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建業實業有限公司
Chinney Investments, Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code: 216)

2016-17 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL RESULTS

For the year ended 31 March 2017, the Group's consolidated turnover was HK\$1,653 million (2016: HK\$1,656 million) and net profit attributable to shareholders amounted to HK\$419 million (2016: HK\$310 million), inclusive of property revaluation gain attributable to shareholders of HK\$373 million, net of deferred tax (2016: HK\$288 million). Basic earnings per share were HK\$0.76 (2016: HK\$0.56). As at 31 March 2017, the shareholders' equity grew to HK\$5,225 million (2016: HK\$5,066 million). Net assets per share were HK\$9.48 (2016: HK\$9.19).

DIVIDEND

The Directors recommend the payment of a final dividend of 5 Hong Kong cents per ordinary share for the year ended 31 March 2017 (2016: 5 Hong Kong cents) to shareholders whose names appear on the Company's register of members on 4 September 2017. 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 22 September 2017.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 25 August 2017. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 22 August 2017 to 25 August 2017 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 21 August 2017.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 March 2017 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 1 September 2017 to 4 September 2017 (both days inclusive), during which period no share transfers will be registered. The last day for dealing in the Company's shares cum entitlements to the proposed final dividend will be 29 August 2017. In order to qualify for the proposed final dividend, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 31 August 2017.

BUSINESS REVIEW

1. Property

The Group's property development and investment activities are conducted by Hon Kwok Land Investment Company Limited ("Hon Kwok") (Stock Code: 160) and its subsidiaries ("Hon Kwok Group"). Hon Kwok Group reported a turnover of HK\$1,574 million (2016: HK\$1,570 million) and net profit attributable to shareholders of HK\$585 million (2016: HK\$460 million) for the financial year 2016/17.

Disposal of Properties

Dong Guan Zhuan Road 東莞莊路 project in Guangzhou

On 19 January 2017, Hon Kwok Group entered into a sale and purchase agreement with Yango City Group Co., Ltd. (listed in Shenzhen Stock Exchange) in relation to the disposal of Hon Kwok Group's 75% interests of a bare site at Dong Guan Zhuan Road 東莞莊路 in Guangzhou, PRC via sale of its offshore holding company together with the assignment of related companies' loans for a total cash consideration of Hong Kong dollar equivalent of RMB3,181,241,120 (approximately HK\$3,581,269,000), subject to adjustments. The transaction is scheduled to be completed in August 2017 subject to fulfillment of certain conditions precedent. This constituted a very substantial disposal transaction for Hon Kwok and the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the listing rules. The above transaction were approved by the shareholders in the respective extraordinary general meetings held on 25 May 2017. For details, please refer to the Company's joint announcement dated 24 January 2017, circular dated 9 May 2017 and announcement dated 25 May 2017.

Car parking spaces in Hong Kong

In December 2016, grasping the opportunity of an uptrend in selling price of car parking spaces, Hon Kwok Group had realized all the car park units being held for investment at Lido Garden, Sham Tseng and Shining Court, Cheung Sha Wan as well as majority of those at Provident Centre, North Point at a reasonable return.

Property Development and Investment

Guangzhou, PRC

The **Botanica 寶翠園**, comprises 39 blocks of high-rise residential building with a total gross floor area of approximately 229,000 sq.m., is situated in the greenery zone of Tian He District near the Botanical Garden. It is scheduled for development by phases. In the prior financial years, **Botanica Phases 1 and 2 寶翠園一及二期**, with a total 16 blocks of over 750 units, had been sold out and the relevant profits had been recognized in the previous financial statements. **Botanica Phase 3 寶翠園三期**, comprises 12 blocks of about 530 units, have also been sold out and eight blocks of which had been delivered in the prior financial year. The remaining four blocks have been delivered to individual purchasers during the year under review and the relevant profits were recognized in the current statement of profit or loss. Internal finishing works of **Botanica Phase 4 寶翠園四期**, comprises 11 blocks of about 550 units, are well in progress and the delivery of individual units of four blocks to purchasers have been commenced earlier this month with the remaining blocks expected to be delivered commencing last quarter of this year. Up to the date of this announcement, nearly all units of **Botanica Phase 4 寶翠園四期** have been sold and total contracted sales exceeding RMB2,000 million.

Ganghui Dasha 港滙大廈, a 20-storey commercial/office building, is situated at the junction of Beijing Road, Nanti Er Road and Baqi Er Road, Yue Xiu District. Its current occupancy rate is about 80%.

The newly acquired **Jie Fang Building** 解放大廈, a completed 15-storey commercial and office building situated at Jiefang Road South, Yue Xiu District, is being held by the Group for recurrent rental income and/or investment potential.

Foundation works of the project site at **45-107 Beijing Nan Road**, Yue Xiu District are expected to be commenced by the end 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., is also scheduled for development by phases. Phase I of the project comprises 71 units of 3-storey town houses and 24 blocks of high-rise apartments of about 900 units. Up to the date of this announcement, over 95% of the above phase has been sold and generated sale proceeds exceeding RMB1,200 million and majority of the above apartment units have been delivered to individual purchasers. Phase 2 of the project comprises 192 units of 3-storey town houses of which finishing works are in progress and expected to be completed by stages commencing last quarter of this year through second quarter of next year. Portion of the town houses has been launched to the market for pre-sale and up to the date of this announcement, total contracted sales exceeding RMB370 million.

Shenzhen, PRC

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

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

Enterprise Square 僑城坊, situated at Qiaoxiang Road North, Nanshan District, measures a site area of 48,764 sq.m. and with a total gross floor area of approximately 224,500 sq.m. It is being developed in two phases into 12 blocks of buildings for composite use in which Hon Kwok Group has 20% interest. Finishing works are well in progress and expected to be completed in last quarter of this year through third quarter of next year. Gross floor area of about 50,000 sq.m. of office nature have been pre-sold and generated sale proceeds amounting to approximately RMB2,000 million. It is the current intention that certain portion of the project of commercial/office nature to be retained for recurring rental income upon completion of construction.

Chongqing, PRC

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

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 grade A office tower and a 42-storey 5-star hotel plus office tower with respective 4-storey retail/commercial podium. The occupancy of the completed office tower has been progressed smoothly and renovation works of the hotel/office tower are scheduled to be completed in last quarter of this year.

Hong Kong – Property Investment

Foundation works of the bare site at **Kin Chuen Street, Kwai Chung, New Territories** acquired via government public tender in prior years have been commenced and are expected to be completed in next year followed by superstructure works. It will be developed for non-residential use with a total gross floor area of approximately 228,000 sq.ft. for recurrent rental income.

The average occupancy rate of **The Bauhinia Hotel (Central)** 寶軒酒店 (中環), a 42-room boutique hotel situated at four podium floors of the hotel/apartment building at Connaught Road Central and Des Voeux Road Central, is above 95% with encouraging room rates whilst that of **The Bauhinia** 寶軒, a 171-room serviced apartments atop of the above hotel, is about 85%. The retail areas at street level of the aforesaid building are fully let.

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

The current occupancy rate of **Hon Kwok Jordan Centre** 漢國佐敦中心, a 23-storey commercial/office building situated at Hillwood Road, Tsim Sha Tsui, exceeds 95%.

2. Garment

J.L. Garment Group, a wholly-owned subsidiary of our Company with garment factory situated at Dongguan, the Mainland China, reported a turnover of HK\$79 million (2016: HK\$86 million) with a net loss of HK\$2.4 million (2016: loss HK\$14.2 million) for the year ended 31 March 2017.

The Group's garment business, which focused on fashionable garment production in Mainland China and exported mainly to European market, continued facing a tough year filled with uncertainties. Economic growth in major European countries remained subdued and economic performance showed divergence across different countries of which economic activities in Germany outpaced that in France and Italy. The feeble consumer market continued to hamper domestic demand and hit our garment net profit margin.

J.L. Garment Group is under transformation and is scaling down its business structure to reduce overhead, as well as implementing stringent measures on cost control. In the course of business restructuring, it reduced the office plan in the Hong Kong operation and intended to lease out the whole floor of vacated office space. Due to the booming local property market, J.L. Garment Group recorded a property revaluation gain of HK\$17.5 million (2016: loss of HK\$ 0.1 million) on its investment properties held for investment and rental income.

To strive for improved profitability, J.L. Garment Group endeavors to broaden its new customer base in the European countries while exploring new business opportunities in the local and Asia markets.

3. Construction and Trading

Chinney Alliance Group Limited (“Chinney Alliance”) (Stock Code: 385), a 29.1% owned associate recorded turnover and net profit attributable to shareholders for the year ended 31 December 2016 of HK\$4,571 million (2015: HK\$4,552 million) and HK\$209.9 million (2015: HK\$169.1 million).

Chinney Alliance’s foundation piling and ground investigation businesses are conducted by Chinney Kin Wing Holdings Limited (“Chinney Kin Wing”) (Stock Code: 1556), a 74.5% owned subsidiary listed on the Main Board of Hong Kong Stock Exchange in November 2015. Chinney Kin Wing reported a revenue of HK\$1,356 million (2015: HK\$1,515 million) and operating profit of HK\$119.4 million (2015: HK\$168.9 million). The decrease in revenue was mainly due to the substantial completion of certain sizeable projects awarded in previous years, whereas the projects undertaken during the year under review were smaller in contract sum. Profit margin also dropped slightly due to keen competition in the foundation industry with less tenders available for the foundation sector in Hong Kong and Macau. Besides, depreciation charges were increased due to the enhancement of piling plant and machinery in past years, resulting in a drop of net profit.

The Building Construction division, mainly consists of Chinney Construction Company Limited, a wholly owned subsidiary of Chinney Alliance Group, engaged in superstructure construction works, contributed a revenue of HK\$1,079 million (2015: HK\$1,120 million) and operating profit of HK\$65.7 million (2015: HK\$35.0 million). Although revenue dropped slightly, operating profit increased substantially due to the improved profit margin for new projects as well as the contribution from projects commenced in 2015 which had been substantially progressed with profit recognition in the year under review.

The Building related contracting services division, consists of Shun Cheong Investments Limited and its subsidiaries, engaged in the electrical and mechanical contracting businesses, contributed a revenue of HK\$1,584 million (2015: HK\$1,349 million) and operating profit of HK\$102.5 million (2015: HK\$25.4 million). Operating profit improved substantially due to the increase in number of contracts, coupled with the implementation of cautious cost control and project management measures.

The Plastic Trading division recorded a slight decrease in operating profit resulted from the tough international trade environment. Nevertheless, the division continues to develop diversified products to enhance its profitability.

4. Transferable term and revolving loan facilities

In view of the liquidity of the money market coupled with the favourable interest margin last year, the management believed that it would be in the best interest to raise new facilities to average down the funding cost of the Group as a whole. In October 2016, Chinney Treasury Limited, a wholly-owned subsidiary of the Company, as borrower entered into a facility agreement relating to HK\$1,000 million transferable term and revolving loan facilities with a syndicate of banks. The loan facilities have a term of 48 months commencing from the date of the facility agreement and have been used for refinancing the existing loan facilities leaving the balance for further investment, as appropriate, and for financing the Group's general working requirements.

OUTLOOK

Looking forward, the policy uncertainty, geopolitical risk and the US interest rate hike are threatening the global recovery. In the United States, the stock markets regained momentum and are expected to strengthen the economic upturn as reflected by the satisfactory economic indicators in GDP growth, unemployment and inflation. However, uncertainty about future policy direction, together with the normalization of interest rates pose downside risks to its growth prospect. For the Eurozone countries, they continued to exhibit divergence in growth performance, with major economies including Italy and Spain, still struggling to achieve sustainable growth. Nonetheless, it is likely that the long process of unwinding the ties with the European Union following the Brexit referendum will induce further volatility in the Eurozone.

In 2016, GDP growth in the Mainland China reached 6.7% and is forecast to be slightly slowdown in 2017. During the period under review, the real estate market remained robust. It is expected that the restrictive measures implementing in the major cities will continue in near term to contain the underlying risks of the booming property market. In light of the prevailing risks including the high level of corporate leverage and rapid credit growth in the China market, it is anticipated that further tightening policies may be imposed by the Central Government to stabilize the economy.

In Hong Kong, the economy remained stable under the low unemployment and stable income environment. Nevertheless, the prices of residential and commercial properties continued to upsurge throughout the year despite the government's cooling measures including the rise in stamp duty and further tightening of property mortgage. In view of the prevailing risks in the property market, as reflected by the worsening residential affordability and the foreseeable interest rates rise, the local property market may become more erratic in the year ahead.

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

James Sai-Wing Wong
Chairman

Hong Kong, 29 June 2017

CONSOLIDATED RESULTS

The consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2017 together with comparative figures for the previous year are as follows:

Consolidated Statement of Profit or Loss

		For the year ended 31 March	
		2017	2016
	Notes	HK\$'000	HK\$'000
Revenue	2	1,652,964	1,655,688
Cost of sales		<u>(1,007,362)</u>	<u>(1,115,598)</u>
Gross profit		645,602	540,090
Other income	3	22,960	21,878
Fair value gains on investment properties, net		662,992	616,256
Fair value gains/(losses) on equity investments at fair value through profit or loss, net		(73)	51
Gain on disposal of a subsidiary		-	7,360
Gain on disposal of investment properties, net		541	-
Selling and distribution expenses		(11,961)	(12,377)
Administrative and other operating expenses, net		(225,019)	(195,741)
Finance costs	4	(131,805)	(134,491)
Share of profits and losses of associates		<u>60,489</u>	<u>48,982</u>
Profit before tax	5	1,023,726	892,008
Income tax expense	6	<u>(301,748)</u>	<u>(370,035)</u>
Profit for the year		<u>721,978</u>	<u>521,973</u>
Attributable to:			
Owners of the Company		419,415	309,615
Non-controlling interests		<u>302,563</u>	<u>212,358</u>
		<u>721,978</u>	<u>521,973</u>
Earnings per share attributable to ordinary equity holders of the Company	7		
Basic and diluted		<u>HK\$0.76</u>	<u>HK\$0.56</u>

Consolidated Statement of Comprehensive Income

	For the year ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
Profit for the year	721,978	521,973
Other comprehensive loss		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of associates	(8,256)	(5,765)
Exchange differences on translation of foreign operations	(479,606)	(279,547)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	(487,862)	(285,312)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gain on property revaluation	88,538	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	88,538	-
Other comprehensive loss for the year, net of tax	(399,324)	(285,312)
Total comprehensive income for the year	322,654	236,661
Attributable to:		
Owners of the Company	186,517	120,537
Non-controlling interests	136,137	116,124
	322,654	236,661

Consolidated Statement of Financial Position

		31 March 2017 HK\$'000	31 March 2016 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		125,934	71,988
Prepaid land lease payments		6,869	8,552
Investment properties		12,599,604	11,864,978
Investment in a joint venture		199	199
Investments in associates		671,580	628,002
Total non-current assets		<u>13,404,186</u>	<u>12,573,719</u>
CURRENT ASSETS			
Inventories		2,677	4,687
Properties held for sale under development and completed properties held for sale		2,223,805	3,065,950
Prepaid land lease payments		1,174	1,240
Trade and bills receivables	9	28,571	24,510
Prepayments, deposits and other receivables		192,976	203,503
Equity investments at fair value through profit or loss		799	871
Tax recoverable		227	16,896
Pledged deposits		-	142,207
Cash and bank balances		2,417,193	1,730,080
		<u>4,867,422</u>	<u>5,189,944</u>
Assets of a disposal group classified as held for sale	10	<u>482,001</u>	-
Total current assets		<u>5,349,423</u>	<u>5,189,944</u>
CURRENT LIABILITIES			
Trade payables and accrued liabilities	11	644,469	552,666
Customer deposits		2,335,704	1,510,460
Due to an associate		31,740	37,490
Obligation under a finance lease		157	153
Interest-bearing bank borrowings		1,915,408	3,330,804
Tax payable		115,436	98,057
		<u>5,042,914</u>	<u>5,529,630</u>
Liabilities directly associated with the assets classified as held for sale	10	<u>120</u>	-
Total current liabilities		<u>5,043,034</u>	<u>5,529,630</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>306,389</u>	<u>(339,686)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>13,710,575</u>	<u>12,234,033</u>

Consolidated Statement of Financial Position *(Continued)*

	31 March 2017 HK\$'000	31 March 2016 HK\$'000
NON-CURRENT LIABILITIES		
Obligation under a finance lease	81	238
Interest-bearing bank borrowings	4,248,699	3,120,285
Deferred tax liabilities	1,328,676	1,246,737
Total non-current liabilities	5,577,456	4,367,260
Net assets	8,133,119	7,866,773
EQUITY		
Equity attributable to owners of the Company		
Share capital	405,411	405,411
Reserves	4,819,633	4,660,684
	5,225,044	5,066,095
Non-controlling interests	2,908,075	2,800,678
Total equity	8,133,119	7,866,773

Notes:

1. Basis of Preparation and Changes in Accounting Policies and Disclosures

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 (the "Companies Ordinance"). They have been prepared under the historical cost convention, except for certain investment properties and equity investments which have been measured at fair value, and disposal group held for sale which has been stated at the lower of its carrying amount and fair value less cost to sell. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

The financial information relating to the years ended 31 March 2017 and 2016 included in this preliminary announcement of annual results 2017 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 March 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 March 2017 in due course.

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

Changes in accounting policies and disclosures

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
HKFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

Other than as explained below regarding the impact of amendments to HKAS 1, amendments to HKAS 16 and HKAS 38 and certain amendments included in the *Annual Improvements to HKFRSs 2012-2014 Cycle*, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

- (a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:
- the materiality requirements in HKAS 1;
 - that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
 - that entities have flexibility as to the order in which they present the notes to financial statements; and
 - that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

1. Basis of Preparation and Changes in Accounting Policies and Disclosures *(Continued)*

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

- (b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.
- (c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

2. Operating Segment Information

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, dividend income, finance costs, gain on disposal of a subsidiary, share of profits and losses of associates, 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, pledged deposits, cash and bank balances, equity investments at fair value through profit or loss and assets of a disposal group classified as held for sale, as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities, including obligation under a finance lease, interest-bearing bank borrowings, tax payable, deferred tax liabilities and liabilities directly associated with the assets classified as held for sale, as these liabilities are managed on a group basis.

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

2. Operating Segment Information (Continued)

For the year ended 31 March 2017

	Garment HK\$'000	Property development HK\$'000	Property investment HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:					
Sales to external customers	78,520	1,361,320	188,529	24,595	<u>1,652,964</u>
Segment results	(2,946)	432,178	676,381	7,223	<u>1,112,836</u>
<i>Reconciliation:</i>					
Interest income					6,779
Dividend income and unallocated losses					(29)
Corporate and other unallocated expenses					(24,544)
Finance costs					(131,805)
Share of profits and losses of associates					<u>60,489</u>
Profit before tax					<u>1,023,726</u>

For the year ended 31 March 2016

	Garment HK\$'000	Property development HK\$'000	Property investment HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:					
Sales to external customers	86,183	1,357,389	175,227	36,889	<u>1,655,688</u>
Segment results	(14,024)	357,232	664,361	(23,378)	<u>984,191</u>
<i>Reconciliation:</i>					
Interest income					6,475
Dividend income and unallocated gains					88
Corporate and other unallocated expenses					(20,597)
Finance costs					(134,491)
Gain on disposal of a subsidiary					7,360
Share of profits and losses of associates					<u>48,982</u>
Profit before tax					<u>892,008</u>

2. Operating Segment Information (Continued)

At 31 March 2017

	Garment HK\$'000	Property development HK\$'000	Property investment HK\$'000	Others HK\$'000	Total HK\$'000
Segment assets	175,958	2,506,621	13,546,455	2,048,619	18,277,653
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(3,096,044)
Investments in associates					671,580
Investment in a joint venture					199
Assets of a disposal group classified as held for sale					482,001
Corporate and other unallocated assets					<u>2,418,220</u>
Total assets					<u>18,753,609</u>
Segment liabilities	11,651	3,985,976	1,022,394	1,087,936	6,107,957
<i>Reconciliation:</i>					
Elimination of intersegment payables					(3,096,044)
Liabilities directly associated with the assets classified as held for sale					120
Corporate and other unallocated liabilities					<u>7,608,457</u>
Total liabilities					<u>10,620,490</u>

For the year ended 31 March 2017

	Garment HK\$'000	Property development HK\$'000	Property investment HK\$'000	Others HK\$'000	Total HK\$'000
Other segment information:					
Fair value gains on investment properties, net	17,540	-	645,452	-	662,992
Gain/(loss) on disposal of items of property, plant and equipment, net	3	-	-	(133)	(130)
Gain on disposal of investment properties, net	-	-	541	-	541
Depreciation and amortisation	1,933	873	2,030	4,848	9,684
Capital expenditure *	<u>2,589</u>	<u>2,238</u>	<u>315,039</u>	<u>57,467</u>	<u>377,333</u>

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

2. Operating Segment Information (Continued)

At 31 March 2016

	Garment HK\$'000	Property development HK\$'000	Property investment HK\$'000	Others HK\$'000	Total HK\$'000
Segment assets	71,627	3,281,509	12,928,705	2,024,514	18,306,355
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(3,060,947)
Investments in associates					628,002
Investment in a joint venture					199
Corporate and other unallocated assets					<u>1,890,054</u>
Total assets					<u>17,763,663</u>
Segment liabilities	12,729	3,065,023	954,338	1,129,473	5,161,563
<i>Reconciliation:</i>					
Elimination of intersegment payables					(3,060,947)
Corporate and other unallocated liabilities					<u>7,796,274</u>
Total liabilities					<u>9,896,890</u>

For the year ended 31 March 2016

	Garment HK\$'000	Property development HK\$'000	Property investment HK\$'000	Others HK\$'000	Total HK\$'000
Other segment information:					
Fair value gains/(losses) on investment properties, net	(60)	-	616,316	-	616,256
Gain/(loss) on disposal of items of property, plant and equipment, net	403	-	-	(10,983)	(10,580)
Depreciation and amortisation	1,408	923	2,208	8,044	12,583
Capital expenditure *	<u>1,354</u>	<u>449</u>	<u>515,390</u>	<u>3,099</u>	<u>520,292</u>

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

2. Operating Segment Information *(Continued)*

Geographical information

(a) Revenue

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong	123,334	113,331
Mainland China	1,471,542	1,468,490
Europe	57,668	72,700
North America	420	1,167
	<u>1,652,964</u>	<u>1,655,688</u>

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

(b) Non-current assets

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong	3,452,806	3,216,978
Mainland China	9,279,601	8,728,540
	<u>12,732,407</u>	<u>11,945,518</u>

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

3. Other Income

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Bank interest income	6,779	6,475
Dividend income from listed investments at fair value through profit or loss	44	37
Management fee income received from an associate	4,500	7,500
Others	11,637	7,866
	<u>22,960</u>	<u>21,878</u>

4. Finance Costs

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans	231,059	241,579
Less: Interest capitalised under property development projects	(99,254)	(107,088)
	<u>131,805</u>	<u>134,491</u>

5. Profit Before Tax

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

	2017 HK\$'000	2016 HK\$'000
Cost of properties sold	845,791	948,360
Cost of inventories sold	66,554	71,001
Depreciation	8,510	11,343
Amortisation of prepaid land lease payments	1,174	1,240
Minimum lease payments under operating leases	21,542	26,332
Auditor's remuneration	3,484	3,329
Foreign exchange differences, net	(2,514)	875
Loss on disposal of items of property, plant and equipment, net	130	10,580
Gain on disposal of investment properties, net	(541)	-
Employee benefit expense (including directors' remuneration):		
Wages, salaries, allowances and benefits in kind	103,265	97,386
Pension scheme contributions	2,805	2,817
	106,070	100,203
Less: Amount capitalised under property development projects	(20,800)	(18,400)
	85,270	81,803
Gross rental income included in the following categories:		
Rental income	(211,701)	(210,556)
Other income	(88)	(703)
	(211,789)	(211,259)
Less: Outgoing expenses	95,017	96,237
	(116,772)	(115,022)
Interest income	(6,779)	(6,475)

At 31 March 2017 and 31 March 2016, the amount of forfeited pension scheme contributions available to the Group for future utilisation was not significant.

6. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Land appreciation tax 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.

	2017 HK\$'000	2016 HK\$'000
Current – Hong Kong		
Charge for the year	158	54
Current – Elsewhere		
Charge for the year	104,007	81,580
Land appreciation tax in Mainland China	71,818	91,279
Deferred	125,765	197,122
Total tax charge for the year	301,748	370,035

7. Earnings Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$419,415,000 (2016: HK\$309,615,000) and the weighted average number of ordinary shares in issue during the year of 551,368,153 (2016: 551,368,153).

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2017 and 2016 in respect of a dilution as the Group has no potential dilutive ordinary shares in issue during the years ended 31 March 2017 and 2016.

8. Dividend

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Proposed final – 5 HK cents (2016: 5 HK cents) per ordinary share	<u>27,568</u>	<u>27,568</u>

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

9. Trade and Bills Receivables

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 30 days	6,471	5,082
31 to 60 days	3,452	2,153
61 to 90 days	1,487	2,269
Over 90 days	<u>17,161</u>	<u>15,006</u>
Total	<u>28,571</u>	<u>24,510</u>

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

10. Disposal Group classified as held for sale

On 19 January 2017, Hon Kwok Group 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 is engaged in property development business. The disposal of Smooth Ever Group is scheduled to be completed in August 2017, subject to fulfilment of certain conditions precedent. As at 31 March 2017, as the disposal of Smooth Ever Group is still pending for completion, it was classified as a disposal group held for sale.

The major classes of assets and liabilities of Smooth Ever Group classified as held for sale as at 31 March 2017 are as follows:

	2017 HK\$'000
Assets	
Property, plant and equipment	43
Properties held for sale under development	481,586
Prepayments, deposits and other receivables	139
Cash and bank balances	233
Assets of a disposal group classified as held for sale	482,001
Liabilities	
Other payables and accrued liabilities	120
Liabilities directly associated with the assets classified as held for sale	120
Net assets directly associated with the disposal group	481,881

11. Trade Payables and Accrued Liabilities

Included in trade payables and accrued liabilities are trade payables of HK\$28,088,000 (2016: HK\$73,932,000). An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017 HK\$'000	2016 HK\$'000
Within 30 days	26,944	71,330
31 to 60 days	402	1,979
61 to 90 days	21	401
Over 90 days	721	222
Total	28,088	73,932

12. Contingent Liabilities

- (a) As at 31 March 2017, the Group has given a guarantee of HK\$36,000,000 (2016: HK\$40,000,000) to a bank in connection with a facility granted to an associate and such banking facility guaranteed by the Group to the associate was utilized to the extent of HK\$36,000,000 (2016: HK\$40,000,000).
- (b) As at 31 March 2017, the Group has given guarantees of HK\$2,145,000,000 (2016: HK\$1,119,000,000) 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.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK\$6,164 million as at 31 March 2017 (2016: HK\$6,451 million), of which approximately 31% (2016: 52%) of the debts were classified as current liabilities. Included therein were debts of HK\$198 million (2016: HK\$163 million) related to bank loans with repayable on demand clause and HK\$1,203 million (2016: HK\$2,442 million) related to project or team 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% (2016: 11%).

Total cash and bank balances including time deposits were approximately HK\$2,417 million as at 31 March 2017 (2016: HK\$1,872 million). Included in cash and bank balances are restricted bank deposits of HK\$750 million (2016: HK\$623 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\$2,126 million at year end available for its working capital purpose.

Total shareholders' funds as at 31 March 2017 were approximately HK\$5,225 million (2016: HK\$5,066 million). The increase was mainly due to current year's profit attributable to shareholders and revaluation surplus on a property, offset by depreciation in value of assets less liabilities denominated in Renminbi.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK\$3,747 million (2016: HK\$4,579 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK\$8,133 million (2016: HK\$7,867 million), was 46% as at 31 March 2017 (2016: 58%).

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 2017, 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\$12,793 million as at 31 March 2017 and shares in certain subsidiaries were pledged to secure certain banking facilities of the Group.

Employees and remuneration policies

The Group, not including its associates and a joint venture, employed approximately 570 employees as at 31 March 2017. 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.

CONNECTED TRANSACTIONS

- (a) On 9 May 2016, True Light Enterprises Limited (“True Light”), an indirect wholly-owned subsidiary of Hon Kwok, entered into a sale and purchase agreement with Rich Fate Limited (“Rich Fate”), pursuant to which True Light conditionally agreed to acquire and Rich Fate conditionally agreed to sell the entire issued share capital of Right Colour Limited (“Right Colour”) and the assignment of related shareholder’s loan to True Light for an aggregate cash consideration of HK\$68,795,000, net of PRC tax which Rich Fate was required to pay in connection with the sale of the entire issued share capital of Right Colour. Right Colour indirectly holds 50% interest in an investment property in Guangzhou, PRC. As Rich Fate was beneficially owned by Dr. James Sai-Wing Wong, Chairman and substantial shareholder of Hon Kwok and the Company, the related transaction constituted a connected transaction of Hon Kwok and the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the approval of the independent shareholders had been obtained at the respective extraordinary general meetings held on 6 July 2016. The above transaction was completed on 12 July 2016.
- (b) On 20 September 2016, the Company, Hon Kwok, Chinney Alliance and Chinney Kin Wing jointly announced that a wholly-owned subsidiary of Hon Kwok conditionally agreed to engage and a wholly-owned subsidiary of Chinney Kin Wing conditionally agreed to carry out foundation construction works on the vacant site at K.C.T.L. 495, Kin Chuen Street, Kwai Chung, New Territories, Hong Kong for a contract sum of HK\$210,000,000. Dr. 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.

CORPORATE GOVERNANCE

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own code of conduct for directors’ securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 March 2017.

Compliance with the Corporate Governance Code

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules for the year ended 31 March 2017, except for the following deviations:

1. 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 ended 31 March 2017, the board of directors of the Company (the “Board”) met twice for approving the annual results of the Company for the year ended 31 March 2016 and the interim results for the period ended 30 September 2016. As business operations were under the management and supervision of the executive directors of the Company, who had from time to time held meetings to resolve all material business or management issues, only two regular board meetings were held for the year ended 31 March 2017.

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

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

The Chairman and the Managing Director will not be subject to retirement by rotation as stipulated in CG Code provision A.4.2 as the Board considers that the continuity of office of the Chairman and 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.

3. CG Code provision A.5.1 stipulates that the Company should establish a nomination committee which should be chaired by the Chairman of the Board or an independent non-executive director. The Company has not established a nomination committee. The Board is responsible for considering the suitability of a candidate to act as a director, and collectively approving and terminating the appointment of a director as this allows a more informed and balanced decision to be made. The Chairman is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Chairman will propose the appointment of such candidates to the Board for consideration and the Board will determine the suitability of the relevant candidates on the basis of their gender, age, professional qualifications and experience as well as educational background.
4. CG Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Certain directors were unable to attend the annual general meeting of the Company held on 25 August 2016 and/or the extraordinary general meetings of the Company held on 6 July 2016 and 7 November 2016 respectively due to their own business engagements or other commitments. The attendance of each of the directors will be set out in the section headed Corporate Governance Report contained in the Annual Report 2016/17.
5. CG Code provision B.1.2 stipulates that the terms of reference of the remuneration committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company has adopted the revised terms of reference of the Remuneration Committee on 30 March 2012 with certain deviations from the CG Code provisions. Pursuant to the revised terms of reference, the Remuneration Committee should review and make recommendations to the Board on the remuneration packages of directors (as opposed to directors and senior management).

Audit committee

Regular meetings have been held by the Audit Committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Audit Committee has reviewed with management the annual results of the Group for the year ended 31 March 2017.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2017 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

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 2017.

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 29 June 2017

At the date of this announcement, the directors of the Company are Dr. James Sai-Wing Wong (Chairman) and Mr. Herman Man-Hei Fung (Managing Director) as executive directors; Mr. William Chung-Yue Fan, Mr. Paul Hon-To Tong and Mr. James Sing-Wai Wong as non-executive directors; and Dr. Clement Kwok-Hung Young, Mr. Peter Man-Kong Wong and Mr. James C. Chen as independent non-executive directors.