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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)**

**2009-10 ANNUAL RESULTS ANNOUNCEMENT**

**FINANCIAL HIGHLIGHTS**

	<b>2010</b> <i>HK\$' M</i>	2009 <i>HK\$'M</i>	<i>Increase / Decrease</i> <i>HK\$' M</i> <i>+ / -</i>	
<i>For the year ended 31 March</i>				
<b>Turnover</b>	<b>1,042</b>	491	+551	+112%
<b>Profit attributable to shareholders</b> after revaluation on investment properties	<b>276</b>	74	+202	+273%
<b>Basic earnings per share</b> <i>(in HK cents)</i>	<b>50.11</b>	13.34	+36.77	+276%
<b>Proposed final dividend per share</b> <i>(in HK cents)</i>	<b>5.00</b>	4.00	+1.00	+25%
<i>At 31 March</i>				
<b>Bank borrowings less bank balances</b>	<b>1,164</b>	1,028	+136	+13%
<b>Gearing ratio</b> *	<b>33%</b>	39%		-6%
<b>Shareholders' funds</b>	<b>2,085</b>	1,828	+257	+14%
<b>Net assets per share attributable to shareholders</b> <i>(in HK\$)</i>	<b>3.78</b>	3.31	+0.47	+14%

\* Representing ratio of "bank borrowings + convertible bonds – bank balances" to "shareholders' funds + minority interests".

## RESULTS

The directors (the “Directors”) of Chinney Investments, Limited (the “Company”) are pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2010 together with comparative figures for the previous year as follows:

### CONSOLIDATED INCOME STATEMENT

		For the year ended 31 March	
		2010	2009
	Notes	HK\$'000	HK\$'000
Revenue	2	1,042,234	491,232
Cost of sales		<u>(789,866)</u>	<u>(385,850)</u>
Gross profit		252,368	105,382
Other income and gains	3	23,703	21,902
Fair value gains/(losses) on investment properties, net		310,950	(250,639)
Fair value gain on a completed property transferred to investment property		-	315,625
Fair value gains on properties held for sale transferred to investment properties		-	38,188
Gain on disposal of investment properties		7,285	22,252
Gain on disposal of a subsidiary		-	1,044
Gain on disposal of a jointly-controlled entity		76,922	-
Gain on repurchase of convertible bonds		19,199	-
Excess over the cost of business combinations on acquisition of minority interests in subsidiaries		-	31,740
Fair value gain/(loss) on equity investments at fair value through profit or loss, net		40,252	(24,430)
Selling and distribution costs		(24,207)	(29,234)
Administrative and other operating expenses		(112,098)	(89,078)
Finance costs	4	(25,127)	(33,159)
Share of profits and losses of:			
Associates		22,517	13,250
Jointly-controlled entities		<u>(473)</u>	<u>25,239</u>
Profit before tax	5	591,291	148,082
Income tax expense	6	<u>(114,214)</u>	<u>(43,684)</u>
Profit for the year		<u>477,077</u>	<u>104,398</u>
Attributable to:			
Owners of the Company		276,291	73,533
Minority interests		<u>200,786</u>	<u>30,865</u>
		<u>477,077</u>	<u>104,398</u>
Dividend – proposed final		<u>27,568</u>	<u>22,055</u>

**CONSOLIDATED INCOME STATEMENT** *(continued)*

		<b>For the year ended 31 March</b>	
		<b>2010</b>	<b>2009</b>
	<i>Note</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Earnings per share attributable to ordinary equity holders of the Company	7		
Basic		<b><u>HK50.11 cents</u></b>	<b><u>HK13.34 cents</u></b>
Diluted		<b><u>HK48.41 cents</u></b>	<b><u>HK12.88 cents</u></b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 March	
	2010	2009
	HK\$'000	HK\$'000
<b>Profit for the year</b>	<b>477,077</b>	104,398
<b>Other comprehensive income</b>		
Share of other comprehensive income of associates	(374)	498
Exchange differences on translation of foreign operations	15,808	34,643
Release of exchange fluctuation reserve to consolidated income statement upon the disposal of a jointly-controlled entity	<u>(8,428)</u>	<u>-</u>
<b>Other comprehensive income for the year, net of tax</b>	<u><b>7,006</b></u>	<u>35,141</u>
<b>Total comprehensive income for the year</b>	<u><b>484,083</b></u>	<u>139,539</u>
<b>Attributable to:</b>		
Owners of the Company	279,864	91,646
Minority interests	<u>204,219</u>	<u>47,893</u>
	<u><b>484,083</b></u>	<u>139,539</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 March	
	Notes	2010 HK\$'000	2009 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		109,638	95,919
Properties under development		1,424,450	1,712,258
Prepaid land lease payments		15,768	16,190
Investment properties		3,753,795	2,563,615
Investments in associates		110,899	93,084
Interests in jointly-controlled entities		3,297	39,423
Promissory note receivable from an associate		-	40,113
Deferred tax assets		109	170
Loan receivables		2,466	3,283
Total non-current assets		<u>5,420,422</u>	<u>4,564,055</u>
<b>CURRENT ASSETS</b>			
Inventories		9,233	15,718
Properties held for sale		148,273	533,608
Prepaid land lease payments		473	471
Equity investments at fair value through profit or loss		57,361	17,109
Trade and bills receivables	8	39,877	24,489
Prepayments, deposits and other receivables		50,751	34,393
Promissory note receivable from an associate		40,518	-
Amounts due from a related company		359	345
Amounts due from jointly-controlled entities		25	178,837
Tax recoverable		988	191
Pledged deposits		91,200	-
Cash and cash equivalents		685,000	366,151
Total current assets		<u>1,124,058</u>	<u>1,171,312</u>
<b>CURRENT LIABILITIES</b>			
Trade payables and accrued liabilities	9	217,120	192,575
Customer deposits		7,200	76,191
Amounts due to the immediate holding company		40,000	40,000
Tax payable		79,568	64,756
Interest-bearing bank borrowings		424,655	522,091
Promissory note payable		20,000	-
Total current liabilities		<u>788,543</u>	<u>895,613</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*

	<b>At 31 March</b>	
	<b>2010</b>	<b>2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
NET CURRENT ASSETS	<u><b>335,515</b></u>	<u>275,699</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u><b>5,755,937</b></u>	<u>4,839,754</u>
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	<b>1,515,409</b>	872,227
Promissory note payable	-	20,000
Convertible bonds	<b>100,900</b>	299,475
Deferred tax liabilities	<u><b>290,832</b></u>	<u>232,276</u>
Total non-current liabilities	<u><b>1,907,141</b></u>	<u>1,423,978</u>
Net assets	<u><b>3,848,796</b></u>	<u>3,415,776</u>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	<b>137,842</b>	137,842
Reserves	<b>1,919,997</b>	1,667,701
Proposed final dividend	<u><b>27,568</b></u>	<u>22,055</u>
	<b>2,085,407</b>	1,827,598
Minority interests	<u><b>1,763,389</b></u>	<u>1,588,178</u>
Total equity	<u><b>3,848,796</b></u>	<u>3,415,776</u>

Notes:

## 1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICY 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, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for 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 Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i>
HKFRS 8 HKFRS 8 Amendment*	<i>Operating Segments</i> <i>Amendment to HKFRS 8 Operating Segments: Disclosures – Information about segment assets</i> (early adopted)
HKAS 1 (Revised) HKAS 18 Amendment*	<i>Presentation of Financial Statements</i> Amendment to Appendix to HKAS 18 <i>Revenue – Determining whether an entity is acting as a principal or as an agent</i>
HKAS 23 (Revised) HKAS 32 and HKAS 1 Amendments	<i>Borrowing Costs</i> Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement – Embedded Derivatives</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

\* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

\*\* The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations - Plan to sell the controlling interest in a subsidiary*, which are effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKAS 1 (Revised), HKFRS 7 Amendments, HKFRS 8, HKFRS 8 Amendment and HKAS 40 Amendment (included in *Improvements to HKFRSs* issued in October 2008), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

(a) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(b) HKFRS 8 *Operating Segments* and Amendment to HKFRS 8 *Operating Segments: Disclosures - Information about segment assets*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures are shown in note 2 below.

The Group has early adopted in these financial statements the Amendment to HKFRS 8 issued in *Improvements to HKFRSs 2009* which clarifies that segment assets need only to be reported when those assets are included in measures that are used by the chief operating decision maker.

(c) Amendment to HKAS 40 *Investment Property*

HKAS 40 revises the scope such that property being constructed or developed for future as an investment property is classified as an investment property. The Group has applied the amendment prospectively from 1 April 2009. The Group's accounting policy for investment properties is to subsequently state them at fair value with changes in fair values recognised in profit or loss. As a result of the amendment, an investment property under construction is carried at fair value at the earlier of when the fair value first becomes reliably determinable and when the construction of the property is completed.

It is determined that the fair value of the Group's investment properties under construction is not reliably determinable until the construction is completed. As a result of the adoption of this amendment, the Group reclassified properties under development of approximately HK\$808 million into investment properties.

(d) Amendments to HKFRS 7 *Financial Instruments: Disclosure – Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.



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

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

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

Segment liabilities exclude interest-bearing bank and other borrowings, an amount due to the immediate holding company, convertible bonds, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

	For the year ended 31 March 2010				
	Garment HK\$'000	Property development HK\$'000	Property investment HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:					
Sale to external customers	229,650	738,767	40,317	33,500	<u>1,042,234</u>
Segment results	15,831	149,004	288,249	13,735	466,819
<i>Reconciliation:</i>					
Interest income					4,187
Net gain from investment					40,440
Unallocated gain					96,121
Unallocated expenses					(13,193)
Finance costs					(25,127)
Share of profits of associates					22,517
Share of losses of jointly-controlled entities					<u>(473)</u>
Profit before tax					<u>591,291</u>

## 2. OPERATING SEGMENT INFORMATION *(continued)*

For the year ended 31 March 2009

	Garment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:					
Sale to external customers	296,374	110,033	47,539	37,286	<u>491,232</u>
Segment results	18,347	(17,044)	124,196	14,621	140,120
<i>Reconciliation:</i>					
Interest income					5,910
Dividend income					1,117
Corporate and other unallocated expense					(37,179)
Finance costs					(33,159)
Share of profits of associates					13,250
Share of profits of jointly-controlled entities					25,239
Gain on disposal of a subsidiary					1,044
Excess over the cost of business combinations on acquisition of minority interests in subsidiaries					<u>31,740</u>
Profit before tax					<u>148,082</u>

## 2. OPERATING SEGMENT INFORMATION *(continued)*

At 31 March 2010

	Garment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment assets</b>	140,402	1,637,184	4,008,743	1,910,012	7,696,341
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(2,141,293)
Interests in associates					151,417
Interests in jointly-controlled entities					3,297
Amounts due from jointly-controlled entities					25
Corporate and other unallocated assets					<u>834,693</u>
Total assets					<u>6,544,480</u>
<b>Segment liabilities</b>	28,913	1,166,643	898,929	331,047	2,425,532
<i>Reconciliation:</i>					
Elimination of intersegment payables					(2,141,293)
Corporate and other unallocated liabilities					<u>2,411,445</u>
Total liabilities					<u>2,695,684</u>

For the year ended 31 March 2010

	Garment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Other Segment Information:</b>					
Fair value gains on investment properties, net	1,300	-	309,650	-	310,950
Depreciation and amortisation	4,047	2,118	117	1,008	7,290
Capital expenditure *	<u>1,649</u>	<u>611,243</u>	<u>111,231</u>	<u>1,037</u>	<u>725,160</u>

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

## 2. OPERATING SEGMENT INFORMATION *(continued)*

At 31 March 2009					
	Garment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment assets</b>	150,060	2,284,854	2,802,859	2,092,355	7,330,128
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(2,329,878)
Interests in associates					133,197
Interests in jointly-controlled entities					39,423
Amounts due from jointly-controlled entities					178,837
Corporate and other unallocated assets					<u>383,660</u>
Total assets					<u>5,735,367</u>
<b>Segment liabilities</b>	33,796	1,350,348	956,462	317,999	2,658,605
<i>Reconciliation:</i>					
Elimination of intersegment payables					(2,329,878)
Corporate and other unallocated liabilities					<u>1,990,864</u>
Total liabilities					<u>2,319,591</u>

For the year ended 31 March 2009					
	Garment <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Other Segment Information:</b>					
Fair value gains/(losses) on investment properties, net	550	-	(251,189)	-	(250,639)
Fair value gains on properties held for sale transferred to investment properties	-	-	38,188	-	38,188
Fair value gain on a completed property transferred to investment property	-	-	315,625	-	315,625
Depreciation and amortisation	4,245	2,023	136	935	7,339
Capital expenditure *	<u>70</u>	<u>320,252</u>	<u>14,358</u>	<u>846</u>	<u>335,526</u>

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

## 2. OPERATING SEGMENT INFORMATION *(continued)*

### Geographical information

#### (a) Revenue

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Hong Kong	133,863	186,193
Mainland China	678,321	4,456
Europe	199,451	242,992
North America	26,840	54,717
Others	3,759	2,874
	<u>1,042,234</u>	<u>491,232</u>

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

#### (b) Non-current assets

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Hong Kong	1,759,356	1,421,899
Mainland China	3,544,128	2,965,750
Others	167	333
	<u>5,303,651</u>	<u>4,387,982</u>

The non-current asset information above is based on the location of the assets and excludes investments in associates, interests in jointly-controlled entities, deferred tax assets and loan receivables.

#### Information about a major customer

In the prior year, revenue of HK\$71,500,000 was derived from sales of properties to a single customer.

## 3. OTHER INCOME AND GAINS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Bank interest income	1,597	3,140
Other interest income	2,590	2,770
Dividend income from listed investments at fair value through profit or loss	188	1,117
Gain on disposal of items of property, plant and equipment	118	169
Foreign exchange differences, net	7,875	2,630
Consultancy fee	2,500	-
Management fee income received from an associate	3,000	2,000
Commission income	-	3,077
Others	5,835	6,999
	<u>23,703</u>	<u>21,902</u>

#### 4. FINANCE COSTS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans (including convertible bonds) wholly repayable within five years	54,095	73,813
Less: Interest capitalised under property development projects	<u>(28,968)</u>	<u>(40,654)</u>
	<u>25,127</u>	<u>33,159</u>

#### 5. PROFIT BEFORE TAX

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Cost of properties sold	574,458	110,129
Cost of inventories sold	169,846	230,070
Depreciation	6,817	6,868
Amortisation of prepaid land lease payments	473	471
Minimum lease payments under operating leases on land and buildings	27,182	20,200
Auditors' remuneration	2,717	2,782
Employee benefits expense (including directors' remuneration):		
Wages, salaries, allowances and benefits in kind	81,923	76,719
Pension scheme contributions	<u>2,483</u>	<u>2,473</u>
	84,406	79,192
Less: Amount capitalised under property development projects	<u>(5,300)</u>	<u>(8,179)</u>
	<u>79,106</u>	<u>71,013</u>
Gross rental income included in the following categories:		
- Rental income	(71,560)	(82,374)
- Other income	<u>(365)</u>	<u>(411)</u>
	(71,925)	(82,785)
Less: Outgoing expenses	<u>45,576</u>	<u>45,651</u>
	<u>(26,349)</u>	<u>(37,134)</u>
Write back of provision for a claim	-	(5,426)
Impairment of trade receivables	7	815
Gain on disposal of items of property, plant and equipment	(118)	(169)
Interest income	<u>(4,187)</u>	<u>(5,910)</u>

At the end of the reporting period, the amount of forfeited pension scheme contributions available to the Group for future utilisation was not significant (2009: Nil).

## 6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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 provided 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.

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Group:		
Current – Hong Kong		
Charge for the year	6,040	3,804
Underprovision/(overprovision) in prior years	(46)	319
Current – Elsewhere		
Charge for the year	48,509	2,897
Land appreciation tax	6,680	-
Deferred	53,031	36,664
	<u>114,214</u>	<u>43,684</u>
Total tax charge for the year	<u>114,214</u>	<u>43,684</u>

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

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the number of ordinary shares in issue during the year.

The calculation of diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bonds of a subsidiary and the dilution effect on earnings assuming there is a full conversion of the convertible bonds of a subsidiary, where applicable. The number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation.

The calculations of basic and diluted earnings per share are based on:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<u>Earnings per share</u>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	276,291	73,533
Interest on convertible bonds of a subsidiary, net of tax and interest capitalisation	-	6,164
Dilution of earnings arising from the full conversion of convertible bonds of a subsidiary	(9,350)	(8,657)
	<u>266,941</u>	<u>71,040</u>
Profit attributable to ordinary equity holders of the Company after the full conversion of the convertible bonds of a subsidiary	<u>266,941</u>	<u>71,040</u>

## 8. 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:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Within 30 days	21,676	9,350
31 to 60 days	6,426	904
61 to 90 days	3,247	1,669
Over 90 days	<u>8,528</u>	<u>12,566</u>
Total	<u>39,877</u>	<u>24,489</u>

The Group's trading terms with its customers 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. 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. Trade and bills receivables are non-interest-bearing.

## 9. TRADE PAYABLES AND ACCRUED LIABILITIES

Included in trade payables and accrued liabilities are trade payables of HK\$39,294,000 (2009: HK\$26,412,000). An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Within 30 days	33,369	15,164
31 to 60 days	4,808	8,377
61 to 90 days	449	2,152
Over 90 days	<u>668</u>	<u>719</u>
Total	<u>39,294</u>	<u>26,412</u>

## 10. CONTINGENT LIABILITIES

As at 31 March 2010, the Group has given guarantees of HK\$251,634,000 (2009: HK\$34,556,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date the loans are granted to the purchasers up to the date of issuance of property title certificates to the purchasers.

## 11. EVENT AFTER THE REPORTING PERIOD

On 8 March 2010, Join Ally Limited, a wholly-owned subsidiary of Hon Kwok Land Investment Company, Limited ("Hon Kwok"), as purchaser, entered into a sale and purchase agreement with Enhancement Investments Limited ("Enhancement"), as vendor, for the acquisition of the entire issued share capital of Guru Star Investments Limited and the assignment of related shareholder's loan to the Group at an aggregate cash consideration of HK\$144,211,000 (the "Acquisition").

The Acquisition constituted a major and connected transaction to the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") as Enhancement is a company controlled by Mr. James Sai-Wing Wong, the Chairman and substantial shareholder of the Company. At the extraordinary general meeting of the Company held on 16 April 2010, the Acquisition was approved by the independent shareholders of the Company.



## **DIVIDEND**

The Directors recommend the payment of a final dividend of 5 Hong Kong cents per ordinary share for the year ended 31 March 2010 (2009: 4 Hong Kong cents) to shareholders whose names appear on the Company's register of members on 2 September 2010. 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 27 September 2010.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from 30 August 2010 to 2 September 2010 (both days inclusive), during which period no share transfers will be registered. In order to qualify for the proposed final dividend and to determine the entitlement 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong by not later than 4:30 p.m. on 27 August 2010.

## **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 2010.

## **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 2010.

### **Compliance with the Code on Corporate Governance Practices**

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules for the year ended 31 March 2010, except for the following deviations:

1. CG Code provision A.1.1 stipulates that the board of directors (the "Board") 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 2010, the Board met twice for approving the annual results of the Company for the year ended 31 March 2009 and the interim results for the period ended 30 September 2009. 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 2010.

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 does 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 Managing Director will not be subject to retirement by rotation as stipulated in CG Code provision A.4.2 as the Board considered 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 B.1.3 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 adopted the terms of reference of the remuneration committee on 16 December 2005 with certain deviations from the CG Code provisions. Pursuant to the terms of reference, the remuneration committee should review (as opposed to determine) and make recommendations to the Board on the remuneration of directors (as opposed to directors and senior management).
4. The terms of reference of the remuneration committee and audit committee of the Company are available from the Company Secretary on request and not yet ready on the Company's website as stipulated in CG Code provisions B.1.4 and C.3.4.

### **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 2010.

## **FINANCIAL REVIEW**

### **Liquidity and financial resources**

The total interest-bearing debts of the Group amounted to approximately HK\$2,041 million as at 31 March 2010 (2009: HK\$1,694 million), of which approximately 21% (2009: 31%) of the debts were due and repayable within one year. Total cash and bank balances including time deposits were approximately HK\$776 million (2009: HK\$366 million).

Total shareholders' funds as at 31 March 2010 was approximately HK\$2,085 million (2009: HK\$1,828 million).

The gearing ratio of the Group, as measured by the consolidated net borrowings of approximately HK\$1,265 million (2009: HK\$1,328 million) over the shareholders' funds plus minority interests totalling HK\$3,849 million (2009: HK\$3,416 million), was 33% at 31 March 2010 (2009: 39%).

The Group had a total of HK\$1,132 million (2009: HK\$240 million) committed but undrawn banking facilities at year end available for its working capital purpose.

### **Funding and treasury policy**

The Group adopts a prudent funding and treasury policy. Surplus funds are primarily maintained in the form of cash deposits with leading banks. Borrowings are mainly denominated in Hong Kong dollars and Renminbi and bear interest at floating rates, except for the convertible bonds.

### **Pledge of assets**

Bank balances, certain properties and investments with an aggregate book value of HK\$3,567 million as at 31 March 2010 and shares in a subsidiary were pledged to secure certain banking facilities of the Group.

### **Employees and remuneration policies**

The Group, not including its associates and jointly-controlled entities, employed approximately 1,100 employees as at 31 March 2010. 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.

## FINANCIAL RESULTS

For the year ended 31 March 2010, the Group's consolidated turnover and net profit attributable to shareholders amounted to HK\$1,042 million (2009: HK\$491 million) and HK\$276 million (2009: HK\$74 million), respectively. Basic earnings per share were 50.11 Hong Kong cents (2009: 13.34 Hong Kong cents). The shareholders' equity as at 31 March 2010 amounted to HK\$2,085 million (2009: HK\$1,828 million). Net assets per share were HK\$3.78 (2009: HK\$3.31).

## BUSINESS REVIEW

### 1. Property Development, Investment and Hotel Operations

The Group's property business is conducted through its 54.37% owned subsidiary, Hon Kwok Land Investment Company, Limited ("Hon Kwok"). Hon Kwok reported a turnover of HK\$813 million (2009: HK\$195 million) and a net profit of HK\$374 million (2009: HK\$77 million) for the financial year 2009-10.

#### 1.1 Acquisitions of properties

##### *Yayao Oasis 雅瑤綠洲, Nanhai, PRC*

In view of the potential development value of the project and strong demand of quality residential units in Mainland China, Hon Kwok completed the acquisition of the remaining 50% interests in a jointly-controlled entity which indirectly holds **Yayao Oasis** together with the related shareholder's loan in March 2010. In connection therewith, Hon Kwok's land bank has been enlarged by approximately 136,000 sq.m. The agreed price for the above acquisition was HK\$200,000,000 and was agreed at after arm's length negotiations between the parties and by reference to the market value of the development site and the consolidated net asset value of the above jointly-controlled entity as at 31 December 2009. The net amount paid to the seller for the above acquisition was HK\$172,493,110 after offsetting the amounts paid by Hon Kwok on behalf of the seller for its agreed share of working capital and other costs incurred by the jointly-controlled entity prior to the date of the agreement. For details of the transaction, please refer to our "Major Transaction" circular to our shareholders on 16 April 2010.

##### *Newsun Commercial Building 新光商務大廈, Guangzhou, PRC*

In March 2010, Hon Kwok entered into an agreement to acquire **Newsun Commercial Building** via its indirect holding company at an aggregate cash consideration of HK\$144,211,000 which was determined by reference to the unaudited consolidated net assets of the aforesaid holding company together with assignment of related shareholder's loan as at 31 January 2010. The property, situated at the junction of Beijing Road, Nanti Er Road and Baqi Er Road, Yue Xiu District, is a completed 20-storey commercial and office building with total gross floor area of approximately 13,000 sq. m. and occupancy rate of approximately 85%. The above acquisition constituted a major and connected transaction for the Company and was subject to the approval of the Company's independent shareholders. For details of the transaction, please refer to our "Major and Connected Transaction" circular to our shareholders on 29 March 2010. Subsequent to the year end, the above acquisition was completed on 21 April 2010.

## 1.2 Repurchase of 3.5% Convertible Bonds due June 2011 (the “Bonds”)

As disclosed in our Interim Report, out of the principal amount of HK\$280 million Bonds issued by a wholly-owned subsidiary of Hon Kwok in June 2006, Hon Kwok repurchased in late September 2009, an aggregate face value of HK\$192 million of the Bonds at par. The repurchased Bonds were subsequently cancelled in October 2009 upon settlement. The above repurchase enables Hon Kwok to recognize a gain of about HK\$19 million during this financial year under review and save interest charges (3.5% per annum) as well as premium on redemption (approximately 24.5% on face value) on the Bonds, totalling HK\$58 million up to maturity.

## 1.3 Property Development and Sales

### *Botanica Phases 1 & 2 寶翠園一期及二期, Guangzhou, PRC*

The **Botanica** is a 40-block high-rise residential project situated in the greenery zone of Tian He District near the Botanical Garden and is scheduled for development and pre-sale by phases. Delivery of all units to purchasers of **Botanica Phase 1 寶翠園一期**, which comprises eight blocks of 332 flats, has been completed during the second half of this financial year under review. Total sales proceeds generated therefrom exceeding RMB367 million.

Construction works for **Botanica Phase 2 寶翠園二期**, which also comprises eight blocks of 420 residential units, are in progress and scheduled to complete by phases in the first to third quarter of 2011. Four blocks of 221 units have been launched to the market for pre-sale by end of April 2010 and approximate 90% has been pre-sold up to the date of this announcement, generated sales proceeds exceeding RMB253 million. The other four blocks are expected to launch for pre-sale by the fourth quarter of 2010.

### *No. 5 Residence 北京路5號公館, Guangzhou, PRC*

Located at Beijing Road in Yue Xiu District and in the proximity of the Pearl River, all of the 152 residential units offered for sale have been sold up to the date of this announcement, generated sales proceeds exceeding RMB242 million. Majority of the flats have been handed over to purchasers prior to the financial year end under review.

### *Li Wan Project 荔灣項目, Guangzhou, PRC*

As disclosed in our Interim Report, disposal of the **Li Wan Project 荔灣項目**, in which Hon Kwok held 50% interests, was completed on 30 September 2009. Hon Kwok's attributable share of the cash consideration and net profit is HK\$125 million and approximately HK\$77 million respectively.

### *Yayao Oasis 雅瑤綠洲, Nanhai, PRC*

The master development plans of the project with total gross floor area of approximately 272,000 sq.m. have been approved. The development of Phase I comprises semi-detached houses of about 18,000 sq.m. and high-rise apartments of about 116,000 sq.m. Construction works of the semi-detached houses are in progress and scheduled to complete by the end of 2010 and to launch for sale upon completion. Construction works of the high-rise apartments are expected to commence in early 2011.

### *Property Sales in Hong Kong*

Grasping the property boom in Hong Kong during the period under review, especially in the first quarter of 2010, Hon Kwok has realized all its remaining unsold second hand residential units and disposed of over 100 carparking spaces. Sales proceeds in aggregate generated therefrom since April 2009 and up to the date of this announcement were in excess of HK\$120 million.

## **1.4 Property Investment**

### *Hon Kwok City Commercial Centre 漢國城市商業中心, Shenzhen, PRC*

Detailed construction plans of this 128,000 sq. m. commercial/residential tower at Shen Nan Zhong Road 深南中路, Futian District have been approved. Foundation works of this 80-storey signature building are scheduled to commence in the third quarter of 2010 and construction works are expected to complete in 2013. Upon completion, Hon Kwok intends to retain a major portion of this building for recurrent rental income.

### *Chongqing, PRC*

**Chongqing Hon Kwok Centre 重慶漢國中心**, situated in Bei Bu Xin Qu 北部新區, is a twin-tower retail/commercial complex with total gross floor area of 107,802 sq.m. All the three floors of the commercial podium have been leased out for operation of shopping mall and to a retail bank. Leasing for certain office floors has been committed and negotiations for the remaining floors are also in good progress.

The **Phase 2 Project 重慶二期項目**, adjacent to the above completed development and with total gross floor area of 133,502 sq.m., will be developed into a grade A office tower and a 5-star hotel with serviced apartments atop of a retail podium. The master development plans of this project have been approved and detailed design is in progress.

### *Shenzhen, PRC*

Majority of ground level retail shops at commercial podium of **City Square 城市天地廣場** have been leased out. The tenant at entire level 2, which operates as a restaurant, has been opened for business in the first quarter of 2010 and will benefit the guests of our 159-room **City Bauhinia Hotel 城市寶軒酒店** which is under renovation at levels 3 to 5 of the podium and expected to complete by the third quarter of 2010. The occupancy rate of our existing 64 serviced apartments at **City Suites 寶軒公寓**, situated on top of the podium, is satisfactory.

## *Guangzhou, PRC*

**City Bauhinia Hotel (Guangzhou) 廣州城市寶軒酒店** situated at Jie Fang Nan Road, Yue Xiu District, is a leasehold property of Hon Kwok and being upgraded and refurbished into a 166-room hotel. The renovation works are substantially completed and soft opening is scheduled to be in the third quarter of 2010.

## *Hong Kong*

Renovation works for conversion of the four office podium floors of **The Bauhinia/Honwell Commercial Centre 寶軒及漢貿商業中心** at Des Voeux Road Central to a 42-room boutique hotel named as “**The Bauhinia Hotel (Central) 中環寶軒酒店**”, are scheduled to complete in the third quarter of 2010. Ground floor areas are now occupied by a retail bank and a restaurant. **The Bauhinia 寶軒**, a 171-room serviced apartment on top of the podium and of which the interior refurbishment works have been substantially finished, currently enjoys an occupancy rate of approximately 90% for those available units.

In respect of **Knutsford Place 諾士佛廣場** (formerly known as “**Hon Kwok TST Centre 漢國尖沙咀中心**”) in Tsimshatsui, conversion works of 9 upper floors to a 44-room boutique hotel, known as “**The Bauhinia Hotel (TST) 尖沙咀寶軒酒店**”, have been completed pending verification of workdone and issuance of hotel licence by the relevant authorities. The soft opening is expected in the third quarter of 2010. Leasing negotiations for other commercial and office floors have been commenced and in order to enhance the overall rental yield on this upgraded property, a scheduled tenant mix to include retail tenants will be implemented.

**Hon Kwok Jordan Centre 漢國佐敦中心**, a 23-storey commercial and office building situated at Hillwood Road, has already changed its tenant mix to include bars, beauty saloons and private clubs etc. in prior years. Both the rental yield and occupancy rate maintain at a satisfactory level.

### *“The Bauhinia 寶軒” Group of Hotels and Serviced Apartments*

The operation of the above hotel and serviced apartment rooms, in aggregate of 646, will be under “**The Bauhinia 寶軒**” brand and will cater for the accommodation needs for short-stay or longer term tourists and/or business travellers in Hong Kong, Shenzhen and Guangzhou. The location of the aforesaid guest rooms is summarized as follows:

	Hotel Rooms	Serviced Apartment Rooms	Total
Hong Kong	86	171	257
Shenzhen	159	64	223
Guangzhou	166	-	166
	<b>411</b>	<b>235</b>	<b>646</b>

The above hotel rooms, upon completion of renovation and in full operation, and coupled with the scheduled tenant mix for office floors of the above investment properties to be implemented, will enhance Hon Kwok’s rental income in the years ahead.

## **2. 2. Garment**

J.L. Garment Group, which is wholly owned by our Company, reported turnover of HK\$230 million (2009: HK\$296 million) with a net profit of HK\$14 million (2009: HK\$17 million) for the year under review.

The US and European markets remained stagnant since the global financial crisis which had a negative impact on our customers, who were mainly in Germany, Italy and Canada. Most of the customers adopted tighter control on shipment volume and price for inventory replenishment. Export sales recorded a sizable decline during the year under review. Besides, JL Group encountered the escalating material cost and wages due to the gradual appreciation of Renminbi against Euro. However, it is gratifying to report that by streamlining its production process in the PRC factory to strengthen its quality control and manufacturing capacity while reducing its sub-contracting cost, JL Group still achieved its profitability for the year under review, albeit a drop in turnover coupled with accelerating production costs.

## **3. Construction and Trading**

Chinney Alliance Group Limited (“Chinney Alliance”), a 29.1% owned associate, recorded turnover and net profit for the year ended 31 December 2009 of HK\$2,106 million (2008: HK\$2,547 million) and HK\$77 million (2008: HK\$45 million) respectively.

The profit for the year included the surplus on revaluation of the properties and fair value gain on equity investments totaling HK\$26 million (2008: loss HK\$21 million). Should these non-recurring items be excluded for both years, the net profit for the year ended 31 December 2009 for Chinney Alliance would be about HK\$51 million (2008: HK\$66 million).



Chinney Alliance Group's building construction and foundation piling services business recorded turnover of HK\$1,195 million (2008: HK\$1,190 million) and operating profit of HK\$65 million (2008: HK\$54 million), which were mainly contributed from five major contracts, including foundation work for residential developments for the Housing Authority and private sector. It is expected that more foundation contract tenders and other building related contracts will be available in the coming year.

The trading of plastics and chemicals business remained profitable despite a drop in export sales of plastic resins and chemicals as affected by the sluggish economy in the US and Europe. It recorded a turnover of HK\$421 million (2008: HK\$701 million) with operating profit of HK\$8 million (2008: HK\$5 million). By improving its operating efficiency and reduction in interest cost, further improvement of its earning contribution to Chinney Alliance can be expected in future years.

#### **4. Other investment**

Benefiting from the rebound of the stock market since the third quarter of 2009, the Group recorded in the consolidated income statement an unrealized fair value gain of HK\$40 million (2009: loss of HK\$24 million) on a listed investment, as the share price represented more than 3 times against last year.

### **OUTLOOK**

The Hong Kong economy continues to be stable with the first quarter GDP growth reached 2.4% on a quarter-to-quarter basis while unemployment went up slightly from 4.4% in April to 4.6% in May this year. Export sales rebounded as reflected by a renewed increase in demand from US, Europe and China in the first quarter. With moderate supportive measures implemented by the Hong Kong Government to accelerate more infrastructure projects and development works, the construction industry should be benefited and continue its growth along the track while for the garment export business, 2010/11 is likely to be a difficult year.

China, with an economic growth exceeding 8% last year, remains as a booster to lead the economic recovery in Asia. As to the US and European markets, despite implementing stimulus measures, they still lack momentum for recovery. Besides, the Greek sovereign-debt problem further hinders the recovery process in the Euro zone. We are cautiously optimistic to the sales volume and profitability in our garment and plastic trading business with our efforts to provide reliable products and services to our customers.

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

Hong Kong, 8 July 2010

*At the date hereof, the directors of the Company are Mr. James Sai-Wing Wong, Ms. Madeline May-Lung Wong, Mr. William Chung-Yue Fan and Mr. Herman Man-Hei Fung and the independent non-executive directors are Dr. Clement Kwok-Hung Young, Mr. Peter Man-Kong Wong and Mr. James C. Chen.*