to abstain from voting. Emily Yen Wong, being the daughter of James Sai-Wing Wong, did not attend the said meeting voluntarily for the purpose of good corporate governance.

NOMINATION OF DIRECTORS AND DIVERSITY OF THE BOARD

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

The Company has not established a nomination committee. The Board is responsible for considering the suitability of a candidate to act as a director, and collectively approving and terminating the appointment of a director as this allows a more informed and balanced decision to be made. The Chairman, with his expertise in general investment and property industry, 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 having due regard to the Nomination Policy and the Board Diversity Policy adopted by the Company and assess the independence of the proposed independent non-executive director(s) as appropriate.

In summary, the selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. These measurable objectives have been set to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and will be reviewed by the Board annually to ensure the continued effectiveness of the Board.

AUDITOR'S REMUNERATION

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

	Fees paid/payable *HK$'000*
Types of services	
Audit services	3,789
Non-audit services (tax compliance services and other services)	63
	3,852

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the members of the senior management (excluding directors) by band for the year ended 31 March 2019 is set out below:

Remuneration band (HK$)	Number of persons
$1,000,001 to $1,500,000	1
$2,000,001 to $2,500,000	1
$2,500,001 to $3,000,000	1
	3

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE ACCOUNTS

The Directors acknowledge their responsibilities for the accounts and they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The directors' responsibilities for the accounts and the responsibilities of the external auditor to the shareholders are set out in the Independent Auditor's Report on pages 45 to 50 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

COMPANY SECRETARY

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

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

CONSTITUTIONAL DOCUMENTS

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

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"). Pursuant to which, in considering the declaration and payment of dividends, the Board shall maintain adequate cash reserves for meeting its working capital requirements and future business growth and take into account the following factors of the Group:

a. financial results;

b. cash flow situation;

c. business conditions and strategies;

d. future operations and earnings;

e. capital requirements and expenditure plans;

f. interests of shareholders;

g. any restrictions on payment of dividends; and

h. any other factors that the Board may consider relevant.

The Board has discretion to declare and distribute dividends to the shareholders of the Company, subject to the Articles of Association and all applicable laws and regulations. The Board will review the Dividend Policy from time to time and may exercise its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time as it deems fit and necessary. There is no assurance that dividends will be paid in any particular amount for any given period.

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.

COMMUNICATIONS WITH SHAREHOLDERS

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

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

REPORT OF THE DIRECTORS

The directors herein present their report and the audited financial statements for the year ended 31 March 2019.

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. Except that the Group discontinued the garment business during the year, 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 2019 and the Group's financial position at that date are set out in the financial statements on pages 51 to 170.

BUSINESS REVIEW

The Group is principally engaged in the businesses of property development and property investment. 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.

A business review of the Group for the year ended 31 March 2019 and outlook are set out in the "Chairman's Statement" on pages 5 to 16 and an analysis using financial key performance indicators are set out in the "Financial Highlights" on page 3 of this annual report. While the Group's capital and financial risk management objectives and policies are set out in note 43 to the financial statements on pages 161 to 168 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 2019, 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.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The Group's revenue was primarily derived from the business segments: (i) property development and (ii) property investment. Revenue decreased by 17.0% to HK$1,478 million in the year under review from HK$1,781 million (restated) in last year. 82.8% of the Group's revenue was generated from the sales of properties (2018 restated: 88.0%), 17.2% from property rental and management income and other segment (2018 restated: 12.0%). Property development business recorded a drop as a result of decreased property contracted sales whereas the property investment business maintained stable revenue.

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK$5,792 million as at 31 March 2019 (2018: HK$5,199 million), of which approximately 25% (2018: 46%) of the debts were classified as current liabilities. Included therein were debts of HK$110 million related to bank loans with repayable on demand clause and HK$814 million related to project or term loans which will be refinanced during the forthcoming financial year. Based on the repayment schedules pursuant to the related loan agreements and assuming that the aforesaid refinancing will be completed on schedule, the current portion of the total interest-bearing debts was approximately 9%. The increase in total debts was mainly due to the refinancing of existing syndicated bank loans as well as the drawdown of bank loans for construction and development projects.

Total cash and bank balances including time deposits were approximately HK$2,092 million as at 31 March 2019 (2018: HK$2,716 million). Included in cash and bank balances are restricted bank deposits of HK$77 million (2018: HK$260 million) which can only be applied in the designated property development projects prior to their completion of construction. The Group had committed but undrawn banking facilities of a total of approximately HK$2,675 million at year end available for its working capital purpose.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Liquidity and financial resources *(Continued)*

Total shareholders' funds as at 31 March 2019 were approximately HK$8,086 million (2018: HK$7,680 million). The increase was mainly due to current year's profit attributable to shareholders, which was partly set off by the 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$3,700 million (2018: HK$2,482 million) over total shareholders' funds plus non-controlling interests totalling of approximately HK$12,070 million (2018: HK$11,400 million), was 31% as at 31 March 2019 (2018: 22%).

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 2019, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

Pledge of assets

Properties with an aggregate carrying value of approximately HK$14,979 million as at 31 March 2019 and shares in certain subsidiaries were pledged to secure certain banking facilities of the Group.

Contingent liabilities

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

Employees and remuneration policies

The Group, not including its associates and a joint venture, employed approximately 330 employees as at 31 March 2019 (as at 31 March 2018: 540). The decrease in number of employees was mainly attributable to the substantial reduction in labour force in garment business discontinued during the year. 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.

KEY RISK FACTORS

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

Risks Pertaining to the Property Market in Mainland China

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

Risks Pertaining to the Property Market in Hong Kong

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

Interest Rate Risks

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

Counterparty Risks

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

DIVIDEND

The Directors recommend the payment of a final dividend of 5 Hong Kong cents per ordinary share for the year ended 31 March 2019 (2018: 5 Hong Kong cents) to shareholders whose names appear on the Company's register of members on 6 September 2019. 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 30 September 2019.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 29 August 2019. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 26 August 2019 to 29 August 2019 (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 (which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019) not later than 4:30 p.m. on 23 August 2019.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 March 2019 is subject to the approval by the shareholders at the annual general meeting. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 5 September 2019 to 6 September 2019, 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 2 September 2019. 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 (which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019) not later than 4:30 p.m. on 4 September 2019.

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 171. 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 2019.

DISTRIBUTABLE RESERVES

At 31 March 2019, the Company's reserves available for distribution, calculated in accordance with the provisions of Sections 291, 297 and 299 of the CO, amounted to HK$706,888,000, of which HK$27,568,000 has been proposed as a final dividend for the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, purchases from the Group's five largest suppliers accounted for 67% of the total purchases for the year. Purchases from the Group's largest supplier included herein totalled 29%. Sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

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

DIRECTORS

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

James Sai-Wing Wong	
Yuen-Keung Chan	*(appointed on 1 April 2018)*
James Sing-Wai Wong	*(appointed on 28 August 2018)*
Paul Hon-To Tong	
Emily Yen Wong	
Clement Kwok-Hung Young*	
James C. Chen*	
Richard Chi-Ho Lo*	

* *Independent non-executive directors*

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 to be independent.

The persons who were directors of the subsidiaries of the Company during the year and up to the date of this report (not including those directors listed above) were Joseph Hung-Leung Chan**, Qiao Chen, Hai-Ou Gao, Ying-Hua Guo, Li He, Rebecca Wing-Man Ho, Xiao-Wen Hong, Yiu Hong, Philip Bing-Lun Lam, Chi-Kin Lam, Stephen Chun-Piu Lee, Xiao-Ping Li, Peter Chi-Chung Luk**, Lai-Piu Ng**, Calvin Ming-Yui Ng**, Kai-Nor Siu, May-Kwan Yim, Qiang Zhang, Tim Bermingham and Julie Di Lorenzo.

** *no longer the director(s) of the subsidiaries of the Company as at the date of this report*

RE-ELECTION OF RETIRING DIRECTORS

In accordance with article 95 of the Articles of Association, James Sing-Wai Wong will hold office until the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

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. James C. Chen, being eligible, will offer himself for re-election while Clement Kwok-Hung Young has notified the Board that he has decided not to stand for re-election and will retire as an independent non-executive director of the Company upon conclusion of the forthcoming annual general meeting.

The proposed re-election of James C. Chen as independent non-executive director was made in accordance with the Nomination Policy of the Company and took into account a wide range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services, with due regard of the benefits of diversity as set out under the Board Diversity Policy of the Company.

The Board had also assessed and reviewed the written confirmation of independence of James C. Chen, based on the independence criteria as set out in Rule 3.13 of the Listing Rules and is satisfied that as at the date of this report, Mr. Chen remained independent in accordance with Rule 3.13 of the Listing Rules. Despite the fact that Mr. Chen has been serving as an independent non-executive director of the Company for more than 9 years, he has fulfilled the independence criteria set out in Rule 3.13 of the Listing Rules throughout his tenures of office. In addition, Mr. Chen's extensive knowledge and experience in accounting and financial management can provide valuable independent advice to the Board and he is free from any business or other relationship with the Company which could interfere with his exercise of independent judgment. The Board is of the view that the long service of Mr. Chen would not affect his exercise of independent judgement and is satisfied that Mr. Chen has the required character, integrity and experience to continue to fulfill the roles of independent non-executive Director.

In addition, the Board had evaluated the performance of Mr. Chen and is of the view that Mr. Chen has provided valuable contributions to the Company and has demonstrated his abilities to provide independent, balanced and objective view to the Company's affairs. The Board is also of the view that Mr. Chen would bring to the Board his own perspective, skills and experience, as further described in his biography as set out on page 19 of this annual report, and can contribute to the diversity of the Board taking into account his educational background and professional experience. The Board believes that the re-election of Mr. Chen as the independent non-executive director of the Company would be in the best interests of the Company and its shareholders as a whole.

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 17 to 20 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2019, the interests and short positions of the directors of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange 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	341,439,324	61.93
	1	Beneficially owned	480,000	0.09

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

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

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

Notes:

1. *All the interests stated above represent long positions.*

2. *These shares are beneficially held by Chinney Holdings, which is a subsidiary of Lucky Year. James Sai-Wing Wong is a director of Lucky Year and has beneficial interests therein.*

3. *Out of the 502,262,139 shares, 490,506,139 shares are beneficially held by the Company. By virtue of note 2, James Sai-Wing Wong is deemed to be interested in these shares. The remaining 11,756,000 shares are held by Chinney Capital Limited of which James Sai-Wing Wong is a director and has beneficial interests therein.*

4. *Out of the RMB185,000,000 paid-up registered capital, RMB111,000,000 is paid up by a wholly-owned subsidiary of Hon Kwok and RMB74,000,000 is paid up by a company controlled by James Sai-Wing Wong. By virtue of note 3, James Sai-Wing Wong is deemed to be interested in this company.*

5. *Out of the 436,860,216 shares, 173,093,695 shares are held by a wholly-owned subsidiary of the Company and the remaining 263,766,521 shares are held by companies controlled by James Sai-Wing Wong. By virtue of note 2, James Sai-Wing Wong is deemed to be interested in these shares.*

6. *These shares are beneficially held by Lucky Year. By virtue of note 2, James Sai-Wing Wong is deemed to be interested in these shares.*

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Save as disclosed herein, as at 31 March 2019, 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.

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

As at 31 March 2019, so far as is known to the directors of the Company, the following substantial shareholders and other persons (other than the directors of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

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

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 2019, 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 TRANSACTIONS

1. On 12 June 2018, Gold Famous Development Limited ("Gold Famous"), an indirect wholly-owned subsidiary of Hon Kwok, entered into a consultancy agreement with Shun Cheong Data Centre Solutions, an indirect wholly-owned subsidiary of Chinney Alliance, pursuant to which Shun Cheong Data Centre Solutions was appointed by Gold Famous as a consultant to provide consultancy services in respect of the construction and development of a data centre on a parcel of land owned by Gold Famous in Kwai Chung, Hong Kong (the "Data Centre Project") at a fixed fee of HK$16,200,000 (the "Consultancy Agreement"). As the Company is interested in approximately 68.09% of the issued shares of Hon Kwok and approximately 29.10% of the issued shares of Chinney Alliance and Dr. James Sai-Wing Wong is the chairman, executive director and a controlling shareholder of each of the Company, Hon Kwok and Chinney Alliance, the transaction constituted a connected transaction for each of the Company, Hon Kwok, and Chinney Alliance under the Listing Rules and is subject to the reporting and announcement requirements.

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

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

(a) In October 2016, Chinney Treasury Limited, a wholly-owned subsidiary of the Company, as borrower, entered into an agreement (the "HK$1,000 million Facilities Agreement") relating to HK$1,000 million transferable term and revolving loan facilities (the "HK$1,000 million Loan Facilities") with a syndicate of banks. The HK$1,000 million Loan Facilities have a term of 48 months commencing from the date of the HK$1,000 million Facilities Agreement and are to be used for refinancing the existing loans facilities with outstanding balance of HK$290 million and financing the Group's general working capital requirements.

Pursuant to the HK$1,000 million Facilities Agreement, it shall be an event of default if James Sai-Wing Wong, the Chairman of the Company, and/or his family members collectively cease to (i) maintain management control over the Company; or (ii) remain as the major beneficial ultimate shareholder of the Company; or (iii) hold (whether directly or indirectly) at least 50% of equity interest in the Company (within the meaning of Part XV of the SFO).

If an event of default under the HK$1,000 million Facilities Agreement occurs, the agent acting for the lending banks may, and shall if so requested by a majority of the lending banks, terminate the HK$1,000 million Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the HK$1,000 million Loan Facilities to be immediately due and payable.

(b) In February 2019, Hon Kwok Treasury Limited, a wholly-owned subsidiary of Hon Kwok, as borrower, entered into a facility agreement (the "Facility Agreement") relating to HK$1,500 million transferable term and revolving loan facilities (the "Loan Facilities") with a syndicate of financial institutions (the "Lenders"). The Loan Facilities have a term of 48 months commencing from the date of the Facility Agreement and to be used for refinancing the existing syndicated loan with an outstanding balance of HK$440 million and financing the general corporate funding requirements of Hon Kwok Group.

Pursuant to the Facility Agreement, it shall be an event of default if (i) the Company ceases to be the major beneficial shareholder of Hon Kwok as a result of the Company ceasing to hold no less than 30% effective shareholding of Hon Kwok or does not or ceases to maintain management control of Hon Kwok; or (ii) James Sai-Wing Wong, Chairman of both Hon Kwok and the Company, or his family members collectively, do not or cease to hold the major beneficial ultimate shareholding interest in the Company.

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

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 latest practicable date prior to the issue of this annual 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.

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.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$10,000.

AUDITOR

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

On behalf of the Board
Yuen-Keung Chan
Vice Chairman and Managing Director

Hong Kong, 27 June 2019

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

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the members of Chinney Investments, Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Chinney Investments, Limited (the "Company") and its subsidiaries (the "Group") set out on pages 51 to 170, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Estimation of fair value of investment properties	
As at 31 March 2019, the Group's investment properties measured at fair value amounted to approximately HK$13,406 million, with net gains arising from fair value change recognised in the statement of profit or loss of approximately HK$930 million from completed investment properties and investment properties under construction. The valuation process is inherently subjective, and dependent on a number of estimates such as market rent, market yield, market price per unit, stabilised growth rate, etc. To support management's determination of the fair value, the Group has engaged an independent professionally qualified valuer to perform the valuation of investment properties. The significant accounting judgements and estimates and disclosures about the fair value measurement of investment properties are included in notes 3 and 16 to the financial statements.	Among our audit procedures, we evaluated the objectivity, independence and competence of the valuer by examining the valuer's qualification and assessed the valuation methodologies and assumptions adopted by the valuer with assistance from our internal valuation expert. For completed investment properties, we evaluated the data used as inputs for the valuation, which included reference to the market unit selling price of comparable properties nearby and the rental value of existing tenancies, by benchmarking against market values of comparable properties and checking the relevant tenancy agreements.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment for properties held for sale under development and completed properties held for sale	
As at 31 March 2019, the Group has recorded properties held for sale under development and completed properties held for sale of approximately HK$2,102 million in aggregate. Properties held for sale under development and completed properties held for sale are stated at the lower of cost and net realisable value. Management's impairment assessment is significant to our audit, considering the degree of judgement involved in estimating the sales proceeds and selling expenses, and the level of complexity involved in making those assumptions in estimation. The significant accounting judgements and estimates and disclosures about the balances of properties held for sale under development and completed properties held for sale are included in notes 3 and 21 to the financial statements.	Our audit procedures included the understanding and review of management's impairment assessment process and assumptions adopted with reference to externally available industry and market data and actual sales transactions of properties during the year and subsequent to the end of the reporting period. For properties held for sales under development, we also reviewed the costs incurred to date and future costs to completion against the latest project development cost budgets prepared by management to assess the total costs of properties for impairment assessment purpose. We tested the basis of preparing those budgets taking into account the accuracy of previous budgets of similar projects and the construction quotations, agreements or invoices and historical data supporting the underlying assumptions.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong

27 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000 (restated)
CONTINUING OPERATIONS			
REVENUE	5	**1,478,353**	1,781,043
Cost of sales		**(744,358)**	(891,999)
Gross profit		**733,995**	889,044
Other income and gains	5	**22,826**	24,392
Fair value gains on investment properties, net		**929,811**	248,931
Gain on disposal of subsidiaries	7	**–**	2,495,927
Loss on disposal of investment properties, net		**(804)**	(244)
Administrative and other operating expenses, net		**(139,229)**	(181,808)
Finance costs	6	**(143,007)**	(122,453)
Share of profits of associates		**364,137**	165,220
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	**1,767,729**	3,519,009
Income tax expense	10	**(460,564)**	(385,190)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**1,307,165**	3,133,819
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	11	**(13,981)**	(13,523)
PROFIT FOR THE YEAR		**1,293,184**	3,120,296

	Note	2019 HK$'000	2018 HK$'000 (restated)
Attributable to:			
Owners of the Company			
Profit for the year from continuing operations		**795,375**	2,053,766
Loss for the year from a discontinued operation		**(13,981)**	(13,523)
Profit for the year attributable to owners of the Company		**781,394**	2,040,243
Non-controlling interests		**511,790**	1,080,053
		1,293,184	3,120,296
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*13*		
Basic and diluted			
– For profit for the year		**HK$1.42**	HK$3.70
– For profit from continuing operations		**HK$1.44**	HK$3.73

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2019

	Note	**2019** ***HK$'000***	2018 *HK$'000* (restated)
PROFIT FOR THE YEAR		**1,293,184**	3,120,296
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income/(loss) of associates		**(15,034)**	17,481
Release of exchange fluctuation reserve upon disposal of subsidiaries	*34*	**–**	(78,064)
Exchange differences on translation of foreign operations		**(541,309)**	740,310
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**(556,343)**	679,727
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**736,841**	3,800,023
Attributable to:			
Owners of the Company		**420,332**	2,480,463
Non-controlling interests		**316,509**	1,319,560
		736,841	3,800,023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**296,363**	123,567
Prepaid land lease payments	*15*	**–**	6,438
Investment properties	*16*	**14,453,997**	13,832,790
Investment in a joint venture	*18*	**199**	199
Investments in associates	*19*	**1,197,680**	845,787
Total non-current assets		**15,948,239**	14,808,781
CURRENT ASSETS			
Inventories	*20*	**–**	3,954
Properties held for sale under development and completed properties held for sale	*21*	**2,101,523**	2,553,549
Prepaid land lease payments	*15*	**–**	1,199
Trade and bills receivables	*22*	**21,589**	32,107
Prepayments, deposits and other receivables	*23*	**136,507**	167,753
Contract costs		**5,547**	–
Equity investments at fair value through profit or loss	*24*	**–**	791
Tax recoverable		**5,895**	97
Cash and bank balances	*25*	**2,092,224**	2,716,141
Total current assets		**4,363,285**	5,475,591
CURRENT LIABILITIES			
Trade payables and accrued liabilities	*26*	**425,295**	606,291
Contract liabilities	*27*	**286,193**	–
Customer deposits		**47,582**	1,222,514
Due to an associate	*19*	**15,950**	26,002
Obligation under a finance lease	*28*	**–**	81
Interest-bearing bank and other borrowings	*29*	**1,473,105**	2,399,172
Tax payable		**122,549**	420,962
Total current liabilities		**2,370,674**	4,675,022
NET CURRENT ASSETS		**1,992,611**	800,569
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,940,850**	15,609,350

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	**4,318,761**	2,799,370
Deferred tax liabilities	30	**1,552,353**	1,409,747
Total non-current liabilities		**5,871,114**	4,209,117
Net assets		**12,069,736**	11,400,233
EQUITY			
Equity attributable to owners of the Company			
Share capital	31	**405,411**	405,411
Reserves	32	**7,680,359**	7,274,419
		8,085,770	7,679,830
Non-controlling interests		**3,983,966**	3,720,403
Total equity		**12,069,736**	11,400,233

James Sai-Wing Wong
Director

Yuen-Keung Chan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019

	Attributable to owners of the Company							
	Share capital	Other reserve	Asset revaluation reserve#	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2017	405,411	440,218*	94,027*	(70,763)*	4,356,151*	5,225,044	2,908,075	8,133,119
Profit for the year	–	–	–	–	2,040,243	2,040,243	1,080,053	3,120,296
Other comprehensive income for the year:								
Release of exchange fluctuation reserve upon disposal of subsidiaries *(note 34)*	–	–	–	(53,154)	–	(53,154)	(24,910)	(78,064)
Exchange differences on translation of foreign operations	–	–	–	493,374	–	493,374	264,417	757,791
Total comprehensive income for the year	–	–	–	440,220	2,040,243	2,480,463	1,319,560	3,800,023
Issuance of a convertible bond by an associate##	–	1,891	–	–	–	1,891	–	1,891
Disposal of subsidiaries *(note 34(a))*	–	–	–	–	–	–	(64,621)	(64,621)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	(442,611)	(442,611)
Final 2017 dividend declared	–	–	–	–	(27,568)	(27,568)	–	(27,568)
At 31 March 2018	405,411	442,109	94,027	369,457	6,368,826	7,679,830	3,720,403	11,400,233

	Attributable to owners of the Company							
	Share capital	Other reserve	Asset revaluation reserve#	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2018	405,411	442,109	94,027	369,457	6,368,826	7,679,830	3,720,403	11,400,233
Share of impact of initial adoption of HKFRS 9 and HKFRS 15 by an associate	–	–	–	–	3,093	3,093	–	3,093
At 1 April 2018 (as restated)	405,411	442,109	94,027	369,457	6,371,919	7,682,923	3,720,403	11,403,326
Profit for the year	–	–	–	–	781,394	781,394	511,790	1,293,184
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	–	–	–	(361,062)	–	(361,062)	(195,281)	(556,343)
Total comprehensive income for the year	–	–	–	(361,062)	781,394	420,332	316,509	736,841
Deemed disposal of partial interests in a subsidiary of an associate upon conversion of the associate's convertible bond##	–	(1,859)	–	–	11,942	10,083	–	10,083
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	(52,946)	(52,946)
Final 2018 dividend declared	–	–	–	–	(27,568)	(27,568)	–	(27,568)
At 31 March 2019	**405,411**	**440,250***	**94,027***	**8,395***	**7,137,687***	**8,085,770**	**3,983,966**	**12,069,736**

* *These reserve accounts comprise the consolidated reserves of HK$7,680,359,000 (2018: HK$7,274,419,000) in the consolidated statement of financial position.*

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax			
From continuing operations		**1,767,729**	3,519,009
From a discontinued operation		**(18,456)**	(13,510)
Adjustments for:			
Finance costs		**144,879**	123,964
Share of profits and losses of associates		**(364,137)**	(165,220)
Interest income		**(13,933)**	(13,833)
Depreciation		**9,208**	9,749
Gain on disposal of subsidiaries	7	**–**	(2,495,927)
Amortisation of prepaid land lease payments	7	**1,188**	1,199
Fair value losses on equity investments at fair value through profit or loss, net		**–**	8
Loss on disposal of investment properties, net	7	**804**	244
Fair value gains on investment properties, net	7	**(929,811)**	(248,931)
Loss/(gain) on disposal of items of property, plant and equipment, net	7	**6**	(300)
Impairment of trade receivables		**1,171**	–
		598,648	716,452
Decrease/(increase) in inventories		**3,954**	(1,277)
Decrease in properties held for sale under development and completed properties held for sale		**321,862**	122,071
Decrease in trade and bills receivables, prepayments, deposits and other receivables		**28,090**	50,510
Increase in contract costs		**(5,547)**	–
Decrease in trade payables and accrued liabilities		**(124,671)**	(338,356)
Decrease in an amount due to an associate		**(10,052)**	(5,738)
Decrease in customer deposits		**(1,105,656)**	(1,313,810)
Increase in contract liabilities		**286,193**	–
Cash used in operations		**(7,179)**	(770,148)
Hong Kong profits tax refunded		**–**	311
Overseas taxes paid		**(516,257)**	(127,860)
Net cash flows used in operating activities		**(523,436)**	(897,697)

	Notes	**2019**	2018
		HK$'000	*HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(2,620)**	(1,006)
Dividends received from an associate		**10,386**	10,386
Interest received		**13,933**	13,833
Proceeds from disposal of items of property, plant and equipment		**156**	343
Proceeds from disposal of investment properties		**1,396**	3,073
Proceeds from disposal of equity investments at fair value through profit or loss		**789**	–
Additions to investment properties		**(408,314)**	(326,829)
Decrease in non-pledged time deposits with original maturity of more than three months when acquired		**138,241**	202,552
Disposal of subsidiaries	*34*	**–**	3,589,281
Direct transaction costs paid in relation to disposal of subsidiaries	*34*	**–**	(520,446)
Net cash flows from/(used in) investing activities		**(246,033)**	2,971,187
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(214,105)**	(205,395)
Dividends paid to non-controlling shareholders		**(52,946)**	(442,611)
Dividend paid		**(27,568)**	(27,568)
New bank and other loans		**1,131,803**	633,308
Repayment of bank loans		**(453,896)**	(1,718,618)
Capital element of finance lease payments		**(81)**	(157)
Net cash flows from/(used in) financing activities		**383,207**	(1,761,041)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(386,262)**	312,449
Cash and cash equivalents at beginning of year		**2,575,283**	2,074,016
Effect of foreign exchange rate changes, net		**(99,414)**	188,818
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,089,607**	2,575,283
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*25*	**1,573,803**	2,575,283
Non-pledged time deposits	*25*	**518,421**	140,858
Cash and bank balances as stated in the consolidated statement of financial position		**2,092,224**	2,716,141
Non-pledged time deposits with original maturity of more than three months when acquired		**(2,617)**	(140,858)
Cash and cash equivalents at end of year		**2,089,607**	2,575,283

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 Group discontinued the manufacture and trading of garments during the year.

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 Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Allwin Group Holdings Limited#	BVI	US$1	–	100.00	Sourcing agent for garments
Champion Fine International Investments Inc.#	Canada	Canadian dollar ("CAD")1	–	68.09	Investment holding
Chinney Property Management Limited	Hong Kong	HK$100	–	68.09	Property management
CP Parking Limited	Hong Kong	HK$2,060,000	–	68.09	Carpark management
Crown Honour Developments Limited	Hong Kong	HK$2	–	68.09	Nominee services
Dongguan Chinney Garments Limited#1	People's Republic of China ("PRC")/ Mainland China	HK$16,000,000	–	100.00	Garment manufacturing
Dongguan Marigold Industry City Developing Co., Ltd.#1	PRC/Mainland China	HK$50,000,000	–	100.00	Property holding and letting

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 Direct	Indirect	Principal activities
Foshan Nanhai XinDa Land Development Ltd.#1	PRC/Mainland China	HK$300,000,000	–	68.09	Property development
Gold Famous Development Limited ("Gold Famous")	Hong Kong	HK$1	–	68.09	Property development
Guangzhou Honkwok Fuqiang Land Development Ltd.#1	PRC/Mainland China	RMB185,000,000	–	40.85	Property development
Guangzhou Hua Yin Land Development Co., Ltd.#1	PRC/Mainland China	RMB80,000,000	–	68.09	Property development
Guangzhou Sheng Jin Real Estate Co., Ltd.#1	PRC/Mainland China	RMB52,114,000	–	68.09	Property development
Guangzhou Tungfu Property Management Co., Ltd.#1	PRC/Mainland China	RMB44,400,000	–	68.09	Property holding and letting
Hon Kwok Land Investment (China) Limited	Hong Kong	HK$2	–	68.09	Investment holding
Hon Kwok Land Investment Company, Limited ("Hon Kwok")	Hong Kong	HK$720,429,301	68.09	–	Investment holding
Hon Kwok Land Investment (Shenzhen) Co., Ltd.#1	PRC/Mainland China	HK$30,000,000	–	68.09	Property development

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 Direct	Indirect	Principal activities
Hon Kwok Project Management Limited	Hong Kong	HK$2	–	68.09	Project management
Hon Kwok Treasury Limited	Hong Kong	HK$2	–	68.09	Financing
Honour Well Development Limited	Hong Kong	HK$2	–	68.09	Property holding and letting
Hotwin Investment (Chongqing) Co., Ltd.#1	PRC/Mainland China	US$14,300,000	–	68.09	Property holding and letting
Island Parking Limited	BVI/Hong Kong	US$10	–	68.09	Property holding and letting
J.L. Chinney (Holdings) Company Limited	BVI	US$1,250,000	100.00	–	Investment holding
J.L. Group Company Limited ("J.L. Group")	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
Multi-Investment Group Limited	BVI	US$1	–	100.00	Investment holding

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 Direct	Indirect	Principal activities
Shenzhen Guanghai Investment Co., Ltd.[#1]	PRC/Mainland China	RMB880,000,000	–	68.09	Property holding and letting
Shenzhen Honkwok Huaye Development Co., Ltd.[#1]	PRC/Mainland China	RMB50,000,000	–	68.09	Property holding and letting
The Bauhinia Hotel Management Limited	Hong Kong	HK$2	–	68.09	Property letting
The Bauhinia Hotel (TST) Management Limited	Hong Kong	HK$2	–	68.09	Property letting
Vast Champ Investment (Chongqing) Co., Ltd.[#1]	PRC/Mainland China	US$30,000,000	–	68.09	Property development
Wide Fame Investment Limited	Hong Kong	HK$2	–	68.09	Financing
Wise Pacific Investment Limited	Hong Kong	HK$10,000	–	68.09	Money lending

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

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

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain investment properties and equity investments which have been measured at fair value. 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 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

Except for the amendments to HKFRS 4 and *Annual Improvements 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 April 2018 is as follows:

		HKAS 39 measurement			HKFRS 9 measurement			
		Category	Amount	Re-classification	ECL	Other	Amount	Category
	Note		*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	
Other assets								
Investment in associates	*(i)*	N/A	845,787	–	–	471	846,258	N/A

(i) The effect of adoption of HKFRS 9 in associates are accounted for by the Group under the equity method of accounting.

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

(b) *(Continued)*

The impact of transition to HKFRS 9 on reserves and retained profits is as follows:

	Reserves and retained profits *HK$'000*
Retained profits	
Balance as at 31 March 2018 under HKAS 39	6,368,826
Equity accounting for effect of adoption of HKFRS 9 in investments in associates	471
Balance as at 1 April 2018 under HKFRS 9	6,369,297

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The 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 disclosures are included in notes 3 and 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

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

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

(c) *(Continued)*

Revenue recognition

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

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

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

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

Set out below are the amounts by which each financial statement line item was affected as at 1 April 2018 as a result of the adoption of HKFRS 15:

	Note	**Increase** *HK$'000*
Assets		
Investment in associates	*(i)*	2,622
Equity		
Retained profits	*(i)*	2,622

(i) The effect of adoption of HKFRS 15 in associates are accounted for by the Group under the equity method of accounting.

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

(c) *(Continued)*

Accounting for revenue from sales of properties

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

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

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

Set out below are the amounts by which each financial statement line item was affected as at 31 March 2019 and for the year ended 31 March 2019 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on the Group's profit or loss and other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

			Previous	**Increase/**
		HKFRS 15	**HKFRS**	**(decrease)**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Prepayments, deposits and other receivables		136,507	142,054	(5,547)
Contract costs	*(i)*	5,547	–	5,547
Liabilities				
Contract liabilities	*(ii)*	286,193	–	286,193
Customer deposits		47,582	333,775	(286,193)

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

(c) *(Continued)*

Accounting for revenue from sales of properties (Continued)

The nature of the adjustments as at 1 April 2018 and the reasons for the significant changes in the consolidated statement of financial position as at 31 March 2019 are described below:

(i) Accounting for sales commission

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

As at 31 March 2019, the adoption of HKFRS 15 resulted in a decrease in prepayments, deposits and other receivables and an increase in contract costs, both by HK$5,547,000.

(ii) Accounting for a significant financing component for sales of properties

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

No interest was accrued on the long-term advances received under the previous accounting policy. Upon adoption of HKFRS 15, the Group recognised contract liabilities for the interest on the sales proceeds received from customers with a significant financing component. The Group elected to apply the practical expedient and did not recognise the effects of a significant financing component with a customer if the time period is one year or less. In addition, reclassifications have been made from sales deposits received to contract liabilities for the outstanding balance of sales proceeds from customers. Receipts in advance of HK$1,191,562,000 that were previously classified as customer deposits have been reclassified to contract liabilities as at 1 April 2018.

As at 31 March 2019, the adoption of HKFRS 15 resulted in a decrease in customer deposits and an increase in contract liabilities, both by HK$286,193,000.

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

(d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but 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 described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 April 2020.

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases.

HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 April 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. As disclosed in note 38(b) to the financial statements, at 31 March 2019, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$61,308,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. The Group is currently assessing the impact of HKFRS 16. Further analysis will be needed to determine the amount of new right-of-use assets and lease liabilities to be recognised, including, but not limited to, incremental borrowing rate to be applied for different leases.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and a joint venture

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

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

The Group's investments in an associate 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 the associate and 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 associate or joint venture are eliminated to the extent of the Group's investments in an associate or a joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate or a joint venture is included as part of the Group's investments in associate or 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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

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

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

Gains or losses arising from changes in the fair values of investment properties are included in 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 profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Properties held for sale under development and properties held for sale

Completed properties held for sale

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

Properties held for sale under development

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

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

Leases

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

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 (policies under HKFRS 9 applicable from 1 April 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 April 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018) *(Continued)*

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Investments and other financial assets (policies under HKAS 39 applicable before 1 April 2018)

Initial recognition and measurement

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

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

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets (policies under HKAS 39 applicable before 1 April 2018) *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition (applicable before 1 April 2018)" below.

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 April 2018 and policies under HKAS 39 applicable before 1 April 2018)

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

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

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

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 (policies under HKFRS 9 applicable from 1 April 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018) *(Continued)*

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018) *(Continued)*

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018)

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.

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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018) *(Continued)*

Financial assets carried at amortised cost (Continued)

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

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

Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables 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 and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to an associate and interest-bearing bank and other borrowings.

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018) *(Continued)*

Loans and borrowings

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

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

Financial guarantee contracts (policies under HKFRS 9 applicable from 1 April 2018)

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 contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018)"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Financial guarantee contracts (policies under HKAS 39 applicable before 1 April 2018)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

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

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

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

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.

Inventories

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

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

Revenue recognition (applicable from 1 April 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (applicable from 1 April 2018) *(Continued)*

Revenue from contracts with customers (Continued)

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

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

– provides all of the benefits received and consumed simultaneously by the customer;

– creates and enhances an asset that the customer controls as the Group performs; or

– does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (applicable from 1 April 2018) *(Continued)*

Revenue from contracts with customers (Continued)

(a) Sales of properties

Revenue from the sale of properties is recognised at the point in time when the purchasers obtained the physical possession of the completed property and the Group has the present right to payment and the collection of the consideration is probable.

(b) Sales of garment products

Revenue from the sale of garment products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the garment products.

(c) Property management fee income, entrusted management fee income and utility income are recognised when the services are rendered.

Revenue from other sources

(a) operating lease rental income is recognised on a time proportion basis over the lease terms.

(b) interest income is recognised 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 instruments or a shorter period, when appropriate, to the net carrying amount of the financial assets.

Revenue recognition (applicable before 1 April 2018)

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;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (applicable before 1 April 2018) *(Continued)*

(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.

Contract liabilities (applicable from 1 April 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Contract costs (applicable from 1 April 2018)

Other than the costs which are capitalised as investment properties, property, plant and equipment, and properties held for sale under development and completed properties held for sale, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Pension schemes

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

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

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

Termination benefits

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

Dividends

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

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

Foreign currencies

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments – Group as lessor

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

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

Judgements *(Continued)*

Determining the timing of satisfaction of contracts related to the sales of properties

The Group determined that the sales contract with customers requires the Group to complete the development of property before transferring the legal title of the relevant property to customers. The Group also determined that the Group does not have an enforceable right to payment from customers for performance completed to date before the transfer of legal title of the relevant property to customers. Consequently, the Group concluded that the timing of transfer of properties is at the point in time when the purchasers obtained the physical possession or the legal title of the completed property.

Classification between investment properties and properties held for sale

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

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

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

Classification between investment properties and owner-occupied properties

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

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

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

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

Judgements *(Continued)*

Investment properties under construction

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

Deferred taxation on investment properties

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

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

Estimation uncertainty

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

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

Estimation uncertainty *(Continued)*

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

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

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

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

Estimation of fair value of investment properties

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

(a) current prices in an active market for properties of a different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

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

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

Estimation uncertainty *(Continued)*

Current income taxes and deferred income taxes

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 30 to the financial statements.

Land appreciation tax

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

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

4. OPERATING SEGMENT INFORMATION

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

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

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

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

During the year ended 31 March 2019, the Group discontinued the business of manufacture and trading of garments and reallocated certain segment resources to property investment segment. Accordingly, certain comparative segment information related to the manufacture and trading of garments is classified as "loss for the year from a discontinued operation" in the consolidation statement of profit or loss. Besides, as a result of the formal approval obtained for redevelopment of a parcel of land in the PRC, management of the Group has reassessed the Group's segment reporting and decided that for financial reporting purposes, certain segment resources in other segment has been reallocated to property development segment. The impact of the abovementioned changes in the Group's reportable operating segment for the year ended 31 March 2018 is considered retrospectively and the Group's operating segment information is restated as if the Group had reallocated the resources in that year.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource 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 of associates, gain on disposal of subsidiaries as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude investment in a joint venture, investments in associates, other unallocated head office and corporate assets, including tax recoverable, cash and bank balances and equity investments at fair value through profit or loss and, 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 and other 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.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 March 2019	Property development HK$'000	Property investment HK$'000	Property, carpark management and others HK$'000	Total HK$'000
Segment revenue: *(note 5)*				
Sales to external customers and revenue from continuing operations	1,224,190	221,755	32,408	1,478,353
Segment results	491,177	1,039,828	13,167	1,544,172
Reconciliation:				
Interest income				13,904
Corporate and other unallocated expenses				(11,477)
Finance costs				(143,007)
Share of profits of associates				364,137
Profit before tax from continuing operations				1,767,729
Segment assets	2,292,054	14,826,008	2,103,543	19,221,605
Reconciliation:				
Elimination of intersegment receivables				(2,206,304)
Investments in associates				1,197,680
Investment in a joint venture				199
Corporate and other unallocated assets				2,098,344
Total assets				20,311,524
Segment liabilities	1,518,332	1,009,820	417,019	2,945,171
Reconciliation:				
Elimination of intersegment payables				(2,206,304)
Corporate and other unallocated liabilities				7,502,921
Total liabilities				8,241,788

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 March 2019	Property development *HK$'000*	Property investment *HK$'000*	Property, carpark management and others *HK$'000*	Total *HK$'000*
Other segment information:				
Fair value gains on investment properties, net	–	929,811	–	929,811
Loss/(gain) on disposal of items of property, plant and equipment, net	–	10	(4)	6
Loss on disposal of investment properties, net	–	804	–	804
Depreciation and amortisation	4,098	1,736	2,593	8,427
Unallocated depreciation and amortisation				1,969
				10,396
Capital expenditure*	429	470,725	475	471,629
Unallocated capital expenditure*				1,462
				473,091

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 March 2018	Property development *HK$'000* *(restated)*	Property investment *HK$'000* *(restated)*	Property, carpark management and others *HK$'000* *(restated)*	Total *HK$'000* *(restated)*
Segment revenue:				
Sales to external customers and revenue from continuing operations	1,567,499	190,266	23,278	1,781,043
Segment results	665,644	326,817	10,568	1,003,029
Reconciliation:				
Interest income				13,815
Corporate and other unallocated expenses				(36,529)
Gain on disposal of subsidiaries				2,495,927
Finance costs				(122,453)
Share of profits of associates				165,220
Profit before tax from continuing operations				3,519,009
Segment assets	2,832,195	14,279,525	1,827,269	18,938,989
Reconciliation:				
Elimination of intersegment receivables				(2,235,717)
Investments in associates				845,787
Investment in a joint venture				199
Corporate and other unallocated assets				2,735,114
Total assets				20,284,372
Segment liabilities	2,555,632	1,055,476	443,817	4,054,925
Reconciliation:				
Elimination of intersegment payables				(2,235,717)
Corporate and other unallocated liabilities				7,064,931
Total liabilities				8,884,139

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 March 2018	Property development HK$'000 (restated)	Property investment HK$'000 (restated)	Property, carpark management and others HK$'000 (restated)	Total HK$'000 (restated)
Other segment information:				
Fair value gains on investment properties, net	–	248,931	–	248,931
Gain on disposal of items of property, plant and equipment, net	–	300	–	300
Loss on disposal of investment properties, net	–	244	–	244
Depreciation and amortisation	4,219	2,082	2,561	8,862
Unallocated depreciation and amortisation				2,086
				10,948
Capital expenditure*	104	399,869	227	400,200
Unallocated capital expenditure				12
				400,212

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

Geographical information

(a) *Revenue from continuing operations*

	2019 HK$'000	2018 HK$'000 (restated)
Hong Kong	**111,689**	104,221
Mainland China	**1,366,664**	1,676,822
	1,478,353	1,781,043

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

(b) Non-current assets

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**4,085,742**	3,849,225
Mainland China	**10,664,618**	10,113,570
	14,750,360	13,962,795

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue and other income and gains from continuing operations is as follows:

	2019	2018
	HK$'000	*HK$'000*
		(restated)
Revenue from contracts with customers		
Sale of properties	**1,224,190**	1,567,499
Property management income	**30,832**	26,226
Revenue from other sources		
Gross rental income	**223,331**	187,318
	1,478,353	1,781,043

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

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 March 2019

Segments

	Property development *HK$'000*	Property investment *HK$'000*	Property, carpark management and others *HK$'000*	Total *HK$'000*
Types of goods or services				
Sales of properties	1,224,190	–	–	1,224,190
Property management income	–	29,257	1,575	30,832
Total revenue from contracts with customers	1,224,190	29,257	1,575	1,255,022
Geographical markets				
Hong Kong	–	–	1,575	1,575
Mainland China	1,224,190	29,257	–	1,253,447
Total revenue from contracts with customers	1,224,190	29,257	1,575	1,255,022
Timing of revenue recognition				
Goods transferred at a point in time	1,224,190	–	–	1,224,190
Services transferred over time	–	29,257	1,575	30,832
Total revenue from contracts with customers	1,224,190	29,257	1,575	1,255,022

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

Revenue from contracts with customers *(Continued)*

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sales of properties

The performance obligation is satisfied upon the physical possession of the completed property being obtained by the purchasers.

Property management income

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Management service contracts are for periods of one year or less, or are billed based on the time incurred.

	2019	2018
	HK$'000	*HK$'000*
		(restated)
Other income and gains		
Bank interest income	**13,904**	13,815
Management fee income received from an associate	**4,741**	4,500
Others	**4,181**	6,077
	22,826	24,392

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2019	2018
	HK$'000	*HK$'000*
		(restated)
Interest on bank loans, overdrafts and other loans	**212,233**	203,884
Less: Interest capitalised under properties under development/construction	**(69,226)**	(81,431)
	143,007	122,453

7. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

		2019	2018
	Note	***HK$'000***	*HK$'000*
			(restated)
Cost of properties sold		**628,919**	789,941
Depreciation		**7,239**	7,663
Amortisation of prepaid land lease payments	*15*	**1,188**	1,199
Minimum lease payments under operating leases#		**21,658**	19,204
Auditor's remuneration		**3,234**	3,164
Employee benefit expense (including directors' remuneration *(note 8)*):			
Wages, salaries, allowances and benefits in kind		**80,179**	106,193
Pension scheme contributions		**2,125**	2,063
		82,304	108,256
Less: Amount capitalised under properties under development/construction		**(20,080)**	(23,300)
		62,224	84,956

7. PROFIT BEFORE TAX FROM CONTINUING OPERATION *(Continued)*

	Notes	2019 HK$'000	2018 HK$'000 (restated)
Gross rental income included in the following categories:			
Rental income		**(252,588)**	(212,022)
Less: Outgoing expenses*#		**115,439**	102,058
		(137,149)	(109,964)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**85,198**	80,900
Foreign exchange differences, net		**(114)**	(267)
Fair value gains on investment properties, net	*16*	**(929,811)**	(248,931)
Gain on disposal of subsidiaries	*34*	**–**	(2,495,927)
Loss on disposal of investment properties, net		**804**	244
Interest income		**(13,904)**	(13,815)
Loss/(gain) on disposal of items of property, plant and equipment, net		**6**	(300)

At 31 March 2019 and 2018, 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$21,658,000 (2018: HK$13,496,000) 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.*

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:

	2019	2018
	HK$'000	*HK$'000*
Fees	**503**	416
Other emoluments:		
Salaries, allowances and benefits in kind	**18,136**	27,209
Discretionary performance-related bonuses*	**5,000**	5,000
Pension scheme contributions	**20**	–
	23,156	32,209
	23,659	32,625

* *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:

	2019	2018
	HK$'000	*HK$'000*
Clement Kwok-Hung Young	**75**	75
James C. Chen	**75**	75
Richard Chi-Ho Lo	**75**	13
Peter Man-Kong Wong (retired on 25 August 2017)	**–**	50
	225	213

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and non-executive directors

	Notes	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary performance-related bonuses *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
2019						
Executive directors:		–	9,500	2,500	–	12,000
James Sai-Wing Wong						
James Sing-Wai Wong						
(appointed on 28 August 2018)	*(i)*	128	–	–	–	128
Yuen-Keung Chan						
(appointed on 1 April 2018)	*(ii)*	–	8,636	2,500	20	11,156
		128	18,136	5,000	20	23,284
Non-executive directors:						
Paul Hon-To Tong		75	–	–	–	75
Emily Yen Wong		75	–	–	–	75
		150	–	–	–	150
		278	18,136	5,000	20	23,434

Notes:

(i) Included HK$100,000 director fees as non-executive director of Hon Kwok.

(ii) Included HK$1,882,000 (salaries, allowances and benefits in kind), HK$2,500,000 (discretionary performance – related bonuses) and HK$6,000 (pension scheme contributions) as executive director of Hon Kwok.

8. DIRECTORS' REMUNERATION *(Continued)*

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

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

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2018: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2018: three) non-director, highest paid employees for the year are as follows:

	2019	2018
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**10,239**	16,779
Discretionary performance-related bonuses	**5,180**	4,500
Pension scheme contributions	**264**	221
	15,683	21,500

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

	Number of employees	
	2019	2018
HK$3,500,001 to HK$4,000,000	**2**	–
HK$4,000,001 to HK$4,500,000	**–**	1
HK$7,500,001 to HK$8,000,000	**–**	1
HK$8,000,001 to HK$8,500,000	1	–
HK$9,500,001 to HK$10,000,000	**–**	1
	3	3

10. INCOME TAX

No provision for Hong Kong profits tax has been made for the year as the Group has available tax losses brought forward from prior years to offset the assessable profits generated 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.

10. INCOME TAX *(Continued)*

	2019	2018
	HK$'000	*HK$'000*
		(restated)
Current – Elsewhere	**138,298**	138,841
LAT in Mainland China	**99,059**	249,765
Deferred *(note 30)*	**223,207**	(3,416)
Total tax charge for the year from continuing operations	**460,564**	385,190

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:

	2019	2018
	HK$'000	*HK$'000*
Profit before tax from continuing operations	**1,767,729**	3,519,009
Loss before tax from a discontinued operation	**(18,456)**	(13,510)
	1,749,273	3,505,499
Tax at the statutory tax rate	**444,809**	654,641
Income not subject to tax	**(14,597)**	(459,161)
Expenses not deductible for tax	**20,125**	18,966
Tax losses utilised from previous periods	**(612)**	(1,035)
Tax losses not recognised	**22,654**	21,876
Profits and losses attributable to associates	**(87,035)**	(36,933)
LAT	**99,059**	249,765
Others	**(28,314)**	(62,916)
Tax charge at the Group's effective rate of 26% (2018: 11%)	**456,089**	385,203
Tax charge from continuing operations	**460,564**	385,190
Tax charge/(credit) from a discontinued operation	**(4,475)**	13

The share of net tax charge attributable to associates amounting to HK$136,123,000 (2018: HK$110,593,000) is included in "Share of profits 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 2019 (2018: Nil).

11. DISCONTINUED OPERATION

During the year, the Group has decided to cease its garment business operated by J.L Group, a wholly-owned subsidiary of the Company, because it plans to focus its resources on its other businesses. The cessation of the garment business was completed during the current year and the garment business was thus classified as a discontinued operation. With the garment business being classified as a discontinued operation, it is no longer included in the note for operating segment information.

The results of garment business for the year are presented as below:

	2019	2018
	HK$'000	*HK$'000*
REVENUE	**20,306**	75,996
Cost of sales	**(15,200)**	(65,196)
Gross profit	**5,106**	10,800
Other income and gains	**4,324**	3,049
Fair value losses on equity investments at fair value through profit or loss, net	**–**	(8)
Selling and distribution expenses	**(5,269)**	(10,738)
Administrative and other operating expenses*	**(20,745)**	(15,102)
Finance costs	**(1,872)**	(1,511)
Loss before tax from the discontinued operation	**(18,456)**	(13,510)
Income tax credit/(expense)	**4,475**	(13)
Loss for the year from the discontinued operation	**(13,981)**	(13,523)

* *Auditor's remuneration allocated to the discontinued operation of HK$555,000 (2018: HK$555,000) is included,*

11. DISCONTINUED OPERATION *(Continued)*

The net cash flows incurred by garment business are as follows:

	2019	2018
	HK$'000	*HK$'000*
Operating activities	**5,765**	(761)
Investing activities	**(607)**	56
Financing activities	**(4,516)**	(1,105)
Net cash inflow/(outflow)	**642**	(1,810)

Loss per share:		
Basic and diluted, from the discontinued operation	**(HK2.54 cents)**	(HK2.45 cents)

	2019	2018
	HK$'000	*HK$'000*
Loss attributable to ordinary equity holders of the Company from the discontinued operation	**(13,981)**	(13,523)

	2019	2018
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation *(note 13)*	**551,368,153**	551,368,153

12. DIVIDEND

	2019	2018
	HK$'000	*HK$'000*
Proposed final – 5 HK cents (2018: 5 HK cents) per ordinary share	**27,568**	27,568

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

13. EARNINGS/LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/loss per share amount is based on the profit for the year attributable to ordinary equity holders of the Company from continuing operations of HK$795,375,000 (2018: HK$2,053,766,000) and the loss from a discontinued operation of HK$13,981,000 (2018: HK$13,523,000), and the weighted average number of ordinary shares in issue during the year of 551,368,153 (2018: 551,368,153).

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2019 and 2018.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings Hong Kong *HK$'000*	Leasehold land and buildings Mainland China *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Motor vehicles *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Total *HK$'000*
31 March 2019							
At 31 March 2018 and at 1 April 2018:							
Cost	30,440	132,554	12,331	11,488	11,114	18,968	216,895
Accumulated depreciation	(2,281)	(46,446)	(10,933)	(11,485)	(6,651)	(15,532)	(93,328)
Net carrying amount	28,159	86,108	1,398	3	4,463	3,436	123,567
At 1 April 2018, net of accumulated depreciation	28,159	86,108	1,398	3	4,463	3,436	123,567
Additions	–	–	1,461	–	402	757	2,620
Transfer from investment properties	–	194,547	–	–	–	–	194,547
Disposals	–	–	–	(2)	(95)	(65)	(162)
Depreciation provided during the year	(1,082)	(5,089)	(573)	(1)	(1,451)	(1,012)	(9,208)
Exchange realignment	–	(5,103)	–	–	(213)	(82)	(5,398)
Transfer to properties held for sale under development	–	(9,603)	–	–	–	–	(9,603)
At 31 March 2019, net of accumulated depreciation	27,077	260,860	2,286	–	3,106	3,034	296,363
At 31 March 2019:							
Cost	30,440	282,116	5,518	–	8,803	13,574	340,451
Accumulated depreciation	(3,363)	(21,256)	(3,232)	–	(5,697)	(10,540)	(44,088)
Net carrying amount	27,077	260,860	2,286	–	3,106	3,034	296,363

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

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

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 2019 was nil (2018: HK$140,000).

At 31 March 2019, certain of the Group's leasehold land and buildings with a net carrying amount of approximately HK$274,998,000 (2018: HK$86,749,000) were pledged to secure general banking facilities granted to the Group as detailed in note 29(a)(v) to the financial statements.

15. PREPAID LAND LEASE PAYMENTS

	2019	2018
	HK$'000	*HK$'000*
At beginning of year	**7,637**	8,043
Recognised during the year	**(1,188)**	(1,199)
Exchange realignment	**(504)**	793
Transfer to properties held for sale under development	**(5,945)**	–
At end of year	**–**	7,637
Current portion	**–**	(1,199)
Non-current portion	**–**	6,438

16. INVESTMENT PROPERTIES

		2019		
	Completed investment properties at fair value	**Investment property under construction at fair value**	**Investment property under construction at cost**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
At beginning of year	**6,818,469**	**6,172,840**	**841,481**	**13,832,790**
Additions	**12,975**	**251,361**	**206,135**	**470,471**
Disposal	**(2,200)**	**–**	**–**	**(2,200)**
Net gains from fair value adjustments	**53,265**	**876,546**	**–**	**929,811**
Transfer	**6,941,860**	**(6,941,860)**	**–**	**–**
Transfer to owner-occupied property	**(194,546)**	**–**	**–**	**(194,546)**
Exchange realignment	**(223,442)**	**(358,887)**	**–**	**(582,329)**
At end of year	**13,406,381**	**–**	**1,047,616**	**14,453,997**

16. INVESTMENT PROPERTIES *(Continued)*

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

The directors of the Company have determined that the Group's completed investment properties and investment properties under construction are commercial properties, based on the nature, characteristics and risks of each property. The Group's completed investment properties were revalued on 31 March 2019 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$13,406,381,000 (2018: HK$12,991,309,000). Each year, the Group's management decides to appoint which external valuers to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for the interim and annual financial reporting.

16. INVESTMENT PROPERTIES *(Continued)*

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

Investment properties under construction included interest expense of HK$62,156,000 (2018: HK$72,394,000) that was incurred and capitalised during the year.

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

At 31 March 2019, the Group's investment properties with an aggregate carrying value of HK$14,450,997,000 (2018: HK$13,828,690,000) were pledged to secure the banking facilities granted to the Group as detailed in note 29(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 29(a)(iv) to the financial statements.

Based on the property ownership certificates, a portion of the completed investment properties with a total gross floor area of approximately 3,023 sq.m. is designated as non-market commodity housing which is not freely transferable in the market. As at 31 March 2019, the carrying amount of such portion was HK$103,720,930 (2018: HK$107,901,000).

Further particulars of the Group's investment properties are included in "Particulars of Properties" on pages 172 to 176.

16. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy

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

	Fair value measurement as at 31 March 2019 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**13,406,381**	**13,406,381**

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

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 (2018: Nil).

16. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

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

	HK$'000
Carrying amount at 1 April 2017	11,882,738
Additions	274,609
Disposal of a subsidiary *(note 34(b))*	(217,284)
Disposals	(3,317)
Net gains from fair value adjustments	248,931
Exchange realignment	805,632
Carrying amount at 31 March 2018 and 1 April 2018	**12,991,309**
Additions	**264,336**
Disposal	**(2,200)**
Transfer to owner-occupied property	**(194,546)**
Net gains from fair value adjustments	**929,811**
Exchange realignment	**(582,329)**
Carrying amount at 31 March 2019	**13,406,381**

16. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

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

	Valuation techniques	Significant unobservable inputs	Range	
Commercial properties			**2019**	2018
Completed	Income capitalisation approach	Estimated rental value		
		per sq.ft. per month (HK$)	**23 to 166**	22 to 160
		per sq.m. per month (RMB)	**52 to 428**	52 to 427
		Capitalisation rate	**3.1% to 6.5%**	3.1% to 6.5%
	Direct comparison approach	Unit price (HK$/unit)	**3,000,000**	1,300,000 to 2,800,000
		Unit price (RMB/unit)	**80,000 to 460,000**	80,000 to 460,000
		Price per sq.ft. (HK$)	**6,800 to 13,400**	6,800 to 12,700
		Price per sq.m. (RMB)	**27,100 to 83,300**	–
	Discounted cash flow approach	Room tariff (RMB)	**470**	441
		Occupancy rate	**70%**	71%
		Stabilised growth rate	**3%**	3%
		Terminal capitalisation rate	**5.5%**	5.5%
		Discount rate	**8.5%**	8.5%
Under construction	Direct comparison approach and discounted cash flow approach	Interest rate	**–**	4.35%
		Estimated cost to completion per sq.m. (RMB)	**–**	920
		Developer's profit margin	**–**	2%

16. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

Income capitalisation approach

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

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

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

Direct comparison approach

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

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

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

16. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

Discounted cash flow approach

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

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

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

17. GOODWILL

	HK$'000
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019:	
Cost	**2,463**
Accumulated impairment	**(2,463)**
Net carrying amount	**–**

18. INVESTMENT IN A JOINT VENTURE

	2019	2018
	HK$'000	*HK$'000*
Share of net assets	**199**	199

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

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

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

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

	2019	2018
	HK$'000	*HK$'000*
Share of the joint venture's profit for the year	**–**	–
Share of the joint venture's other comprehensive income	**–**	–
Share of the joint venture's total comprehensive income	**–**	–
Carrying amount of the Group's investment in the joint venture	**199**	199

19. INVESTMENTS IN ASSOCIATES/DUE TO AN ASSOCIATE

	2019	2018
	HK$'000	*HK$'000*
Goodwill on acquisition	**18,374**	18,374
Share of net assets	**1,179,306**	827,413
	1,197,680	845,787
Due to an associate	**15,950**	26,002

Particulars of the associates are as follows:

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

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

Chinney Alliance has 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.

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

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

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

	2019	2018
	HK$'000	*HK$'000*
Share of the associates' profit for the year	**364,137**	165,220
Share of the associates' other comprehensive profit/(loss)	**(15,034)**	17,481
Share of the associates' total comprehensive income	**349,103**	182,701
Aggregate carrying amount of the Group's investments in the associates	**1,197,680**	845,787

20. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
Raw materials	**–**	1,638
Work in progress	**–**	2,195
Finished goods	**–**	121
	–	3,954

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

	2019	2018
	HK$'000	*HK$'000*
Completed properties held for sale	**876,556**	1,527,735
Properties held for sale under development	**1,224,967**	1,025,814
	2,101,523	2,553,549

	2019	2018
	HK$'000	*HK$'000*
Properties held for sale under development		
– expected to be recovered:		
Within one year	**361,594**	225,065
After one year	**430,181**	416,958
– pending construction expected to be recovered:		
After one year	**433,192**	383,791
	1,224,967	1,025,814

Properties held for sale under development and completed properties held for sale included interest expense of HK$7,070,000 (2018: HK$9,037,000) that was incurred and capitalised during the year prior to the completion of the development of the properties.

During the year, certain of the Group's properties held for sale under development with an aggregate carrying value amounting to HK$252,772,000 (2018: Nil) at the end of the reporting period were pledged to secure the banking facilities granted to the Group as detailed in note 29(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$649,911,000 (2018: HK$518,594,000) at the end of the reporting period, could be appropriated by the relevant government authorities in the PRC as a result of the non-compliance with the requirement to complete the construction works on the land in prior years. In the opinion of the directors, the chance that the land administration bureau will appropriate the property without paying compensation is remote because the Group had fully paid the land premium in prior years and was granted approval from the relevant government authorities for the modification and application for extension of several Construction Works Planning Permits and Construction Works Commencement Permits, and the construction works on the land have already commenced. In addition, the construction of certain property units of a different phase of the above development project was completed and those property units were delivered to purchasers from the financial year 2012/13.

Further particulars of the Group's properties held for sale under development and completed properties held for sale are included in "Particulars of Properties" on pages 172 to 176.

22. TRADE AND BILLS RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade and bills receivables	**25,693**	35,040
Impairment	**(4,104)**	(2,933)
	21,589	32,107

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's trading terms with its customers in the garment segment last year were mainly on credit, except for new customers, where payment in advance was normally required.

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

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**1,900**	6,414
31 to 60 days	**1,347**	6,815
61 to 90 days	**1,370**	1,619
Over 90 days	**16,972**	17,259
	21,589	32,107

The credit period was generally one month, extending up to four months for major customers. Each customer has a maximum credit limit. Overdue trade debts are closely monitored by management and are provided for in full in cases of non-recoverability. In view of the aforementioned and the fact that the Group's trade 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 receivable balances. Trade receivables are non-interest-bearing.

The carrying amounts of the trade receivables approximate to their fair values.

22. TRADE AND BILLS RECEIVABLES *(Continued)*

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019	2018
	HK$'000	*HK$'000*
At beginning of year	**2,933**	2,933
Impairment losses	**1,171**	–
At end of year	**4,104**	2,933

Impairment under HKFRS 9 for the year ended 31 March 2019

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 March 2019

		Past Due			
	Current	**Less than 1 months**	**1 – 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	–	0.1%	0.1%	19.4%	16.0%
Gross carrying amount (HK$'000)	–	1,900	2,717	21,076	25,693
Expected credit losses (HK$'000)	–	2	3	4,099	4,104

22. TRADE AND BILLS RECEIVABLES *(Continued)*

Impairment under HKAS 39 for the year ended 31 March 2018

Included in the above provision for impairment of trade receivables was a provision for individually impaired trade receivables of HK$2,933,000 with a carrying amount before provision of HK$2,933,000. The individually impaired trade receivables as at 31 March 2018 related to customers that were in financial difficulties and the receivables are not expected to be recovered.

The ageing analysis of the trade receivables as at 31 March 2018 that were not considered to be impaired under HKAS 39 is as follows:

	2018 *HK$'000*
Neither past due nor impaired	5,395
Less than 30 days past due	7,192
30 to 90 days past due	2,370
Over 90 days past due	17,150
	32,107

Receivables that were past due but not impaired related to a number of customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered to be fully recoverable.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 ***HK$'000***	2018 *HK$'000*
Prepayments	**49,070**	88,107
Deposits	**9,930**	7,431
Other receivables	**88,031**	82,739
Impairment allowance	**(10,524)**	(10,524)
	136,507	167,753

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

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

Included in the above provision for impairment of other receivables is a provision for an impaired other receivable of HK$10,524,000 (2018: HK$10,524,000) with a carrying amount before provision of HK$10,524,000 (2018: HK$10,524,000) whose receivable was considered by the directors to be irrecoverable. The Group does not hold any collateral or other credit enhancements over these balances.

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

The Group has applied the general approach to provide for expected credit losses for financial assets included in prepayments, deposits and other receivables. The Group considers the historical loss rate and adjusts for forward looking macroeconomic data in calculating the expected credit loss rate. The Group has classified financial assets included in prepayments, deposits and other receivables in stage 1 and continuously monitors their credit risk. As at 31 March 2019, the Group estimated the expected loss rate for financial assets included in prepayments, deposits and other receivables to be insignificant.

24. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	HK$'000	*HK$'000*
Listed equity investments at market value	**–**	791

The above equity investments at 31 March 2018 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").

25. CASH AND BANK BALANCES

	2019	2018
	HK$'000	*HK$'000*
Cash and bank balances	**1,573,803**	2,575,283
Time deposits	**518,421**	140,858
	2,092,224	2,716,141

Included in cash and bank balances are restricted bank deposits of HK$76,743,000 (2018: HK$259,682,000) which can only be applied in the designated property development projects prior to the completion of their construction.

25. CASH AND BANK BALANCES *(Continued)*

At the end of the reporting period, the cash and bank balances including time deposits of the Group denominated in RMB amounted to HK$697,184,000 (2018: HK$1,507,217,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

26. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in trade payables and accrued liabilities are trade payables of HK$28,105,000 (2018: HK$26,178,000). An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**28,088**	24,118
31 to 60 days	**–**	705
61 to 90 days	**–**	901
Over 90 days	**17**	454
	28,105	26,178

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

27. CONTRACT LIABILITIES

Contract liabilities mainly represent sales proceeds received from buyers in connection with the Group's pre-sales of properties. The decrease in contract liabilities in 2019 was mainly due to the decrease in sales proceeds received from customers in relation to the pre-sale of properties during the year.

28. 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 no remaining lease term.

At 31 March 2019, the total future minimum lease payments under the finance lease and their present values are as follows:

	Minimum lease payments 2019 *HK$'000*	Minimum lease payments 2018 *HK$'000*	**Present value of minimum lease payments 2019** *HK$'000*	Present value of minimum lease payments 2018 *HK$'000*
Amounts payable:				
Within one year	**–**	81	**–**	81
Total minimum finance lease payments	**–**	81	**–**	81
Future finance charges	**–**	–		
Total net finance lease payables	**–**	81		
Portion classified as current liabilities	**–**	(81)		
Non-current portion	**–**	–		

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 March 2019			31 March 2018		
	Effective annual interest rate (%)	**Maturity**	***HK$'000***	Effective annual interest rate (%)	Maturity	*HK$'000*
Current						
Trust receipt loans	**–**	**–**	**–**	3.8-4.0	On demand	1,563
Bank loans – unsecured	**3.3-4.7**	**2019-2020 or on demand**	**111,950**	2.7-4.6	2018-2019 or on demand	621,950
Bank loans – secured	**2.5-5.9**	**2019-2020 or on demand**	**1,326,182**	1.9-5.9	2018-2019 or on demand	1,775,659
Other loan – unsecured	**4.4**	**2019 or on demand**	**34,973**	–	–	–
			1,473,105			2,399,172
Non-current						
Bank loans – unsecured	**3.3-4.7**	**2020-2021**	**398,475**	2.7-3.6	2019-2020	470,425
Bank loans – secured	**3.3-5.9**	**2020-2028**	**3,920,286**	2.4-5.9	2019-2027	2,328,945
			4,318,761			2,799,370
			5,791,866			5,198,542

29. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	2019	2018
	HK$'000	*HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**1,438,132**	2,399,172
In the second year	**1,646,689**	976,073
In the third to fifth years, inclusive	**2,586,041**	1,731,479
Beyond five years	**86,031**	91,818
	5,756,893	5,198,542
Other loan repayable:		
Within one year or on demand	**34,973**	–
	5,791,866	5,198,542

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$14,450,997,000 (2018: HK$13,828,690,000) as detailed in note 16 to the financial statements;

(ii) mortgages over certain of the Group's properties held for sale under development, which had an aggregate carrying value at the end of the reporting period amounting to HK$252,772,000 (2018: Nil) as detailed in note 21 to the financial statements;

(iii) charges over shares of certain subsidiaries of the Group;

(iv) assignments of rental income from the leases of certain of the Group's investment properties; and

(v) the pledge of certain of the Group's leasehold land and buildings, which had an aggregate carrying value at the end of the reporting period of approximately HK$274,998,000 (2018: HK$86,749,000) as detailed in note 14 to the financial statements.

(b) Irrevocable and unconditional guarantees have been given by the Company in respect of bank borrowings of certain subsidiaries. In addition, the Company has subordinated its loans to certain subsidiaries in favour of the relevant lending banks.

(c) Except for certain bank and other loans denominated in RMB equivalent to HK$1,414,155,000 (2018: HK$1,057,303,000), all bank and other borrowings at the end of the reporting period were denominated in Hong Kong dollars.

As further explained in note 43 to the financial statements, the Group's interest-bearing bank and other borrowings in the amount of HK$110,250,000 (2018: HK$155,250,000) containing a repayment on demand clause have been classified as current liabilities. For the purpose of the above analysis, the loans are included within current interest-bearing bank and other borrowings and analysed into bank loans repayable within one year or on demand.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Based on the maturity terms of the loans, the amounts repayable in respect of the loans are: HK$1,362,855,000 (2018: HK$2,274,922,000) within one year or on demand; HK$1,661,689,000 (2018: HK$989,073,000) in the second year; HK$2,659,291,000 (2018: HK$1,798,729,000) in the third to fifth years, inclusive; and HK$108,031,000 (2018: HK$135,818,000) 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.

30. DEFERRED TAX

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

	Depreciation allowance in excess of related depreciation *HK$'000*	Revaluation of investment properties *HK$'000*	Tax losses *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 1 April 2017	(16,292)	(1,309,672)	577	(3,289)	(1,328,676)
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 10)*					
– from continuing operations	(2,760)	6,176	–	–	3,416
– from a discontinued operation	(13)	–	–	–	(13)
Disposal of a subsidiary *(note 34(b))*	–	28,333	–	–	28,333
Exchange realignment	–	(112,807)	–	–	(112,807)
At 1 April 2018	**(19,065)**	**(1,387,970)**	**577**	**(3,289)**	**(1,409,747)**
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 10)*					
– from continuing operations	**(2,036)**	**(221,171)**	**–**	**–**	**(223,207)**
– from a discontinued operation	**(13)**	**–**	**–**	**–**	**(13)**
Exchange realignment	**–**	**80,614**	**–**	**–**	**80,614**
Net deferred tax liabilities at 31 March 2019	**(21,114)**	**(1,528,527)**	**577**	**(3,289)**	**(1,552,353)**

30. DEFERRED TAX *(Continued)*

At the end of the reporting period, the Group had unrecognised deductible temporary differences of HK$992,000 (2018: HK$993,000) and unrecognised tax losses arising in Hong Kong of HK$1,568,950,000 (2018: HK$1,477,996,000) and in Mainland China of HK$146,663,000 (2018: HK$141,001,000). 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 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China and in Canada. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China and in Canada for which deferred tax liabilities have not been recognised totalled HK$1,598,893,000 at 31 March 2019 (2018: HK$1,429,240,000).

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

31. SHARE CAPITAL

	2019	2018
	HK$'000	*HK$'000*
Issued and fully paid:		
551,368,153 (2018: 551,368,153) ordinary shares	**405,411**	405,411

32. 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.

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

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

	2019	2018
Percentage of equity interest held by non-controlling interests:		
Hon Kwok	**31.91%**	31.91%

	2019 *HK$'000*	2018 *HK$'000*
Profit for the year allocated to non-controlling interests:		
Hon Kwok	**511,790**	1,080,053
Dividends paid to non-controlling interests of Hon Kwok	**52,946**	442,611
Accumulated balances of non-controlling interests at the reporting date:		
Hon Kwok	**3,983,966**	3,720,403

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

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

	2019	2018
	HK$'000	*HK$'000*
Revenue	**1,478,353**	1,781,043
Total expenses	**(1,441,809)**	(1,529,318)
Other income	**17,924**	18,641
Fair value gains on investment properties, net	**929,811**	229,091
Gain on disposal of subsidiaries	**–**	2,495,927
Loss on disposal of investment properties, net	**(804)**	(244)
Share of profit of an associate	**317,087**	113,780
Profit for the year	**1,300,562**	3,108,920
Total comprehensive income for the year	**744,210**	3,787,803
Current assets	**4,183,761**	5,417,704
Non-current assets	**15,353,073**	14,243,546
Current liabilities	**(1,995,946)**	(4,459,723)
Non-current liabilities	**(5,472,331)**	(3,738,397)
Net cash flows used in operating activities	**(530,420)**	(858,603)
Net cash flows from/(used in) investing activities	**(394,221)**	3,098,688
Net cash flows from/(used in) financing activities	**254,008**	(1,678,566)
Net increase/(decrease) in cash and cash equivalents	**(670,633)**	561,519

34. DISPOSAL OF SUBSIDIARIES

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

On 19 January 2017, Hon Kwok announced the decision of its board of directors to dispose of Smooth Ever Investments Limited, a wholly-owned subsidiary of Hon Kwok, and its subsidiaries ("Smooth Ever Group"). Smooth Ever Group was engaged in the property development business. The above transaction was subsequently completed in September 2017.

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

	Note	2018 *HK$'000*
Net assets disposed of:		
Property, plant and equipment		26
Properties held for sale under development		504,857
Prepayments, deposits and other receivables		78
Cash and bank balances		169
Due to a shareholder and a group company		(375,080)
Other payables and accrued liabilities		(21)
Non-controlling interests		(64,621)
		65,408
Assignment of loans from a shareholder and a group company		375,080
		440,488
Tax provision		322,945
Direct transaction costs incurred		513,120
Exchange fluctuation reserve		(69,606)
Gain on disposal of subsidiaries	*7*	2,378,589
Consideration received		3,585,536
Satisfied by:		
Cash		3,585,536

34. DISPOSAL OF SUBSIDIARIES *(Continued)*

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

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

	2018
	HK$'000
Cash consideration	3,585,536
Tax provision	(302,945)
Cash and bank balances disposed of	(169)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	3,282,422

34. DISPOSAL OF SUBSIDIARIES *(Continued)*

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

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

	Notes	2018 *HK$'000*
Net assets disposed of:		
Property, plant and equipment	*14*	1,369
Investment property	*16*	217,284
Prepayments, deposits and other receivables		549
Cash and bank balances		572
Due to a group company		(37,037)
Other payables and accrued liabilities		(216)
Deferred tax liabilities		(28,333)
		154,188
Assignment of loans from a group company		37,037
		191,225
Tax provision		14,754
Direct transaction costs incurred		7,326
Exchange fluctuation reserve		(8,458)
Gain on disposal of a subsidiary	*7*	117,338
Consideration received		322,185
Satisfied by:		
Cash		322,185

34. DISPOSAL OF SUBSIDIARIES *(Continued)*

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

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

	2018 *HK$'000*
Cash consideration	322,185
Tax provision	(14,754)
Cash and bank balances disposed of	(572)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	306,859

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

Certain additions of properties held for sale under development and completed properties held for sale of HK$295,040,000 (2018: HK$263,131,000) were not paid at the end of the reporting period and were recorded as accrued liabilities.

(b) Changes in liabilities arising from financing activities

	Finance lease ***HK$'000***	**Interest-bearing bank and other borrowings** ***HK$'000***
At 1 April 2017	238	6,164,107
Changes from financing cash flows	(157)	(1,082,260)
Exchange realignment	–	116,695
At 31 March and 1 April 2018	81	5,198,542
Changes from financing cash flows	(81)	677,907
Amortisation of bank loan front-end fee	–	3,050
Exchange realignment	–	(87,633)
At 31 March 2019	**–**	**5,791,866**

36. CONTINGENT LIABILITIES

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

	2019	2018
	HK$'000	*HK$'000*
Guarantee given to a bank in connection with the facility granted to an associate	**24,000**	32,000

As at 31 March 2019, the banking facility guaranteed by the Group to an associate was utilised to the extent of HK$24,000,000 (2018: HK$32,000,000).

(b) As at 31 March 2019, the Group has given guarantees of HK$198,487,000 (2018: HK$1,078,000,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date the loans are granted to the purchasers up to the date of issuance of property ownership certificates to the purchasers.

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 2019 and 2018 for the guarantees.

37. PLEDGE OF ASSETS

Details of the Group's bank loans, which are secured by the assets of the Group, are included in note 29 to the financial statements.

38. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to 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 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**174,328**	127,935
In the second to fifth years, inclusive	**533,285**	190,759
After five years	**738,060**	305,894
	1,445,673	624,588

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 29(a)(iv).

(b) As lessee

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

At 31 March 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**30,843**	8,648
In the second to fifth years, inclusive	**30,465**	3,976
	61,308	12,624

39. CAPITAL COMMITMENTS

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

	2019	2018
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Property development expenditure	**1,084,452**	248,970

40. 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:

		2019	2018
	Notes	***HK$'000***	*HK$'000*
Management fee income received from an associate	*(i)*	**4,741**	4,500
Development cost paid to a related company	*(ii)*	**100,810**	98,690
Consultancy fees paid to a related company	*(iii)*	**9,720**	–
Construction cost paid to a related company	*(iv)*	**69,381**	–

Notes:

(i) The management fees were charged to Chinney Alliance based on the time involvement of the personnel providing the services. James Sai-Wing Wong, a director of the Company, is also a director of and has beneficial interest in Chinney Alliance. Herman Man-Hei Fung is a director of the Company and Chinney Alliance.

(ii) On 20 September 2016, the Company, Hon Kwok, Chinney Alliance Group Limited ("Chinney Alliance") and Chinney Kin Wing Holdings Limited ("Chinney Kin Wing") jointly announced that a wholly-owned subsidiary of the Company conditionally agreed to engage and a wholly-owned subsidiary of Chinney Kin Wing conditionally agreed to carry out foundation construction works on the vacant site at K.C.T.L 495, Kin Chuen Street, Kwai Chung, New Territories, Hong Kong for a contract sum of HK$210,000,000. James Sai-Wing Wong is the controlling shareholder of each of the Company, Hon Kwok, Chinney Alliance and Chinney Kin Wing and thus, the above companies are connected persons to one another under the Listing Rules. The related transactions constituted a connected transaction of each of the above companies under the Listing Rules and the approval of the respective independent shareholders had been obtained at the respective extraordinary/special general meetings held on 7 November 2016. During the year, the Group paid development expenditure relating to foundation construction works to an indirectly wholly-owned subsidiary of Chinney Kin Wing. The above transaction was negotiated between the concerned parties by reference to prevailing market rates.

40. RELATED PARTY TRANSACTIONS *(Continued)*

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

Notes: (Continued)

(iii) On 12 June 2018, Gold Famous entered into a consultancy agreement with Shun Cheong Data Centre Solutions, pursuant to which Shun Cheong Data Centre Solutions was appointed by Gold Famous as a consultant to provide consultancy services in respect of the construction and development of a data centre on a parcel of land owned by Gold Famous in Kwai Chung, Hong Kong (the "Data Centre Project") at a fixed fee of HK$16,200,000 (the "Consultancy Agreement"). As the Company is interested in approximately 68.09% of the issued shares of the Hon Kwok and approximately 29.10% of the issued shares of Chinney Alliance and Dr. James Sai-Wing Wong is the chairman, executive director and a controlling shareholder of each of the Company, Hon Kwok and Chinney Alliance, the transaction constituted a connected transaction for each of the Company, Hon Kwok and Chinney Alliance under the Listing Rules and is subject to the reporting and announcement requirements. The consultancy fees paid to the related company was negotiated between the concerned parties by reference to prevailing market rates. The transaction constitutes a connected transaction of the Company but exempted for circular and independent shareholders' approval requirements of the Listing Rules.

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

40. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Outstanding balance with a related party

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

(c) Compensation of key management personnel of the Group

	2019	2018
	HK$'000	*HK$'000*
Short term employee benefits	**39,058**	53,904
Post-employment benefits	**284**	221
	39,342	54,125

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

41. FINANCIAL INSTRUMENTS BY CATEGORY

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

2019

Financial assets

	Financial assets at amortised cost
	HK$'000
Trade and bills receivables	**21,589**
Financial assets included in prepayments, deposits and other receivables	**87,435**
Cash and bank balances	**2,092,224**
	2,201,248

Financial liabilities

	Financial liabilities at amortised cost
	HK$'000
Financial liabilities included in trade payables and accrued liabilities	**419,674**
Financial liabilities included in customer deposits	**47,582**
Due to an associate	**15,950**
Interest-bearing bank and other borrowings	**5,791,866**
	6,257,072

41. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2018

Financial assets

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

Financial liabilities

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

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Equity investments at fair value through profit or loss	**–**	791	**–**	791
Financial liabilities				
Obligation under a finance lease	**–**	81	**–**	81
Interest-bearing bank and other borrowings	**5,791,866**	5,198,542	**5,791,866**	5,198,542

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in customer deposits, trade payables, contract liabilities and accrued liabilities, the current portion of interest-bearing bank and other 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 and other 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 and other borrowings as at 31 March 2019 was assessed to be insignificant.

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

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

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

Assets measured at fair value:

As at 31 March 2019	**Fair value measurement using**			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Equity investments at fair value through profit or loss	**–**	**–**	**–**	**–**

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

The Group did not have any financial liabilities measured at fair value as at 31 March 2019 and 31 March 2018. As at 31 March 2019, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included interest-bearing bank and other borrowings (non-current portion) of HK$4,318,761,000 (2018: HK$2,799,370,000). As at 31 March 2019, there was no non-current portion of obligation under a finance lease (2018: 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 (2018: Nil).

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include other receivables, cash and bank balances, other payables, customer deposits and interest-bearing bank and other 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*
2019		
If Hong Kong dollar weakens against RMB	**5**	**(182)**
If Hong Kong dollar strengthens against RMB	**5**	**182**
2018		
If Hong Kong dollar weakens against RMB	5	(176)
If Hong Kong dollar strengthens against RMB	5	176

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

Equity price risk

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

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

	Carrying amount of equity investments *HK$'000*	Increase in profit after tax *HK$'000*	Increase in equity* *HK$'000*
2019			
Investments listed in:			
Hong Kong – held-for-trading	–	–	–
2018			
Investments listed in:			
Hong Kong – held-for-trading	791	79	–

* *Excluding retained profits*

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

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 29 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.

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$4,799,000 (2018: HK$11,723,000).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit after tax and equity** *HK$'000*
2019		
Hong Kong dollar	**100**	**(22,414)**
RMB	**50**	**(3,504)**
Hong Kong dollar	**(100)**	**22,414**
RMB	**(50)**	**3,504**
2018		
Hong Kong dollar	100	3,172
RMB	50	(1,047)
Hong Kong dollar	(100)	(3,172)
RMB	(50)	1,047

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

Credit risk

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

Maximum exposure and year-end staging as at 31 March 2019

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2019. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills receivables*	–	–	–	25,693	25,693
Financial assets included in prepayments, deposits, other receivables					
– Normal**	97,959	–	–	–	97,959
Cash and bank balances					
– Not yet past due	2,092,224	–	–	–	2,092,224
	2,190,183	–	–	25,693	2,215,876

* *For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 22 to the financial statements.*

** *The credit quality of the financial assets included in prepayments, deposits and other receivables and other assets is considered as "normal" when they are not past due and there is no information indicating that the financial assets have significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets are considered as "doubtful".*

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

Credit risk *(Continued)*

Maximum exposure as at 31 March 2018

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

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

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

Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other 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. 25% (2018: 46%) of the Group's debts, which comprise interest-bearing bank and other borrowings and an obligation under a finance lease, would mature in less than one year as at 31 March 2019 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, 24% (2018: 44%) of the Group's debts would mature in less than one year.

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

Liquidity risk *(Continued)*

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

			2019		
	On demand	Less than 12 months	1 to 2 years	Over 2 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities included in trade payables and accrued liabilities	5,342	414,332	–	–	419,674
Financial liabilities included in customer deposits	47,582	–	–	–	47,582
Due to an associate	15,950	–	–	–	15,950
Interest-bearing bank and other borrowings	359,223	1,197,909	1,784,707	2,834,744	6,176,583
Guarantee given to a bank in connection with the facility granted to an associate	24,000	–	–	–	24,000
Guarantees given to banks in respect of mortgage facilities granted to certain purchasers of the Group's properties	198,487	–	–	–	198,487
	650,584	1,612,241	1,784,707	2,834,744	6,882,276

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

Liquidity risk *(Continued)*

	2018				
	On demand	Less than 12 months	1 to 2 years	Over 2 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial liabilities included in trade payables and accrued liabilities	5,105	593,587	–	–	598,692
Financial liabilities included in customer deposits	30,952	–	–	–	30,952
Due to an associate	26,002	–	–	–	26,002
Obligation under a finance lease	–	81	–	–	81
Interest-bearing bank and other borrowings	197,250	2,338,587	1,043,835	1,899,988	5,479,660
Guarantee given to a bank in connection with the facility granted to an associate	32,000	–	–	–	32,000
Guarantees given to banks in respect of mortgage facilities granted to certain purchasers of the Group's properties	1,078,000	–	–	–	1,078,000
	1,369,309	2,932,255	1,043,835	1,899,988	7,245,387

In respect of interest-bearing bank and other borrowings of HK$359,223,000 (2018: HK$197,250,000), the loan agreements contain a repayment on demand clause giving the bank and other lender 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 2019 for the interest-bearing bank and other borrowings in respect of the Group are, HK$1,415,328,000 (2018: HK$2,416,868,000) within one year, HK$1,802,451,000 (2018: HK$1,058,800,000) in the second year and HK$2,934,417,000 (2018: HK$2,015,695,000) beyond two years.

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

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions 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 2019 and 2018.

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 and other borrowings and an obligation under a finance lease less cash and bank balances. The gearing ratios as at the end of the reporting periods were as follows:

	2019	2018
	HK$'000	*HK$'000*
Interest-bearing bank and other borrowings	**5,791,866**	5,198,542
Obligation under a finance lease	**–**	81
Less: Cash and bank balances	**(2,092,224)**	(2,716,141)
Net interest-bearing debt	**3,699,642**	2,482,482
Equity attributable to owners of the Company	**8,085,770**	7,679,830
Non-controlling interests	**3,983,966**	3,720,403
Equity attributable to owners of the Company and non-controlling interests	**12,069,736**	11,400,233
Gearing ratio	**31%**	22%

44. COMPARATIVE AMOUNTS

The comparative consolidated statement of profit or loss has been re-presented as if the garment operation discontinued and other segment resources reallocation during the current year had been discontinued and reallocated at the beginning of the comparative period.

45. 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:

	2019	2018
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**13**	18
Investments in subsidiaries	**1,522,819**	1,522,819
Total non-current assets	**1,522,832**	1,522,837
CURRENT ASSETS		
Prepayments, deposits and other receivables	**147**	130
Due from subsidiaries	**132,949**	224,378
Cash and bank balances	**81,673**	26,759
Total current assets	**214,769**	251,267
CURRENT LIABILITIES		
Trade payables and accrued liabilities	**4,713**	4,584
Interest-bearing bank borrowings	**140,000**	50,000
Total current liabilities	**144,713**	54,584
NET CURRENT ASSETS	**70,056**	196,683
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,592,888**	1,719,520
NON-CURRENT LIABILITY		
Due to a subsidiary	**480,589**	634,110
Net assets	**1,112,299**	1,085,410

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

	2019	2018
	HK$'000	*HK$'000*
EQUITY		
Share capital	**405,411**	405,411
Retained profits *(note)*	**706,888**	679,999
Total equity	**1,112,299**	1,085,410

James Sai-Wing Wong	**Yuen-Keung Chan**
Director	*Director*

Note:

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

	Retained profits
	HK$'000
Balance at 1 April 2017	686,008
Total comprehensive income for the year	21,559
Final 2017 dividend paid	(27,568)
At 31 March 2018 and 1 April 2018	679,999
Total comprehensive income for the year	54,457
Final 2018 dividend paid	(27,568)
At 31 March 2019	**706,888**

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 27 June 2019.

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				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	*(Restated)*	*(Restated)*	*(Restated)*
RESULTS					
REVENUE	**1,478,353**	1,781,043	1,574,444	1,569,505	360,698
Profit before tax from continuing operations	**1,767,729**	3,519,009	1,045,472	906,689	2,545,129
Tax charge	**(460,564)**	(385,190)	(303,098)	(370,091)	(649,462)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**1,307,165**	3,133,819	742,374	536,598	1,895,667
LOSS FOR THE YEAR FROM A DISCONTINUED OPERATION	**(13,981)**	(13,523)	(20,396)	(14,625)	(13,689)
PROFIT FOR THE YEAR	**1,293,184**	3,120,296	721,978	521,973	1,881,978
Attributable to:					
Owners of the Company	**781,394**	2,040,243	419,415	309,615	1,283,791
Non-controlling interests	**511,790**	1,080,053	302,563	212,358	598,187
	1,293,184	3,120,296	721,978	521,973	1,881,978

	As at 31 March				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**20,311,524**	20,284,372	18,753,609	17,763,663	15,890,985
TOTAL LIABILITIES	**(8,241,788)**	(8,884,139)	(10,620,490)	(9,896,890)	(8,241,955)
NET ASSETS	**12,069,736**	11,400,233	8,133,119	7,866,773	7,649,030
NON-CONTROLLING INTERESTS	**(3,983,966)**	(3,720,403)	(2,908,075)	(2,800,678)	(2,713,294)
SHAREHOLDERS' FUNDS	**8,085,770**	7,679,830	5,225,044	5,066,095	4,935,736

GROUP I – PROPERTIES HELD FOR DEVELOPMENT

	Location	Use	Site area (sq.m./sq.ft.)	Gross floor area (sq.m./sq.ft.)	Development progress (up to 27 June 2019)	Estimated completion date	Attributable interest of the Group (%)
MAINLAND CHINA							
1.	Metropolitan Oasis (雅瑤綠洲) Da Li District Nanhai Guangdong Province	Low density residential	247,987 sq.m. (2,668,340 sq.ft.)	272,786 sq.m. (2,935,177 sq.ft.)	Phase 3 apartments of ~81,100 sq.m. – Construction works in progress	2020	68.09
2.	45-65 Beijing Nan Road Yue Xiu District Guangzhou Guangdong Province	Commercial/ Residential	5,430 sq.m. (58,427 sq.ft.)	36,013 sq.m. (387,500 sq.ft.)	Foundation works in progress	2022	68.09
3.	67-107 Beijing Nan Road Yue Xiu District Guangzhou Guangdong Province	Commercial/ Office	4,025 sq.m. (43,309 sq.ft.)	41,366 sq.m. (445,098 sq.ft.)	Foundation works in progress	2022	68.09
4.	Hon Kwok City Commercial Centre (漢國城市商業中心) Junction of Shen Nan Zhong Road and Fu Ming Road Fu Tian District Shenzhen Guangdong Province	Commercial/ Office	7,845 sq.m. (84,412 sq.ft.)	128,356 sq.m. (1,381,110 sq.ft.)	Under interior fitting out	2019	68.09

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

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

Location	Use	Site area *(sq.m./sq.ft.)*	Gross floor area *(sq.m./sq.ft.)*	Development progress (up to 27 June 2019)	Estimated completion date	Attributable interest of the Group *(%)*
MAINLAND CHINA						
5. Enterprise Square (僑城坊) Qiaoxiang Road North Nanshan District Shenzhen Guangdong Province	Composite	48,764 sq.m. (524,700 sq.ft.)	224,500 sq.m. (2,415,620 sq.ft.)	Phase 1 of 128,000 sq.m. – Completed	–	13.62
				Phase 2 of 96,500 sq.m. – Finishing works in progress	2019	
6. A parcel of land at Zhongtang, (位於中堂鎮之地塊) Dongguan, Guangdong Province	Commercial/ Residential	19,402 sq.m. (208,766 sq.ft.)	58,206 sq.m. (626,297 sq.ft.)	Planning and design stage	–	100
HONG KONG						
7. 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.	Construction works in progress	2020	68.09
8. Lot 716 & Others in DD111, Yuen Long New Territories	–	35,386 sq.ft.	–	Temporary open storage	–	68.09

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

GROUP II – COMPLETED PROPERTIES

Location	Use	Remaining unsold units	Gross floor area *(sq.m./sq.ft.)*	Car parking spaces	Attributable interest of the Group *(%)*
MAINLAND CHINA					
9. Ganghui Huating (港滙華庭) 5 Beijing Road Yue Xiu District Guangzhou Guangdong Province	Commercial	4-storey of commercial podium	4,157 sq.m. (44,729 sq.ft.)	71	68.09
10. Botanica Phases 1, 2, 3 & 4 (寶翠園一、二、三及四期) Tian He District Guangzhou Guangdong Province	Commercial	6 ground floor shops	338 sq.m. (3,637 sq.ft.)	2,145	40.85
11. Metropolitan Oasis Phases 1 & 2 (雅瑤綠洲第一及二期) Da Li District Nanhai Guangdong Province	Low density residential	10 apartment units and 109 town houses	34,572 sq.m. (371,995 sq.ft.)	635	68.09

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

GROUP III – PROPERTIES HELD FOR INVESTMENT

Location	Use	Gross floor area *(sq.m./sq.ft.)*	No. of apartments/ hotel rooms	Ownership status	Attributable interest of the Group *(%)*
MAINLAND CHINA					
12. 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
13. 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
14. 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
15. Chongqing Jinshan Shangye Zhongxin (重慶金山商業中心) Lot no. B-01-02 Jin Shan Pian Qu Jin Kai Yuan Bei Bu Xin Qu Chongqing	Commercial/ Office/Hotel	173,291 sq.m. (1,864,611 sq.ft.)	~300 hotel rooms	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

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

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

Location	Use	Gross floor area *(sq.m./sq.ft.)*	No. of apartments/ hotel rooms	Ownership status	Attributable interest of the Group *(%)*
HONG KONG					
17. 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
18. 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
19. 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
20. Hilder Centre (富德中心) 2 Sung Ping Street Hunghom Kowloon	Commercial	22,572 sq.ft.	–	Medium term lease	100

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

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, 29 August 2019 at 3:30 p.m. for the following purposes:

1. To receive and consider the audited financial statements, the report of the directors and the independent auditor's report for the year ended 31 March 2019.

2. To declare a final dividend for the year ended 31 March 2019.

3. To re-elect directors and to authorise the directors to fix the directors' remuneration.

4. To re-appoint auditor and to authorise the directors to fix the auditor's remuneration.

5. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

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

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

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting is required by any applicable laws or the Company's Articles of Association to be held; and

(iii) the revocation or variation of the authority given under this Ordinary Resolution by an ordinary resolution of the shareholders in general meeting."

By Order of the Board
Ka-Yee Wan
Company Secretary

Hong Kong, 25 July 2019

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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

3. In the case of joint holders of a share, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such holders be present at the above meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.

4. All the resolutions set out in this notice will be decided by poll.

5. With regard to resolution 3 in this notice, Mr. James Sing-Wai Wong ("Mr. Wong") who was appointed subsequent to the last annual general meeting of the Company, will hold office until the meeting and, being eligible, offer himself for re-election in accordance with article 95 of the Articles of Association of the Company.

   Dr. Clement Kwok-Hung Young ("Dr. Young") and Mr. James C. Chen ("Mr. Chen") will retire by rotation at the meeting in accordance with article 104 of the Articles of Association of the Company. Mr. Chen, being eligible, will offer himself for re-election at the meeting while Dr. Young has notified the Board that he decided not to stand for re-election at the meeting and will retire as an independent non-executive director of the Company upon conclusion of the meeting.

6. Details of the directors who stand for re-election at the meeting are set out below:–

James Sing-Wai Wong

Aged 55, was appointed as an executive director of the Company in August 2018. He 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's 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 30 years of experience in economics, law, management, and information systems in Hong Kong, United States, Canada, the United Kingdom, and the Mainland China.

Mr. Wong is an executive director of Hon Kwok Land Investment Company, Limited ("Hon Kwok"), Chinney Alliance Group Limited ("Chinney Alliance") and Chinney Kin Wing Holdings Limited ("Chinney Kin Wing"). He was a non-executive director of the Company during the period from June 2013 to August 2017 and was a non-executive director of Hon Kwok during the period from August 2017 to July 2018. Hon Kwok, Chinney Alliance and Chinney Kin Wing are all listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is also a director of certain subsidiaries of the Company.

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

Mr. Wong was a director of Lion Mark Holdings Limited and Lion Foods Limited (collectively the "Lion Group") during the period from May 1995 to July 2007. Lion Group was incorporated in he United Kingdom and engaged in food manufacturing, processing and ingredient trading. Lion Group was put into administration proceedings on 10 October 2002. The entire business was sold by the administrators in the same year and Lion Group was subsequently dissolved in July 2007.

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

There is no service contract between the Company and Mr. Wong and he is not appointed for a specific term but is subject to retirement by rotation and re-election at the Company's annual general meeting. The remuneration of Mr. Wong will be determined by the Board with reference to his duties and responsibilities of the Company and its subsidiaries.

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

6. Details of the directors who stand for re-election at the meeting are set out below:– *(Continued)*

James C. Chen

Aged 69, 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 40 years of experience in accounting, financial management and multinational business. He held various senior executive positions in several multinational companies in Hong Kong and is responsible for the overall management and strategic planning. Mr. Chen holds a Bachelor of Arts Degree, Cum Laude (majors in Accounting, Business Administration and International Business) from Carthage College, Wisconsin, USA. He is also a fellow member of the Hong Kong Institute of Directors and a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the American Institute of Certified Public Accountants and the Chartered Global Management Accountant.

As at the date hereof, Mr. Chen 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). Save as disclosed above, Mr. Chen does not hold any other positions in the Company or any members of the Company and its subsidiaries, did not hold any directorships in any listed public companies in the past three years and does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company.

There is no service contract between the Company and Mr. Chen. He is entitled to a director's fee of HK$200,000 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 needs to be brought to the attention of the shareholders of the Company.

7. If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force at any time after 12:30 p.m. on the date of the meeting, the meeting will be adjourned. The Company will post an announcement on the Company's website (www.chinney.com.hk) and the HKEXnews website (www.hkexnews.hk) to notify shareholders of the date, time and place of the adjourned meeting.

The meeting will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the meeting under bad weather conditions bearing in mind their own situations.