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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)

2018-19 ANNUAL RESULTS ANNOUNCEMENT

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** 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.

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.

Shenzhen, PRC

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%.

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 is being 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.

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.

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 opened in November 2018.

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.

On 12 June 2018, Hon Kwok Group entered into a connected transaction regarding the appointment of Shun Cheong Data Centre Solutions Company Limited (“Shun Cheong Data Centre Solutions”), an indirect wholly-owned subsidiary of Chinney Alliance Group Limited (“Chinney Alliance”) (Stock Code: 385), as a consultant to provide consultancy services in respect of the development of the data centre at a fixed fee of HK\$16.2 million. The transaction was subject to the reporting and announcement requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). For details, please refer to the Company’s announcement dated 12 June 2018. On 12 July 2018, Hon Kwok Group entered into another connected transaction regarding the appointment of Chinney Construction Company, Limited (“Chinney Construction”), an indirect wholly-owned subsidiary of Chinney Alliance, as the 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.

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).

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.

3. Construction and Trading

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 of Hong Kong Limited. 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.

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 heightened 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 toward 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

CONSOLIDATED RESULTS

The consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2019 together with comparative figures for the previous year are as follows:

Consolidated Statement of Profit or Loss

		For the year ended 31 March	
		2019	2018
	Notes	HK\$'000	HK\$'000
			(Restated)
CONTINUING OPERATIONS			
Revenue	3	1,478,353	1,781,043
Cost of sales		<u>(744,358)</u>	<u>(891,999)</u>
Gross profit		733,995	889,044
Other income and gains	3	22,826	24,392
Fair value gains on investment properties, net		929,811	248,931
Gain on disposal of subsidiaries	4	-	2,495,927
Loss on disposal of investment properties, net		(804)	(244)
Administrative and other operating expenses, net		<u>(139,229)</u>	<u>(181,808)</u>
Finance costs	5	<u>(143,007)</u>	<u>(122,453)</u>
Share of profits of associates		<u>364,137</u>	<u>165,220</u>
Profit before tax from continuing operations	6	1,767,729	3,519,009
Income tax expense	7	<u>(460,564)</u>	<u>(385,190)</u>
Profit for the year from continuing operations		1,307,165	3,133,819
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	8	<u>(13,981)</u>	<u>(13,523)</u>
Profit for the year		<u>1,293,184</u>	<u>3,120,296</u>
Attributable to:			
Owners of the Company		781,394	2,040,243
Non-controlling interests		<u>511,790</u>	<u>1,080,053</u>
		<u>1,293,184</u>	<u>3,120,296</u>
Earnings per share attributable to ordinary equity holders of the Company			
	9		
Basic and diluted			
- For profit for the year		HK\$1.42	HK\$3.70
- For profit from continuing operations		<u>HK\$1.44</u>	<u>HK\$3.73</u>

Consolidated Statement of Comprehensive Income

	For the year ended 31 March	
	2019	2018
	HK\$'000	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	-	(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 HK\$'000	31 March 2018 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		296,363	123,567
Prepaid land lease payments		-	6,438
Investment properties		14,453,997	13,832,790
Investment in a joint venture		199	199
Investments in associates		1,197,680	845,787
Total non-current assets		15,948,239	14,808,781
CURRENT ASSETS			
Inventories		-	3,954
Properties held for sale under development and completed properties held for sale		2,101,523	2,553,549
Prepaid land lease payments		-	1,199
Trade and bills receivables	11	21,589	32,107
Prepayments, deposits and other receivables		136,507	167,753
Contract costs		5,547	-
Equity investments at fair value through profit or loss		-	791
Tax recoverable		5,895	97
Cash and bank balances		2,092,224	2,716,141
Total current assets		4,363,285	5,475,591
CURRENT LIABILITIES			
Trade payables and accrued liabilities	12	425,295	606,291
Contract liabilities		286,193	-
Customer deposits		47,582	1,222,514
Due to an associate		15,950	26,002
Obligation under a finance lease		-	81
Interest-bearing bank and other borrowings		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

Consolidated Statement of Financial Position *(Continued)*

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

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. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited financial information relating to the year ended 31 March 2019 and the financial information relating to the year ended 31 March 2018 included in this preliminary announcement of annual results for the year ended 31 March 2019 do not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 March 2018, 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 Hong Kong Companies Ordinance is as follows:

The financial statements for the year ended 31 March 2019 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course. The Company has delivered the financial statements for the year ended 31 March 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on these financial statements for the year ended 31 March 2018. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong 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 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014–2016 Cycle</i>	<i>Amendments to HKFRS 1 and HKAS 28</i>

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

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

- (a) 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:

	Note	HKAS 39 measurement			HKFRS 9 measurement			Category
		Category	Amount	Re- classification	ECL	Other	Amount	
			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.

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

- (b) 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 Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. 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.

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

Revenue recognition

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

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

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

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of 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)	<u>2,622</u>
Equity		
Retained profits	(i)	<u>2,622</u>

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

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 the sale 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.

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

Accounting for revenue from sales of properties (Continued)

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:

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

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 are included as selling and marketing expenses at that time. Prepaid sales commission of HK\$6,225,000 that was previously classified as prepayments, deposits and other receivables has been reclassified to contract costs as at 1 April 2018.

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 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. 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 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 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 from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, gain on disposal of subsidiaries, share of profits 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, cash and bank balances and equity investments at fair value through profit or loss as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities, including obligation under a finance lease, interest-bearing bank 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.

2. Operating Segment Information (Continued)

For the 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:				
Sales to external customers from continuing operations	1,224,190	221,755	32,408	<u>1,478,353</u>
Segment results	491,177	1,039,828	13,167	1,544,172
<i>Reconciliation:</i>				
Interest income				13,904
Corporate and other unallocated expenses				(11,477)
Finance costs				(143,007)
Share of profits of associates				<u>364,137</u>
Profit before tax from continuing operations				<u><u>1,767,729</u></u>

For the year ended 31 March 2018 (Restated)

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers from continuing operations	1,567,499	190,266	23,278	<u>1,781,043</u>
Segment results	665,644	326,817	10,568	1,003,029
<i>Reconciliation:</i>				
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				<u>165,220</u>
Profit before tax from continuing operations				<u><u>3,519,009</u></u>

2. Operating Segment Information (Continued)

At 31 March 2019

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment assets	2,292,054	14,826,008	2,103,543	19,221,605
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(2,206,304)
Investments in associates				1,197,680
Investment in a joint venture				199
Corporate and other unallocated assets				<u>2,098,344</u>
Total assets				<u>20,311,524</u>
Segment liabilities	1,518,332	1,009,820	417,019	2,945,171
<i>Reconciliation:</i>				
Elimination of intersegment payables				(2,206,304)
Corporate and other unallocated liabilities				<u>7,502,921</u>
Total liabilities				<u>8,241,788</u>

For the 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	-	804	-	804
Depreciation and amortisation	4,098	1,736	2,593	8,427
Unallocated depreciation and amortisation	-	-	-	<u>1,969</u>
				<u>10,396</u>
Capital expenditure *	429	470,725	475	471,629
Unallocated capital expenditure	-	-	-	<u>1,462</u>
				<u>473,091</u>

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

2. Operating Segment Information (Continued)

At 31 March 2018 (Restated)

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment assets	2,832,195	14,279,525	1,827,269	18,938,989
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(2,235,717)
Investments in associates				845,787
Investment in a joint venture				199
Corporate and other unallocated assets				<u>2,735,114</u>
Total assets				<u>20,284,372</u>
 Segment liabilities	 2,555,632	 1,055,476	 443,817	 4,054,925
<i>Reconciliation:</i>				
Elimination of intersegment payables				(2,235,717)
Corporate and other unallocated liabilities				<u>7,064,931</u>
Total liabilities				<u>8,884,139</u>

For the year ended 31 March 2018 (Restated)

	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	-	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	-	-	-	<u>2,086</u>
				<u>10,948</u>
Capital expenditure *	104	399,869	227	400,200
Unallocated capital expenditure	-	-	-	<u>12</u>
				<u>400,212</u>

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

2. Operating Segment Information *(Continued)*

Geographical information

(a) Revenue from continuing operations

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (Restated)
Hong Kong	111,689	104,221
Mainland China	<u>1,366,664</u>	<u>1,676,822</u>
	<u>1,478,353</u>	<u>1,781,043</u>

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

(b) Non-current assets

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong	4,085,742	3,849,225
Mainland China	<u>10,664,618</u>	<u>10,113,570</u>
	<u>14,750,360</u>	<u>13,962,795</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. Revenue and Other Income

Revenue represents income from the sale of properties, gross rental income and property management income during the year.

An analysis of revenue is as follows:

	2019 HK\$'000	2018 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
	<u>1,478,353</u>	<u>1,781,043</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 March 2019

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Geographical markets				
Hong Kong	-	-	1,575	1,575
Mainland China	1,224,190	29,257	-	1,253,447
Total revenue from contracts with customers	<u>1,224,190</u>	<u>29,257</u>	<u>1,575</u>	<u>1,255,022</u>

(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 HK\$'000	2018 HK\$'000 (Restated)
Other income		
Bank interest income	13,904	13,815
Management fee income received from an associate	4,741	4,500
Others	4,181	6,077
	<u>22,826</u>	<u>24,392</u>

4. Gain on disposal of subsidiaries

(a) Disposal of Smooth Ever Investments Limited (“Smooth Ever”)

During the year ended 31 March 2018, Hon Kwok Group disposed of Smooth Ever Investments Limited, a wholly-owned subsidiary of Hon Kwok Group, and its subsidiaries (“Smooth Ever Group”). Smooth Ever Group was engaged in property development business. The transaction was completed in September 2017.

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

	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	2,378,589
Consideration received	3,585,536
Satisfied by:	
Cash	3,585,536

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

	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

4. Gain on disposal of subsidiaries (Continued)

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

During the year ended 31 March 2018, Hon Kwok Group disposed of its entire equity in Jian Zhao, a wholly-owned subsidiary of Hon Kwok Group. The transaction was completed in January 2018.

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

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

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

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

5. Finance Costs

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

6. Profit Before Tax From Continuing Operations

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i> (Restated)
Cost of properties sold	628,919	789,941
Depreciation	7,239	7,663
Amortisation of prepaid land lease payments	1,188	1,199
Minimum lease payments under operating leases	21,658	19,204
Auditor's remuneration	3,234	3,164
Foreign exchange differences, net	(114)	(267)
Loss/(gain) on disposal of items of property, plant and equipment, net	6	(300)
Loss on disposal of investment properties, net	804	244
Employee benefit expenses (including directors' remuneration):		
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	(20,080)	(23,300)
	62,224	84,956
Gross rental income	(252,588)	(212,022)
Less: Outgoing expenses	115,439	102,058
	(137,149)	(109,964)
Interest income	(13,904)	(13,815)

At 31 March 2019 and 31 March 2018, the amount of forfeited pension scheme contributions available to the Group for future utilisation was not significant.

7. Income Tax

	2019 HK\$'000	2018 HK\$'000 (Restated)
Current tax		
Hong Kong	-	-
Mainland China corporate income tax	138,298	138,939
Land appreciation tax in Mainland China	99,059	249,765
Overseas profits tax	-	(98)
	237,357	388,606
Deferred tax	223,207	(3,416)
Total tax charge for the year from continuing operations	460,564	385,190

No provision for Hong Kong profits tax has been made 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.

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.

8. Discontinued operation

During the year, the Group has decided to cease its garment business operated by J.L. Chinney (Holdings) Company Limited, a wholly-owned subsidiary of the Company, because of the continuous operating losses in the garment business. The cessation of business was completed during the current year and 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 HK\$'000	2018 HK\$'000
Revenue	20,306	75,996
Cost of sales	(15,200)	(65,196)
Gross profit	5,106	10,800
Other income	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)

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

	2019 HK\$'000	2018 HK\$'000 (Restated)
Earnings		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation:		
From continuing operations	795,375	2,053,766
From a discontinued operation	<u>(13,981)</u>	<u>(13,523)</u>
	<u>781,394</u>	<u>2,040,243</u>
	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>551,368,153</u>	<u>551,368,153</u>

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

10. Dividend

	2019 HK\$'000	2018 HK\$'000
Proposed final – 5 HK cents (2018: 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.

11. Trade and Bills Receivables

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

	2019 HK\$'000	2018 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	<u>16,972</u>	<u>17,259</u>
Total	<u>21,589</u>	<u>32,107</u>

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. The credit period was generally one month, extending up to four months for major customers. Each customer has a maximum credit limit. 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.

12. 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 HK\$'000	2018 HK\$'000
Within 30 days	28,088	24,118
31 to 60 days	-	705
61 to 90 days	-	901
Over 90 days	<u>17</u>	<u>454</u>
Total	<u>28,105</u>	<u>26,178</u>

13. Contingent Liabilities

- (a) As at 31 March 2019, the Group has given a guarantee of HK\$24,000,000 (2018: HK\$32,000,000) to a bank in connection with a facility granted to an associate and such banking facility guaranteed by the Group to the associate was utilized 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.

14. Comparative Amounts

The comparative consolidated statement of profit or loss and related notes to the consolidated financial statements have 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.

FINANCIAL REVIEW

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.

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.

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.

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.

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 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 ended 31 March 2019.

Compliance with the Corporate Governance Code

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules for the year ended 31 March 2019, 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 2019, 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 2018 and the interim results for the period ended 30 September 2018. 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 2019.

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; which deviates from CG Code provision A.4.2 as the Board considers that the continuity of office of the Chairman and Managing Director provide the Group with a strong and consistent leadership and is of great importance to the smooth operations of the Group.

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

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.6.1 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. They are (i) Mr. 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) Mr. 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/or working experience in listed companies, they are well aware of their responsibilities under the Listing Rules and other regulatory requirements.

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 reviews and makes 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 2019.

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 2019 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 2019.

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 27 June 2019

At the date of this announcement, the directors of the Company are Dr. James Sai-Wing Wong (Chairman), Mr. Yuen-Keung Chan (Vice Chairman and Managing Director) and Mr. James Sing-Wai Wong as executive directors; Mr. Paul Hon-To Tong and Dr. Emily Yen Wong as non-executive directors; and Dr. Clement Kwok-Hung Young, Mr. James C. Chen and Mr. Richard Chi-Ho Lo as independent non-executive directors.