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CHEUK NANG (HOLDINGS) LIMITED

卓能（集團）有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 131)

RESULTS FOR THE YEAR ENDED 30 JUNE 2021

CHAIRMAN'S STATEMENT

I herewith to present to shareholders the report of Cheuk Nang (Holdings) Limited (the “Company”, together with its subsidiaries, the “Group”) for the year ended 30 June 2021.

RESULTS AND DIVIDEND

The consolidated profit after income tax of our Group for the year ended 30 June 2021 is HK\$149,516,000 (2020: HK\$33,007,000) representing an increase of 353.0% comparing to last year. Details are set out in the consolidated statement of profit or loss.

Due to the uncertainty for the coming year, the Directors resolved to recommend the payment of a final dividend of HK3.0 cents (2020: HK5.0 cents) per share payable to those shareholders whose names appeared in the register of members as at the close of business on 25 November 2021, which together with the interim dividend of HK2.0 cents (2020: HK7.5 cents) per share, makes a total distribution of HK5.0 cents (2020: HK12.5 cents) per share this year, which is 60% decrease when compare to last year.

After approval by the shareholders at the Annual General Meeting, the final dividend will be paid on 13 December 2021.

REVIEW OF OPERATIONS AND PROSPECTS

Hong Kong Properties

Hong Kong's economy will gradually recover from a low base in 2021, supported by a solid rebound in China. While the prolonged pandemic, absence of cross-border visitors and Sino US political risks will all continue to create strong headwinds, the local vaccination programme launched in February has achieved over 60% of the population being vaccinated.

The disburse of consumption vouchers by the Government has successfully boosted up the consumption sector effectively but its effectiveness in long run owing to the uncertain future prospect remain. Hong Kong large property developers have expressed their support to the Government to solve the Hong Kong housing problem which may ease the continuing increase of real estate value.

The progress of our projects in Hong Kong are as follows:–

1. *One Kowloon Peak at No. 8 Po Fung Terrace, Ting Kau, Tsuen Wan*

Residential project developed in two phases.

Phase 1 comprised of a block of 21-storey building with 49 residential units (including 6 duplex units) and 39 car parking spaces. The net floor area of the units ranged from 1,075 square feet to 2,095 square feet. 11 units has been sold and majority of other units are rented. Phase 2 comprised of clubhouse, 29 car parking spaces and five 3-storey garden villas. The net floor area of the villas ranged from approximately 1,497 square feet to 2,329 square feet. The clubhouse provides recreational facilities and swimming pool.

2. *Villa Cecil Phase II, 192 Victoria Road, Pokfulam*

Residential development comprised of three blocks of 4-storey low density residential building provides 29 residential units. The net floor area of the apartments ranged from approximately 876 square feet to 3,099 square feet. During the period, unit 3B of Tower 3 was sold for HK\$52.8 million.

The occupancy rate of Phase 2 maintained at 85%.

3. *Villa Cecil Phase III, 216 Victoria Road, Pokfulam*

Residential development comprised of two blocks of 4-storey building for rental purpose. The total marketable gross floor area is about 97,000 square feet (net floor area is about 68,973 square feet). Block 1 provides 9 residential units and Block 2 provides 32 units. The gross floor area of the apartments ranged from 760 square feet to 3,800 square feet (net floor area ranged from 586 square feet to 2,555 square feet).

The occupancy rate of the two blocks has reached 95% which contributed good rental income to the Group.

4. *Cheuk Nang Lookout, 30 Severn Road, The Peak*

A residential premises comprised of two deluxe 3-storey residential villas, namely Villa Begonia and Villa Crocus. The renovation of the two villas to enhance the quality is completed.

5. *New Villa Cecil, No. 33 Cheung Chau Sai Tai Road, Cheung Chau*

A residential project developed into 2 phases with total marketable gross floor area approximately 58,000 square feet.

Phase I comprised of 19 blocks of 2-storey residential villas has already received Occupation Permit. The gross floor area of the villas ranged from 1,450 square feet to 2,700 square feet (net floor area ranged from 1,106 square feet to 2,070 square feet). Phase II comprised of 4 blocks of 2-storey residential villas. The gross floor area of the villas ranged from approximately 2,000 square feet to 12,000 square feet (net floor area from 1,564 square feet to 9,260 square feet). Recreational facilities including swimming pool and landscape garden are provided.

Over 90% of the villas in Phase 1 are leased out.

China Properties

Supported by the “dual circulation” development strategy which comprises the domestic demand and export market, the quantum of financial stimulus in 2021 will be reduced as compared with 2020. There will be a continuation of stable monetary and fiscal policy. Challenges related to deglobalisation and relations with the U.S. remain, but the recent signing of the Regional Comprehensive Economic Partnership is set to play a key role in facilitating the “opening-up” policy. The debt crisis of China Evergrande Group (Stock Code: 03333) and the pressure of cash flow has created concern over the China property and banking sectors. It is believed the government will take appropriate measure to ease the problem eventually.

Shenzhen

The outlook for Shenzhen’s prime property market should remain steady in both the immediate and long terms, supported by the continued growing momentum of the economics and demographics in the city. This is expected to propel strong demand within the core city of the Greater Bay Area.

Cheuk Nang Garden

Longhwa, Shenzhen

Upto the date of this report, a total of 809 units have been sold and the sales transaction amount achieved is satisfactory.

Hangzhou

The 19th Asian Games will be held in Hangzhou in September 2022. At present, construction on 42 competition venues has been completed and those venues are under functionality testing.

The construction of stadiums and athletes villages boosted the local economy while the holding of the Asian Games competition will drive the tourist industry increased in 2022.

Cheuk Nang • Riverside

Yue Hang Qu, Hangzhou

The development comprised land area of 38,983 square metres (419,613 square feet). The total net floor area is 122,483 square metres (1,318,407 square feet) with multi-storey buildings provides 849 residential units, 22 deluxe villas by the riverside, 780 car parking spaces, clubhouse, recreational facilities and shopping centre. The size of the residential units and villas ranged from 65 square metres (700 square feet) to 270 square metres (2,906 square feet).

The construction of the development is completed and 規劃建築驗收 has applied.

Macau Properties

The Macau economy has moved upward gradually since the 4th quarter of 2020. Despite the delta virus has appeared in early August, the quick and immediate measures taken by the Macau government has prevented the wide spread of the virus.

The six gambling licenses will be expired soon. The Macau Government has been seeking public consultation regarding the issuance of new gambling licenses.

Golden Cotai No. 1

Estrada de Seac Pai Van, Coloane

Application for change of land use was submitted to the Direcção dos Serviços de Solos, Obras Públicas e Transportes (“DSSOPT”) and we maintain close communications with the Government Departments.

Malaysia Properties

The outbreak of COVID-19 pandemic and the already weak market environment before 2020 have severely hit the real estate market. The conditional movement control order introduced by the government has had a serious impact on the economy.

According to research, most of the Malaysians want to buy a house by the end of 2021. At the same time, the government has introduced the Real Property Gains Tax (RPGT) exemption that will probably encourage buyers to invest in real estate.

Phase I “Parkview”

Lot 1359, Section 57, Lorong Perak, Kuala Lumpur

The development is a ready built 41-storey residential building providing 417 residential units and 163 car parking spaces. The total gross floor area is 325,626 square feet. Most units have been sold by our Parkview joint venture partner. The remaining 27 unsold units are operated as serviced apartments. The demand for hotel and short-term accommodation has decreased drastically after the outbreak of covid-19.

Phase II “Cecil Central Residence”

Lot 11385 and 11386, Section 57, Lorong Perak, Kuala Lumpur

The development currently comprised of 4 blocks of residential condominium with total approved gross floor area is 1,708,648 square feet. The main podium is completed upto Level 5.

INVESTMENT IN BONDS AND STOCK

The investment in Bond market as at 30 June 2021 was HK\$161,211,000. During the year, a total of HK\$17,815,000 was sold and HK\$3,882,000 was purchased. Meanwhile, appropriate provision has been made for the investment in China Evergrande Group debentures.

The market price of our investment in the Hong Kong stocks as at 30 June 2021 was HK\$32,101,000. During the year, a total of HK\$2,241,000 stock was sold and no stock was purchased.

OUTLOOK

The economies for Hong Kong and overseas are clouded with uncertainty. The Return2HK and Come2HK Schemes were introduced in the mid of September this year. The quota under the Scheme is 2,000 visitors per day. It is a good beginning for the resumption of normal cross-boundary activities between Hong Kong, China and Macau and hopefully, the tourism industry may be benefited gradually under these Schemes.

The Government has announced the extension of the vaccination programme to November this year. With a high vaccinated population, the resumption of cross-boundary activities hoped to be gradually opened up.

DIRECTORS AND STAFF

The dedication of our directors and staff during the year are much appreciated. Member of our staff team in Shenzhen are increased.

As at the date of this announcement, the Executive Directors are Dr. Chao Sze Tsung Cecil (Chairman), Ms. Chao Gigi (Vice Chairman), Mr. Yung Philip and Ms. Ho Sau Fun, Connie; the Non-Executive Directors are Mr. Chao Howard and Mr. Lee Ding Yue Joseph; the Independent Non-Executive Directors are Dr. Sun Ping Hsu, Samson, Mr. Ting Woo Shou, Kenneth and Mr. Lam Ka Wai, Graham.

By order of the Board

CECIL CHAO

Executive Chairman

Hong Kong, 28 September 2021

RESULTS

The Group's audited consolidated income statement for the year ended 30 June 2021 is listed as follows:

Consolidated Statement of Profit or Loss

For the year ended 30 June 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	4	994,589	552,880
Direct costs		<u>(263,095)</u>	<u>(182,284)</u>
Gross profit		731,494	370,596
Other income	6	80,124	55,995
Changes in fair value of investment properties		(99,460)	5,840
Changes in fair value of financial assets at fair value through profit or loss ("FVTPL")		3,174	(9,294)
Expected credit loss ("ECL") of financial assets at fair value through other comprehensive income ("FVTOCI")	7	(14,000)	–
Administrative expenses		(126,910)	(109,321)
Finance costs	8	(21,385)	<u>(36,382)</u>
Profit before income tax	9	553,037	277,434
Income tax expense	10	(403,521)	<u>(244,427)</u>
Profit for the year		149,516	<u>33,007</u>
Profit/(loss) for the year attributable to:			
Owners of the Company		148,700	47,696
Non-controlling interests		816	<u>(14,689)</u>
		149,516	<u>33,007</u>
Earnings per share for profit attributable to the owners of the Company during the year			
Basic	12	HK\$0.23	HK\$0.08
Diluted	12	HK\$0.23	HK\$0.08

Consolidated Statement of Financial Position

As at 30 June 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		6,655,700	7,084,875
Property, plant and equipment		45,636	42,365
Other non-current asset		950	950
Other financial assets		157,728	184,232
Deferred tax assets		17,614	16,290
		<u>6,877,628</u>	<u>7,328,712</u>
Current assets			
Properties under development for sale		1,567,653	1,496,021
Completed properties for sale		395,988	511,224
Other financial assets		3,483	6,472
Financial assets at fair value through profit or loss		32,101	458,046
Trade and other receivables	13	30,821	30,333
Bank balances and cash		1,988,157	1,236,667
		<u>4,018,203</u>	<u>3,738,763</u>
Current liabilities			
Other payables	14	132,074	151,611
Contract liabilities	16	156,181	436,470
Amounts due to non-controlling shareholders	15	239,990	239,990
Amount due to a related company	15	1,489	1,547
Interest-bearing borrowings		865,920	1,261,920
Lease liabilities	17	2,273	2,627
Tax payable		1,388,115	989,395
		<u>2,786,042</u>	<u>3,083,560</u>
Net current assets		<u>1,232,161</u>	<u>655,203</u>
Total assets less current liabilities		<u>8,109,789</u>	<u>7,983,915</u>

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Non-current liabilities			
Interest-bearing borrowings		10,613	10,351
Advance from a director		112,632	170,182
Lease liabilities	17	4,952	1,004
Deferred tax liabilities		930,853	1,070,462
		<u>1,059,050</u>	<u>1,251,999</u>
Net assets		<u>7,050,739</u>	<u>6,731,916</u>
EQUITY			
Share capital		2,468,985	2,441,551
Reserves		4,404,645	4,114,072
Equity attributable to the owners of the Company		6,873,630	6,555,623
Non-controlling interests		177,109	176,293
Total equity		<u>7,050,739</u>	<u>6,731,916</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

1. GENERAL INFORMATION

Cheuk Nang (Holdings) Limited (the “Company”) is a limited liability company incorporated and domiciled in Hong Kong. The address of its registered office is Suite 4901, 49/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong and, its principal place of business is Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited.

The Company and its subsidiaries (the “Group”) are controlled by Yan Yin Company Limited (“Yan Yin”), a limited liability company incorporated and domiciled in Hong Kong. At the reporting date, the directors consider the ultimate parent company of the Group is also Yan Yin.

The Group is principally engaged in property development and investment and provision of property management and related services.

The consolidated financial statements for the year ended 30 June 2021 were approved for issue by the board of directors on 28 September 2021.

2. ADOPTION OF NEW AND AMENDED HKFRSs

Amended HKFRSs that are effective for annual periods beginning on 1 July 2020

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group’s operations and effective for the Group’s consolidated financial statements for the annual period beginning on 1 July 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Covid-19 Related Rent Concessions
Amendments to HKAS 1 and HKAS 8	Definition of Material

Other than as noted below, the adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments clarify the definition of material and state that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. Materiality depends on nature or magnitude of information or both.

The amendments also:

- introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;
- clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold “could influence” with “could reasonably be expected to influence” in the definition of material; and
- clarify that materiality assessment will need to take into account of information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

The directors of the Company anticipate that the application of these amendments has had no impact on the Group’s consolidated financial statements.

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and related amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁵
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform-Phase 2 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021 ⁶
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Disclosure of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018 – 2020 ²
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations ⁵

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective date not yet determined

⁵ Effective for business combination / common control combination for which the acquisition/ combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁶ Effective for annual periods beginning on or after 1 April 2021

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to HKAS1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”

The amendments to HKAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

In March 2021, HKICPA issued HKFRS Practice Statement 2 “Making Materiality Judgements” to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. HKFRS Practice Statement 2 was subsequently revised to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

The amendments to HKAS 1 are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. Except for the disclosures of accounting policies in consolidated financial statements may need to be revised to cope with the above consolidated financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value of properties

The best evidence of fair value is current prices in an active market for similar property in similar location and condition and subject to lease and other contracts. In making its judgement, the Group considers information from a variety of sources including:

- (i) the floor areas of the properties with respect to the consideration from the independent and identified buyer;
- (ii) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (iii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iv) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and using discount rate that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group’s properties have been valued individually, on market value basis, which conforms to The Hong Kong Institute of Survey Valuation Standards. In estimating the fair value of the properties, the management of the Group has considered the highest and best use of the properties. The carrying amount of the investment properties and land and buildings as at 30 June 2021 are approximately HK\$6,655,700,000 and HK\$36,200,000 respectively (2020: HK\$7,084,875,000 and HK\$36,400,000 respectively).

Allowance for properties under development and completed properties for sale

In determining whether allowances should be made for the Group's properties under development for sale, the Group takes into consideration the current market environment and the estimated market value (i.e. the estimated selling price less estimated costs of selling expenses less estimated costs to completion of the properties). An allowance is made if the estimated market value is less than the carrying amount. If the actual market value on properties under development for sale is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material provision for impairment losses may result. The carrying amount of the properties under development for sale as at 30 June 2021 is approximately HK\$1,567,653,000 (2020: HK\$1,496,021,000). No impairment loss on properties under development for sale have been written down to net realisable value during the year ended 30 June 2021 (2020: Nil).

Management exercises its judgment in making allowance for completed properties for sale with reference to the existing market environment and the estimated market value of the properties, i.e. the estimated selling price less estimated costs of selling expenses. A specific allowance for completed properties for sale is made if the estimate market value of the property is lower than its carrying amount. If the actual market values of the completed properties for sale are less than expected, as a result of change in market condition, material provision for impairment losses may result. The carrying amount of the completed properties as at 30 June 2021 is approximately HK\$395,988,000 (2020: HK\$511,224,000). No completed properties for sale have been written down to net realisable value during the year ended 30 June 2021 (2020: Nil).

3.2 Critical Accounting Judgements

Accounting for income tax

The Group is subject to income taxes in Hong Kong, The People's Republic of China ("PRC"), Malaysia and Macau. There are transactions and calculations for which the ultimate tax determination is uncertain. Significant management judgement is required in determining the provision of income taxes. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax assets and liabilities in the period in which such determination is made.

In measuring the Group's deferred tax on investment properties measured at fair value, management of the Group have determined that the presumption that the carrying amounts of these investment properties measured using the fair value model were recovered entirely through sales was not rebutted. Deferred tax has been provided at tax rates that are expected to apply upon sales of the investment properties held by the subsidiaries of the Group in Hong Kong, Macau, Malaysia and the PRC.

For the properties in the PRC, the tax expenses on changes in fair value of investment properties and properties sales are recognised taking into account the Land Appreciation Tax (“LAT”) and Enterprise Income Tax (“EIT”) payable upon sales of those properties in the PRC. The LAT is determined based on management’s best estimates according to the requirements set forth in the relevant PRC tax laws and regulations and provided at ranges of progressive rates of the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditures. As at 30 June 2021, deferred tax liabilities in relation to the fair value changes of investment properties of approximately HK\$930,853,000 (2020: HK\$1,070,462,000) have been recognised in the Group’s consolidated statement of financial position as at 30 June 2021.

In addition, deferred tax assets of approximately HK\$44,975,000 (2020: HK\$43,551,000) in relation to tax losses have been recognised in the Group’s consolidated statement of financial position as at 30 June 2021. The recognition of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

4. REVENUE

The Group’s principal activities are disclosed in Note 1. Revenue from the Group’s principal activities recognised during the year is as follows:

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Property sales	922,640	474,911
Property rentals	55,179	63,453
Estate management	<u>16,770</u>	<u>14,516</u>
	<u>994,589</u>	<u>552,880</u>

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time in the following major product lines and geographical market:

	Year ended 30 June 2021			Total HK\$'000
	Property sales HK\$'000	Property rentals HK\$'000	Estate management HK\$'000	
Segments				
Geographical markets				
PRC	922,640	5,438	8,434	936,512
Hong Kong	–	49,112	8,336	57,448
Malaysia	–	629	–	629
	<u>922,640</u>	<u>55,179</u>	<u>16,770</u>	<u>994,589</u>
Timing of revenue recognition under HKFRS 15 from external customers				
At a point in time	922,640	–	16,770	939,410
Revenue not in the scope of HKFRS 15	–	55,179	–	55,179
	<u>922,640</u>	<u>55,179</u>	<u>16,770</u>	<u>994,589</u>

	Year ended 30 June 2020			Total <i>HK\$'000</i>
	Property sales <i>HK\$'000</i>	Property rentals <i>HK\$'000</i>	Estate management <i>HK\$'000</i>	
Segments				
Geographical markets				
PRC	474,911	14,664	11,192	500,767
Hong Kong	–	47,571	3,324	50,895
Malaysia	–	1,218	–	1,218
	<u>474,911</u>	<u>63,453</u>	<u>14,516</u>	<u>552,880</u>
Timing of revenue recognition under HKFRS 15 from external customers				
At a point in time	474,911	–	14,516	489,427
Revenue not in the scope of HKFRS 15	–	63,453	–	63,453
	<u>474,911</u>	<u>63,453</u>	<u>14,516</u>	<u>552,880</u>

5. SEGMENT REPORTING

The executive directors of the Company, being the chief operating decision makers, have identified the Group's reportable segments. These reportable segments are monitored and strategic decisions are made on the basis of adjusted segment operating results:

2021

	Property sales <i>HK\$'000</i>	Property rentals <i>HK\$'000</i>	Estate management <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
From external customers	922,640	55,179	16,770	-	994,589
Inter-segment revenue	-	840	26,119	-	26,959
Reportable segment revenue	922,640	56,019	42,889	-	1,021,548
Reportable segment profit	549,879	54,567	4,630	5,760	614,836
Other information:					
Depreciation of property, plant and equipment	25	448	95	-	568
Depreciation of right-of-use assets	-	728	2,499	-	3,227
Interest income	30,775	14,393	40	-	45,208
Interest expense	-	24,161	-	-	24,161
Income tax expense	402,985	536	-	-	403,521
Decrease in fair value of investment properties	-	99,460	-	-	99,460
Decrease in fair value of financial assets at FVTPL	-	-	-	3,174	3,174
Reportable segment assets	2,757,259	5,891,068	11,070	32,101	8,691,498
Reportable segment liabilities	258,517	263,487	9,658	5,298	536,960
Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year	189	14	3,610	-	3,813

2020

	Property sales <i>HK\$'000</i>	Property rentals <i>HK\$'000</i>	Estate management <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
From external customers	474,911	63,453	14,516	–	552,880
Inter-segment revenue	–	840	20,259	–	21,099
Reportable segment revenue	<u>474,911</u>	<u>64,293</u>	<u>34,775</u>	<u>–</u>	<u>573,979</u>
Reportable segment profit/(loss)	<u>319,787</u>	<u>66,032</u>	<u>2,028</u>	<u>(8,055)</u>	<u>379,792</u>
Other information:					
Depreciation of property, plant and equipment	53	1,263	123	–	1,439
Depreciation of right-of-use assets	–	–	2,624	–	2,624
Interest income	29	15,151	22,121	565	37,866
Interest expense	–	30,605	–	–	30,605
Income tax (credit)/expense	304,456	(60,029)	–	–	244,427
Increase in fair value of investment properties	–	5,840	–	–	5,840
Decrease in fair value of financial assets at FVTPL	–	–	–	9,294	9,294
Reportable segment assets	<u>2,810,517</u>	<u>6,310,669</u>	<u>7,232</u>	<u>458,046</u>	<u>9,586,464</u>
Reportable segment liabilities	<u>559,591</u>	<u>262,835</u>	<u>5,395</u>	<u>5,428</u>	<u>833,249</u>
Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year	<u>146</u>	<u>12,457</u>	<u>6,213</u>	<u>–</u>	<u>18,816</u>

The totals presented for the Group's reportable segments reconcile to the Group's key financial figures as presented in the consolidated financial statements as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Reportable segment revenue	1,021,548	573,979
Elimination of inter segment revenue	<u>(26,959)</u>	<u>(21,099)</u>
Revenue of the Group	<u>994,589</u>	<u>552,880</u>
Reportable segment profit	614,836	379,792
Unallocated corporate income	61,378	39,145
Unallocated corporate expenses	(101,792)	(105,121)
Finance costs	<u>(21,385)</u>	<u>(36,382)</u>
Profit before income tax of the Group	<u>553,037</u>	<u>277,434</u>
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Reportable segment assets	8,691,498	9,586,464
Bank balances and cash	1,988,157	1,236,667
Other corporate assets	198,562	228,054
Deferred tax assets	<u>17,614</u>	<u>16,290</u>
Total assets of the Group	<u>10,895,831</u>	<u>11,067,475</u>
Reportable segment liabilities	536,960	833,249
Tax payable	1,388,115	989,395
Interest-bearing borrowings	865,920	1,261,920
Other corporate liabilities	123,244	180,533
Deferred tax liabilities	<u>930,853</u>	<u>1,070,462</u>
Total liabilities of the Group	<u>3,845,092</u>	<u>4,335,559</u>

The Group's revenues from external customers and its non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (domicile)	57,448	50,895	3,293,568	3,482,806
PRC	936,512	500,767	1,747,112	2,005,894
Macau	–	–	1,306,312	1,302,983
Malaysia	629	1,218	355,294	336,507
	<u>994,589</u>	<u>552,880</u>	<u>6,702,286</u>	<u>7,128,190</u>

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets (other than financial instruments and deferred tax assets) is based on the physical location of the assets.

The Company is an investment holding company and the principal place of the Group's operation is Hong Kong. For the purpose of segment information disclosures under HKFRS 8, the Group regards Hong Kong as its place of domicile.

No revenue from transaction with single external customer is amounted to 10% or more for the Group's revenue for the year.

6. OTHER INCOME, NET

	2021	2020
	HK\$'000	HK\$'000
Dividend income from listed equity investments	2,123	632
Gain on disposal of financial assets at FVTPL	463	607
Gain on disposal of investment properties	16,429	15,611
Interest income	45,208	37,866
Net exchange gain	12,021	–
Government grants	749	–
Sundry income	3,131	1,279
	<u>80,124</u>	<u>55,995</u>

During the year ended 30 June 2021, the Group received funding support amounting to approximately HK\$749,000 from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

7. EXPECTED CREDIT LOSS OF FINANCIAL ASSETS AT FVTOCI

During the year ended 30 June 2021, there was a default of interest payment in a listed debenture invested by the Group. As at 30 June 2021, the gross amount of this investment was approximately HK\$3,303,000. In the opinion of the directors, the credit quality of this debenture deteriorated significantly. Accordingly, an impairment loss of HK\$3,000,000 is recognised.

In addition, the credit rating of certain debentures with gross amount of approximately HK\$18,185,000 were being downgraded in the current financial year. The directors assessed the credit quality of these listed debentures individually as at 30 June 2021 and are in the opinion that the credit quality of these debentures were deteriorated significantly. Accordingly, an impairment loss of HK\$11,000,000 is recognised.

8. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest charges on:		
Bank loans and overdrafts	14,218	36,441
Advances from a director	7,015	9,971
Bond	787	768
Other incidental borrowing costs	7,834	8,820
Finance charges on lease liabilities	85	175
	<hr/>	<hr/>
Total finance costs	29,939	56,175
Less: Interest capitalised into		
– Properties under development for sale (<i>Note</i>)	(8,554)	(19,793)
	<hr/>	<hr/>
	21,385	36,382
	<hr/> <hr/>	<hr/> <hr/>

Note: The borrowing costs have been capitalised to properties under development for sale at a rate from 1.009% to 1.526% (2020: from 1.800% to 3.404%).

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting) the following:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Staff costs (include directors' emoluments)		
Salaries, wages and other benefits	26,253	24,554
Contribution to defined contribution plans (<i>Notes (a) & (b)</i>)	603	584
	<u>26,856</u>	<u>25,138</u>
Auditors' remuneration		
Current year	736	709
Depreciation of property, plant and equipment	568	711
Depreciation of right-of-use assets	3,227	3,352
Direct outgoings in respect of investment properties that generate rental income	14,019	10,504
Direct outgoings in respect of investment properties that did not generate rental income	2,786	1,368
Net exchange loss	–	12,457
Lease charges:		
Short term leases and leases with remaining lease term shorter than 12 months as at initial application of HKFRS 16	491	328
(Gain)/loss on redemption of financial assets at FVTOCI	(26)	1,247
Loss on disposal of property, plant and equipment	–	3
	<u> </u>	<u> </u>

Notes:

- (a) As at 30 June 2021 and 2020, there was a sum of approximately HK\$21,000 in the forfeited account of the Group under the MPF Scheme. During the year ended 30 June 2021 and 2020, the Group did not utilise any amount in the forfeited account to reduce the existing level of contributions.
- (b) Due to the impact of COVID-19, a number of policies including the relief of social insurance have been promulgated by the PRC government from February 2020 to December 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions to retirement benefit scheme contributions during the year ended 30 June 2021.

10. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided in the consolidated financial statements as the Group did not have assessable profit in Hong Kong for the year ended 30 June 2021 after set-off tax loss brought forward from previous years.

Under The New Law and Implementation Regulations, the tax rate of PRC subsidiaries is 25% (2020: 25%).

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
– Overseas		
PRC EIT	142,178	127,714
LAT	<u>232,091</u>	<u>178,535</u>
	<u>374,269</u>	<u>306,249</u>
Deferred tax		
Current year	<u>29,252</u>	<u>(61,822)</u>
Total income tax expense	<u><u>403,521</u></u>	<u><u>244,427</u></u>

11. DIVIDENDS

(a) Dividends attributable to the year

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interim dividend of HK2.0 cents (2020: HK 7.5 cents) per ordinary share	13,054	46,565
Proposed final dividend of HK3.0 cents (2020: HK5.0 cents) per ordinary share (<i>Note</i>)	<u>19,580</u>	<u>31,981</u>
	<u><u>32,634</u></u>	<u><u>78,546</u></u>

Scrip dividend alternative was offered to shareholders in respect of the 2021 and 2020 interim dividend. This alternative was accepted by the shareholders as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividends:		
Cash	13,054	7,197
Share alternative	<u>–</u>	<u>39,368</u>
	<u><u>13,054</u></u>	<u><u>46,565</u></u>

Note:

The final dividend proposed after the reporting date has not been recognised as a liability at the reporting date.

(i) **Dividends attributable to the previous financial year, approved and paid during the year**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, of HK 5.0 cents (2019: HK15.0 cents) per ordinary share	<u>31,981</u>	<u>89,345</u>

Scrip dividend alternative was offered to shareholders in respect of the final dividend. This alternative was accepted by the shareholders as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividends:		
Cash	4,547	13,648
Share alternative	<u>27,434</u>	<u>75,697</u>
	<u>31,981</u>	<u>89,345</u>

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit attributable to the owners of the Company for the purpose of calculating basic and diluted earnings per share	<u>148,700</u>	<u>47,696</u>

Number of shares

	2021	2020
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>646,234,648</u>	<u>611,721,455</u>

Dilutive earnings per share for 2021 and 2020 are the same as basic earnings per share as there was no potential ordinary share outstanding as at 30 June 2021 and 2020.

13. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables		
From third parties	<u>1,035</u>	<u>1,704</u>
Other receivables		
Prepaid expenses	6,607	5,943
Costs for obtaining contracts	6,223	6,398
Utilities deposits	7,962	7,487
Other deposits	693	693
Other receivables	<u>8,301</u>	<u>8,108</u>
	<u>29,786</u>	<u>28,629</u>
	<u>30,821</u>	<u>30,333</u>

The trade receivables of the Group represent rental and management fee in arrears. The Group maintains a credit policy to minimise any credit risk associated with trade receivables. As at the end of the reporting period the ageing analysis of the trade receivables (which is included in trade and other receivables), based on the debit note or invoice date, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0-30 days	621	1,009
31-60 days	113	333
61-90 days	64	125
Over 90 days	<u>237</u>	<u>237</u>
	<u>1,035</u>	<u>1,704</u>

Trade receivables are due upon presentation of invoices.

The Group has no significant concentrations of credit risk, and sufficient rental deposits are held to cover potential exposure to credit risk.

Costs for obtaining contracts mainly represent the incremental costs, primarily sales commission, as a result of obtaining the pre-sale property contracts. The Group has capitalised the amounts and amortised when the related revenue are recognised. HK\$420,000 (2020: HK\$115,000) has been recognised in profit or loss in current year.

Other receivables included deposits paid to constructors to perform construction works for the Group's investment properties and properties under development. The credit risk of deposits paid is considered to be low, therefore the impact on ECL is considered immaterial.

14. OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Tenant deposits	9,123	9,638
Other payable and accruals	<u>122,951</u>	<u>141,973</u>
	<u><u>132,074</u></u>	<u><u>151,611</u></u>

The carrying values of other payables are considered to be a reasonable approximation of their fair value.

Other payable and accruals mainly included other tax payable for sales of properties in PRC amounted to HK\$93,557,000 (2020: HK\$114,546,000).

15. AMOUNTS DUE TO A RELATED COMPANY/NON-CONTROLLING SHAREHOLDERS

The amounts due are unsecured, interest-free and repayable on demand. The carrying amounts of the amounts due approximate their fair values.

A director of the Company is also the beneficial owner of the related company.

16. CONTRACT LIABILITIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contract liabilities arising from receipt in advance from sale of properties	<u>156,181</u>	<u>436,470</u>

The contract liabilities represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the reporting period. The Group expects the transaction price allocated to the unsatisfied performance obligations will be recognised as revenue when the Group transfers good or service to the customer.

As at 30 June 2021, the Group's contract liabilities amounted to approximately HK\$156,181,000 (2020: HK\$436,470,000) and are expected to be recognised as revenue within one year. As a practical expedient, the balance does not involve significant financing component.

Contract liabilities outstanding at the beginning of the year amounting to approximately HK\$269,002,000 (2020: HK\$105,739,000) have been recognised as revenue during the year.

Since all the contracts with an original duration of one year or less, as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

17. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Total minimum lease payments:		
Due within one year	2,330	2,711
Due in the second to fifth years	<u>5,009</u>	<u>1,012</u>
	7,339	3,723
Future finance charges on leases liabilities	<u>(114)</u>	<u>(92)</u>
Present value of leases liabilities	<u><u>7,225</u></u>	<u><u>3,631</u></u>
Present value of minimum lease payments:		
Due within one year	2,273	2,627
Due in the second to fifth years	<u>4,952</u>	<u>1,004</u>
	7,225	3,631
Less: Portion due within one year included under current liabilities	<u>(2,273)</u>	<u>(2,627)</u>
Portion due after one year included under non-current liabilities	<u><u>4,952</u></u>	<u><u>1,004</u></u>

The Group considers that no extension option or termination option would be exercised at the lease commencement date. All leases are for offices, warehouse and carpark. The lease periods are from one to three years.

During the year ended 30 June 2021, the total cash outflow for the leases was approximately HK\$3,202,000 (2020: HK\$3,168,000).

Details of the lease activities

As at 30 June 2021 and 30 June 2020, the Group has entered into leases for offices, warehouse and carpark.

Types of right-of-use assets	Financial statements items of right-of-use assets included in	Number of leases	Range of remaining lease term	Particulars
Office	Property, plant and equipment	1 (2020: 1)	20 months (2020: 17 months)	Subject to monthly fixed payment
Warehouse	Property, plant and equipment	1 (2020: 1)	7 months (2020: 1 month)	Subject to monthly fixed payment
Carpark	Short-term lease	1 (2020: 1)	1 month (2020: 1 month)	Subject to monthly fixed payment
Office	Short-term lease	2 (2020: 2)	4-7 months (2020: 4-7 months)	Subject to monthly fixed payment

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Financial Highlights

Revenue for the year ended 30 June 2021 (the “Year”) amounted to HK\$994,589,000 (Year ended 30 June 2020: HK\$552,880,000), a 79.9% increase as compared with last year. It was mainly due to increase in properties sold in Shenzhen amounted to HK\$922,640,000 during year.

For property leasing, the Year recorded a decrease of 13.0% in rental income as compared with the corresponding year in 2020, amounting HK\$55,179,000 (2020: HK\$63,453,000).

Gross profit for the Year amounted to HK\$731,494,000, a 97.4% increase as compared with last year.

Other income recorded an increase of 43.1% to HK\$80,124,000 when compared with last year. The other income for the Year were mainly attributed to dividend income, interest income, gain on disposal of financial assets at fair value through profit or loss, gain on disposal of investment properties and net exchange gain. Increase in fair value of financial assets at fair value through profit or loss amounted to HK\$3,174,000 (2020: decrease HK\$9,294,000). Decrease in fair value of investment properties amounted to HK\$99,460,000 (2020: increase HK\$5,840,000). Expected credit loss of financial assets at fair value through other comprehensive income amounted to HK\$14,000,000 which related to debentures issued by two companies due to default of interest payment or downgrading on credit rating. Administrative expenses increased by 16.1% to HK\$126,910,000 as compared with last year. Finance costs decreased by 41.2% to HK\$21,385,000 as compared with last year. The decrease was mainly due to the combined effect of (1) decrease in interest rate; and (2) repayment of certain bank and other borrowings during year. Income tax expenses increased to HK\$403,521,000 (2020: HK\$244,427,000) which was mainly due to land appreciation tax and profit tax in China arisen from sale of properties in Shenzhen during year.

Profit attributable to owners of the Company for the Year was HK\$148,700,000 (2020: profit HK\$47,696,000). Basic earnings per share was HK\$0.23 (2020: HK\$0.08) and fully diluted earning per share was HK\$0.23 (2020: HK\$0.08).

A final dividend of HK3.0 cents (2020: HK5.0 cents) was proposed together with the interim dividend of HK2.0 cents (2020: HK7.5 cents) a total of HK5.0 cents for the year ended 30 June 2021.

Total Equity Attributable To The Owners Of The Company

As at 30 June 2021, the Group's total equity attributable to the owners of the Company amounted to approximately HK\$6,873,630,000 (30 June 2020: HK\$6,555,623,000), an increase of HK\$318,007,000 or 4.9% when compared with 30 June 2020. With the total number of ordinary shares in issue of 652,676,781 as at 30 June 2021 (2020: 639,613,567 shares), the total equity attributable to the owners of the Company per share was HK\$10.53, representing an increase of 2.7% compared to HK\$10.25 as at 30 June 2020. The increase in total equity attributable to owners of the Company per share was mainly attributable to increase in bank balances resulted from sale of properties during the Year.

Other than the existing projects and those disclosed in the annual report, the Group did not have any confirmed future plans for material investment or acquiring capital assets.

Investment In Financial Assets At Fair Value Through Profit Or Loss And Other Comprehensive Income

As at 30 June 2021, the fair value of investment in listed securities and perpetual note and debentures amounted to HK\$32,101,000 and HK\$161,211,000 respectively were classified as the financial assets at fair value through profit or loss and at fair value through other comprehensive income. During the Year, the portfolio was decreased by a net disposal of HK\$14,560,000, gain on fair value of HK\$3,174,000 of listed securities, loss on fair value of HK\$1,560,000 of perpetual notes and debentures and an expected credit loss on debentures of HK\$14,000,000. The investment in financial assets as at 30 June 2021 represented 1.8% (2020: 5.9%) of the total assets, which formed part of the Group's cash management activities.

Included in the financial assets, it included HK\$18,185,000 debentures with fixed maturity dates ranging from 23 March 2022 to 28 June 2025 at a coupon rates ranging from 8.25% to 10.5% per annum. Due to credit rating downgraded, there was a substantial decrease in market price as at year end date and up to the announcement date. In addition, the Group also hold another debenture amounted to HK\$3,303,000 with fixed maturity date on 31 January 2028 at a coupon rate at 6.5% per annum which defaulted in interest payment and also substantially decrease in market price as at year end date and up to the announcement date. The Group has made a provision of HK\$14 million for the above.

Equity

The number of issued ordinary shares as at 30 June 2021 and 30 June 2020 were 652,676,781 and 639,613,567 respectively.

Debts And Gearing

As at 30 June 2021, the Group's bank and other borrowings amounted to HK\$989,165,000 (2020: HK\$1,442,453,000). Cash and bank balances amounted to HK\$1,988,157,000 (2020: HK\$1,236,667,000) and net cash and bank balances to HK\$998,992,000 (2020: net borrowing HK\$205,786,000).

Total debts to equity ratio was 14.4% (30 June 2020: 22.0%) and net cash and bank balances to equity ratio was 14.5% (2020: net debts to equity 3.1%).

The decrease in the total debt to equity ratio and changes from net debt to equity ratio to net cash and bank balances to equity were mainly due to decrease in bank borrowing during the year and increase in cash and bank balances resulted from increase in sale of properties during year.

As at 30 June 2021, the Group's bank and other borrowings were denominated in Hong Kong dollars. Of the Group's total bank and other borrowings HK\$989,165,000, 88.7% and 11.3% were repayable within 1 year and 1 to 2 years respectively by reference to the repayment on demand clause based on scheduled repayments of the loan agreement. The Group's bank and other borrowings carried interest rates by reference to Hong Kong Interbank Offer Rate ("HIBOR").

Pledge Of Assets

As at 30 June 2021, the Group's investment properties, properties held for sales and land and building with carrying value of HK\$3,179,059,000 (2020: HK\$2,972,900,000), HK\$1,539,000 (2020: HK\$1,539,000) and HK\$36,200,000 (2020: HK\$36,400,000) were pledged to secure general banking facilities of the Group.

Finance Costs

Financial costs included interest expenses on bank and other loans, arrangement, facility and commitment fee expenses. Interest capitalized for the Year was HK\$8,554,000 as compared to HK\$19,793,000 for the last year. Interest expenses for the Year amounted to HK\$21,385,000, representing 41.2% decrease over the interest expenses of HK\$36,382,000 recorded for the last year. The decrease in interest expense was mainly due to the combined effect of (1) decrease in bank loans interest and other borrowing cost; and (2) repayment of certain bank and other borrowings during the Year. The average interest rate over the year under review was 1.8% (2020: 3.4%) which was expressed as a percentage of total interest expenses over the average total borrowing.

Property Valuation

A property valuation has been carried out by Messrs. Roma Appraisals Limited and K.T. Liu Surveyors Limited in respect of the Group's investment properties and certain property, plant and equipment as at 30 June 2021 and that valuation was used in preparing 2021 financial statements. The Group's investment properties and investment properties under development were valued at HK\$4,977,459,000 and HK\$1,678,241,000 respectively making the total HK\$6,655,700,000 (2020: investment properties and investment properties under development were valued at HK\$5,428,781,000 and HK\$1,656,094,000 making the total HK\$7,084,875,000). The decrease in fair value of approximately HK\$99,460,000 was credited to the income statement for the Year. The Group land and building held for a director's quarter carried at fair value were valued at HK\$36,200,000 (2020: HK\$36,400,000). The decrease in fair value of HK\$200,000 for the Year were recorded in property revaluation reserves. Properties under development for sale of the Group were stated at lower of cost or net realisable value in the financial statements.

RISK MANAGEMENT

The Group has established adequate risk management procedures that enable it to identify, measure, monitor and control the various types of risk it faces. This is supplemented by active management involvement and effective internal controls in the best interests of the Group.

REMUNERATION POLICIES AND SHARE OPTION SCHEME

As at 30 June 2021, the Group employed a total of 78 (as at 30 June 2020: 82) staff.

Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration packages comprised salary, year end double pay and year end discretionary bonus based on market conditions and individual performance. The Executive Directors continued to review employees' contributions and to provide them with necessary incentives and flexibility for their better commitment and performance. No share option scheme was adopted for the Year.

FINANCIAL KEY PERFORMANCE INDICATOR

Profit Attributable To Owners Of The Company and Earnings Per Share

The Company uses the profit attributable to owners of the company and earnings per share as the Group's as the financial key performance indicator. The Company's aim to increase the Group's profit attributable to owners of the company and earnings per share. We compare the profit against the previous period as a measure of the performance. Detail refer to Financial Highlight section.

INTERNAL CONTROL

The Group has appointed external professional firm to perform periodic review on the internal control of the Group. Current year review has completed and some minor weakness have been identified. The Group will carry out necessary procedures to improve these control weaknesses.

ENVIRONMENTAL POLICIES AND COMPLIANCE

Our environmental policy is to meet all the environmental legislations which relate to our operation.

A review on the performance on our environmental policy has been carried out.

KEY RELATIONSHIPS

Relationships with vendors

We have established relationships with numbers of suppliers for the construction and renovation work in Hong Kong, PRC and Malaysia. Other than one supplier relating to our construction work which recently has financial problem, the work originally carried by the contractor has been reassigned to other contractor. Other than this, there is no major events affecting our relationships with our suppliers.

Relationships with customers

Our sale and leasing team maintain good relationship with our customers especially our tenants.

Relationships with employees

During the Period, we are not aware of any major event affecting our relationships with our employees.

BUSINESS REVIEW & OUTLOOK

Please refer to the Chairman's Statement.

FINAL DIVIDEND

The Directors resolved to recommend the payment of a final dividend of HK3.0 cents (2020: HK5 cents) per share payable to those shareholders whose names appeared in the register of members as at the close of business on 25 November 2021, which together with the interim dividend of HK2.0 cents (2020: HK7.5 cents) per share, makes a total distribution of HK5.0 cents (2020: HK12.5 cents) per share this year.

After approval by the shareholders at the Annual General Meeting, the final dividend will be paid on 13 December 2021.

CLOSURE OF REGISTER

The register of members of the Company will be closed during the following periods:–

- (i) from Thursday, 11 November 2021 to Wednesday, 17 November 2021 (both days inclusive) during which period no transfers of shares would be effected. In order to qualify to attend and vote at the 2021 Annual General Meeting, all transfer of shares together with the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 10 November 2021.
- (ii) From Tuesday, 23 November 2021 to Thursday, 25 November 2021 (both days inclusive) during which period no transfers of shares would be effected. In order to qualify for the final dividend, all transfer of shares together with the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 22 November 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS (THE "MODEL CODE")

The Company has adopted codes of conduct regarding securities transactions by Directors (the "Securities Code") and relevant employees on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 of the Listing Rules throughout the year ended 30 June 2021. The Company had also made specific enquiries of all Directors and the Company was not aware of any non-compliance with the required standard of dealings set out in the Model Code.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the provisions of the Corporate Governance Code (“CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except the following:–

- (i) the non-executive directors were not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Bye-Laws of the Company. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the CG Code;
- (ii) the role and responsibilities of Chairman and the Chief Executive Officer are not separated as we are still looking for suitable person to act as Chief Executive Officer.

BOARD AUDIT COMMITTEE

The results for the year ended 30 June 2021 have been reviewed by the Audit Committee of the Company. The Group’s consolidated financial statements have been audited by the Company’s auditor, Grant Thornton Hong Kong Limited and they have issued an unqualified opinion.

INFORMATION REQUIRED UNDER SECTION 436 OF THE COMPANIES ORDINANCE

The financial information relating to the Company for the years ended 30 June 2020 and 2019 included in the Announcement is derived from, but does not constitute the Company’s statutory annual consolidated financial statements for these two years.

The Company has delivered the financial statements for the year ended 30 June 2020 to the Registrar of Companies of Hong Kong as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 30 June 2021 to the Registrar of Companies of Hong Kong within the prescribed time limit.

The Company's auditor has reported on the financial statements of the Group for both the years ended 30 June 2021 and 2020. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

By order of the Board
HO SAU FUN CONNIE
Company Secretary

Hong Kong, 28 September 2021

As at the date of this announcement, the Executive Directors are Dr. Chao Sze Tsung Cecil (Chairman), Ms. Chao Gigi (Vice Chairman), Mr. Yung Philip and Ms. Ho Sau Fun, Connie; the Non-Executive Director are Mr. Chao Howard and Mr. Lee Ding Yue Joseph; the Independent Non-Executive Directors are Dr. Sun Ping Hsu, Samson, Mr. Ting Woo Shou, Kenneth and Mr. Lam Ka Wai, Graham.