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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)

2021-22 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL RESULTS

For the six months ended 30 September 2021, the Group's unaudited consolidated revenue was HK\$610 million (2020: HK\$750 million) with a net profit attributable to shareholders of HK\$58 million (2020: HK\$53 million). Excluding the fair value losses of investment properties (net of deferred taxation) of HK\$13 million (2020: gains of HK\$1 million), the underlying net profit attributable to shareholders would be HK\$71 million for the six months ended 30 September 2021 (2020: HK\$52 million). The drop in revenue was due to decrease in property sales recognised from the Group's development project in mainland China.

Basic earnings per share was HK\$0.11 (2020: HK\$0.10). As at 30 September 2021, the shareholders' equity amounted to HK\$8,345 million (as at 31 March 2021: HK\$8,234 million) and net assets per share attributable to shareholders was HK\$15.13 (as at 31 March 2021: HK\$14.93).

INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend for the six months ended 30 September 2021 (2020: Nil).

BUSINESS REVIEW

1. Property

The Group's property development and investment activities are mainly conducted by its 68.09% owned subsidiary Hon Kwok Land Investment Company, Limited ("Hon Kwok") (Stock Code: 160) and its subsidiaries ("Hon Kwok Group"). Hon Kwok Group reported a turnover of HK\$608 million (2020: HK\$749 million) and net profit attributable to their shareholders of HK\$122 million (2020: HK\$92 million) for the six months ended 30 September 2021. The drop in revenue was mainly due to fewer property units delivered to customers and recognised as revenue during the current period, whereas the increase in net profit resulted from the improvement in the property rental income contribution upon the commencement of lease term from the data centre building in Hong Kong.

Property Development

For the six months ended 30 September 2021, the property development segment revenue was HK\$377 million compared with HK\$609 million in 2020. Segment profit before taxation was HK\$185 million compared with HK\$204 million in 2020. The revenue and profit for the period were derived from property sales recognised from the Metropolitan Oasis in Nanhai, Foshan. The decrease in revenue was mainly due to fewer property units delivered to customers during the current period as compared with the last corresponding period.

The Group's property development projects are located in Mainland China comprising mainly (i) Metropolitan Oasis, Hon Kwok Group's wholly owned project in the Da Li District of Nanhai; (ii) 45-107 Beijing Nan Road, Hon Kwok Group's wholly owned project in the Yue Xiu District of Guangzhou and (iii) Enterprise Square in the Nanshan District of Shenzhen in which Hon Kwok Group owns 20% interest.

Metropolitan Oasis, with a total gross floor area of approximately 273,000 square meters, was developed in three phases. The final phase of the development project was completed in December 2020. For the six months ended 30 September 2021, the Group booked revenue of HK\$377million (2020: HK\$609 million) from the units of Phase 2 and Phase 3 delivered during the period. As at 30 September 2021, the contracted property sales but not yet booked amounted to RMB552 million, expected to be recognised in the second half of 2021/2022 and the next financial year.

Our development site at 45-107 Beijing Nan Road, Yue Xiu District, with a site area of approximately 9,500 square meters, was designated for mixed-use development, including a residential building and a commercial/office building with an aggregated gross floor area of approximately 77,000 square meters. Upon completion of the project, together with the Group's previous development projects adjacent to the site, namely No. 5 Residence and Ganghui Dasha, there will be four blocks of building forming a large-scale complex accommodating office, residential and retail components along Beijing Road. The residential portion of the project will be developed into quality residences for sale while the office portion will be held for rental and long-term investment purposes. Foundation works were completed and the superstructure works were commenced in the third quarter of 2021.

Enterprise Square, of which Hon Kwok Group owns a 20% interest, situated at Qiaoxiang Road North, Nanshan District, has a total gross floor area of approximately 224,500 square meters. This mixed-use commercial complex comprises office towers, a residential apartment and a shopping mall. Apart from an office tower and the shopping mall that are held for leasing purpose, the other office towers and the residential apartments were launched into the market for sale in prior years. For the six months ended 30 September 2021, the project recognised revenue of RMB273 million (2020: RMB229 million). As at 30 September 2021, the contracted property sales but not yet booked amounted to RMB41 million. Net profit attributable to Hon Kwok Group in respect of its interest in Enterprise Square, including the change in fair value of the investment properties, amounted to HK\$22 million (2020: HK\$37 million) for the six months ended 30 September 2021.

Property Investment

For the six months ended 30 September 2021, the property investment segment revenue was HK\$213 million compared with HK\$128 million posted for the same period in 2020. Segment profit before taxation was HK\$68 million compared with HK\$61 million in 2020. Excluding the change in fair value of investment properties, segment profit before taxation was HK\$109 million compared with HK\$50 million in 2020. Following the commencement of lease for the entire data centre building in early 2021, the Group's rental income contribution improved substantially. Meanwhile, the rental performance of the Group's property portfolio in mainland China also improved due to the proactive leasing efforts to improve occupancy despite severe market competition.

Property Investment – Hong Kong

The property investment segment covering offices, hotel property and our industrial data centre, generated stable rental income. The Group's completed investment property portfolio in Hong Kong with an aggregate gross floor area of approximately 502,000 square feet comprises (i) Hon Kwok Jordan Centre, a commercial/office building at Hillwood Road, Tsim Sha Tsui; (ii) The Bauhinia, a hotel cum serviced apartment property at Connaught Road Central and Des Voeux Road Central; (iii) The Bauhinia Hotel (TST), a hotel property at Observatory Court, Tsim Sha Tsui; (iv) Several units in Hilder Centre, Hunghom and (v) Data Centre at Kin Chuen Street, Kwai Chung. Average occupancy of the properties achieved 85% for the six months ended 30 September 2021 (2020: 68%). Despite the slight improvement in rental income from the hotel properties, our operations incurred losses under difficult business conditions. To enhance our competitiveness, we have started the renovation and rebranding projects on our hotel properties in anticipation of a reopening to foreign tourism next year. The commercial property market, however, showed signs of recovery, with improved occupancy and rental rates of our commercial properties.

The newly completed data centre at Kin Chuen Street, Kwai Chung, with UTI Tier III standards and BEAM Plus certification, provided a gross floor area of approximately 228,000 square feet, has commenced operation in 2021. The property is currently fully let to a renowned international data centre operator at satisfactory rental level, generating a stable rental income stream.

Property Investment – Mainland China

The Group's completed investment property portfolio in Mainland China with an aggregate gross floor area of approximately 446,000 square meters comprises (i) Hon Kwok City Commercial Centre, a commercial/office building at the Fu Tian District of Shenzhen, (ii) City Square/The Bauhinia Hotel (Shenzhen), a commercial podium comprising shops and hotel rooms at the Luo Hu District of Shenzhen, (iii) City Suites, serviced apartment units atop of City Square at the Luo Hu District of Shenzhen, (iv) Ganghui Dasha, a commercial/office building at the Yue Xiu District of Guangzhou, (v) Chongqing Hon Kwok Centre, a twin-tower office building atop of a commercial podium at the Bei Bu Xin Qu of Chongqing and (vi) Chongqing Jinshan Shangye Zhongxin, an office tower and a hotel/office tower each with a commercial podium at the Bei Bu Xin Qu of Chongqing. The property portfolio achieved an average occupancy of 67% for the six months ended 30 September 2021 (2020: 63%).

The occupancy of Hon Kwok City Commercial Centre, the Grade A office building situated in the core area of Fu Tian District, Shenzhen, grew steadily over the period under review. As at 30 September 2021, the occupancy rate of the retail portion was 92%, whereas the offices space was 42% leased, overall occupancy rate achieved 49%. As of the date of this report, overall occupancy rate was above 50%.

Property Investment – Valuation

The Group's investment property portfolio was measured on a fair value basis, valued at HK\$15,315 million as at 30 September 2021 (as at 31 March 2021: HK\$15,207 million), including the mainland China portfolio of HK\$10,156 million and Hong Kong portfolio of HK\$5,159 million. Taking into account for the additions to investment properties and the exchange differences arising from movement in Renminbi during the period, a decrease in fair value of HK\$41 million (2020: increase of HK\$11 million) was recorded. All in all, the Group's Hong Kong property portfolio exhibited a slight revaluation gain as the office market became more stable, whilst its mainland China property portfolio recorded a slight revaluation loss, reflecting a decline in market rent in commercial property market.

Property, carpark management and others

For the six months ended 30 September 2021, the property and carpark management segment revenue was HK\$19 million compared with HK\$14 million in the same period of 2020. The carpark management business has shown business improvement as the COVID-19 pandemic was mainly under control. Furthermore, the government continued to offer rental concessions and other subsidies to support the carpark operators, thus operating cost was substantially reduced, resulting in segment profit before taxation of HK\$3.6 million compared with HK\$3.0 million in 2020. As at 30 September 2021, the Group managed 23 carparks (31 March 2021: 17 carparks) with approximately 2,160 parking spaces (as at 31 March 2021: 2,200 parking spaces).

2. Property under redevelopment plan

The Group's 65% owned development project in Douchizhou, Zhongtang Town, Dongguan, covers a site area of approximately 19,000 square meters, yielding a gross floor area of approximately 58,000 square meters. It is our redevelopment project converting a parcel of land previously owned by our Group's former garment factory into a commercial/residential project. Superstructure works are progressing satisfactorily. Pre-sale of the project is expected to be commenced before end of this year.

3. Construction and Trading

Chinney Alliance Group Limited ("Chinney Alliance") (Stock Code: 385), a 29.1% owned associate recorded turnover and net profit attributable to shareholders for the six months ended 30 June 2021 of HK\$3,004 million (2020: HK\$2,177 million) and HK\$8.5 million (2020: HK\$52.3 million).

Chinney Alliance's foundation piling and ground investigation businesses are conducted by Chinney Kin Wing Holdings Limited ("Chinney Kin Wing") (Stock Code: 1556), a 74.5% owned subsidiary listed on the Main Board of The Stock Exchange of Hong Kong Limited. Chinney Kin Wing contributed revenue of HK\$998 million (2020: HK\$687 million) and operating profit of HK\$42.6 million (2020: HK\$39.9 million). The increase in revenue was primarily attributable to the satisfactory construction progress of certain sizable contracts, together with the improved contribution by the drilling and site investigation contracts, whereas the profit margin declined due to the surging wages and direct material cost. The division continues to enhance its technical capabilities to meet future opportunities and it will also allocate more resources to expand the drilling services and client base.

The Building Construction division, mainly consists of Chinney Construction Company, Limited ("Chinney Construction") and Chinney Timwill Construction (Macau) Company Limited, engaged in superstructure construction works in Hong Kong and Macau, contributed a revenue of HK\$420 million (2020: HK\$305 million) and recorded an operating loss of HK\$42.0 million (2020: profit of HK\$14.9 million). Notwithstanding the increase in revenue, a loss was recorded which was partly attributable to the cost overruns for recently completed projects which could not be fully claimable from employers and partly due to pandemic related delays over the past couple of years. The division continues to monitor the ongoing projects to maintain both working quality and profitability. Its management envisages that for the full year of 2021, the company would achieve a positive figure.

The Building related contracting services division, consists of Shun Cheong Investments Limited and its subsidiaries, engaged in the contracting businesses of ventilation and air-conditioning, electrical and fire services, contributed revenue of HK\$1,134 million (2020: HK\$905 million) and operating profit of HK\$35.4 million (2020: HK\$41.1 million). Despite the increase in revenue from the work performed during the period, a drop in profit margin was resulted owing to the rising material and logistics costs, as well as the project delay under the impact of pandemic.

The Plastic Trading division, consists of Jacobson van den Berg (Hong Kong) Limited, contributed revenue of HK\$285 million (2020: HK\$182 million) and recorded an operating profit of HK\$12.9 million (2020: loss of HK\$1.4 million). The division benefited from the upsurge in demand and consumption in the post-Covid condition, the rise in product price led to an increase in revenue and profit. The division will continue to enhance its competitive edge and develop new products to cater for customer needs.

The Aviation division, consists of Chinney Alliance Engineering Limited, contributed revenue of HK\$168 million (2020: HK\$99 million) and recorded an operating profit of HK\$5.9 million (2020: HK\$3.3 million). The division is running multiple projects for the Hong Kong International Airport and will continue to contribute profit in the coming years.

OUTLOOK

Despite viral variants and the risk of “breakthrough” infections, the world economy is starting to emerge from pandemic induced lockdowns. While the timing remains fuzzy, we anticipate a reopening of Hong Kong to China and international travel by 2022.

Major economies should also continue to rebound under supportive monetary and fiscal policies, including a trillion dollar infrastructure spending bill in the US. Capital markets are flooded with liquidity and a search for yield. However, the global economy is facing headwinds arising from inflation and the risk of interest rate rises in the coming year. We should continue to expect disruptions from the ongoing geopolitical tension between the US and China.

On the Mainland, the Central Government pronounced that “houses are for living in, not for speculation”. To this end, it adopted a series of restrictive measures to stabilise the housing prices and credit measures to regulate the real estate lending to developers and purchasers. State policy is also orienting towards the principle of “common prosperity”.

This suggests course adjustments and restructuring in the property market. Like many of our peers, the current climate calls for risk management and strengthening operational capabilities, rather than aggressive growth oriented strategies.

In Hong Kong, the market found its footing in the first half of 2021, mainly driven by local consumption under improved market sentiment. The residential property market remained resilient and registered robust transaction volume in the primary and secondary housing market, reflecting the strong housing demand amidst the prevailing low interest environment. Looking forward, Hong Kong will benefit from ample opportunities brought about by the National 14th Five-Year Plan, which positioned Hong Kong as an international financial, transportation and trade centre. Our engineering companies will participate in the HKSAR Government’s urban development and infrastructure plans to ease the housing shortage. Therefore, we are cautiously optimistic about the growth prospect of the local economy in the long run.

I would like to take this opportunity to express my sincere thanks to my fellow directors for their contributions and all staff members for their hard work during the period under review.

James Sai-Wing Wong
Chairman

Hong Kong, 25 November 2021

UNAUDITED CONSOLIDATED RESULTS

The unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2021 together with comparative figures for the corresponding period in the prior year are as follows:

Condensed Consolidated Statement of Profit or Loss

		Six months ended 30 September	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	609,576	750,077
Cost of sales		<u>(258,778)</u>	<u>(421,597)</u>
Gross profit		350,798	328,480
Other income and gains, net	3	39,184	18,433
Fair value gains/(losses) on investment properties, net		(41,099)	11,474
Administrative and other operating expenses		(97,635)	(92,877)
Finance costs	4	(86,080)	(95,959)
Share of profits of associates		<u>24,977</u>	<u>52,510</u>
Profit before tax	5	190,145	222,061
Income tax expense	6	<u>(93,888)</u>	<u>(138,420)</u>
Profit for the period		<u>96,257</u>	<u>83,641</u>
Attributable to:			
Owners of the Company		58,479	53,494
Non-controlling interests		<u>37,778</u>	<u>30,147</u>
		<u>96,257</u>	<u>83,641</u>
Earnings per share attributable to ordinary equity holders of the Company	7		
Basic and diluted		<u>HK\$0.11</u>	<u>HK\$0.10</u>

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	96,257	83,641
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of associates	6,095	8,089
Exchange differences on translation of foreign operations	118,199	209,490
	124,294	217,579
Other comprehensive income for the period, net of tax	124,294	217,579
Total comprehensive income for the period	220,551	301,220
Attributable to:		
Owners of the Company	138,244	191,630
Non-controlling interests	82,307	109,590
	220,551	301,220

Condensed Consolidated Statement of Financial Position

		At 30 September 2021 (Unaudited) HK\$'000	At 31 March 2021 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		313,708	295,564
Investment properties		15,315,381	15,207,048
Investment in a joint venture		199	199
Investments in associates		<u>1,311,427</u>	<u>1,285,888</u>
Total non-current assets		<u>16,940,715</u>	<u>16,788,699</u>
CURRENT ASSETS			
Tax recoverable		236	234
Properties held for sale under development and completed properties held for sale		2,087,975	2,117,059
Trade receivables	9	14,240	19,116
Contract costs		16,409	16,917
Prepayments, deposits and other receivables		445,925	317,414
Cash and bank balances		<u>1,735,508</u>	<u>2,000,264</u>
		4,300,293	4,471,004
Assets classified as held for sale		<u>-</u>	<u>34,200</u>
Total current assets		<u>4,300,293</u>	<u>4,505,204</u>
CURRENT LIABILITIES			
Trade payables, other payables, accrued liabilities and others	10	337,828	325,274
Interest-bearing bank borrowings		2,354,826	1,616,638
Lease liabilities		17,643	11,993
Contract liabilities		385,027	364,389
Customer deposits		100,500	92,341
Tax payable		<u>275,561</u>	<u>298,281</u>
Total current liabilities		<u>3,471,385</u>	<u>2,708,916</u>
NET CURRENT ASSETS		<u>828,908</u>	<u>1,796,288</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>17,769,623</u>	<u>18,584,987</u>

Condensed Consolidated Statement of Financial Position *(Continued)*

	At 30 September 2021 (Unaudited) HK\$'000	At 31 March 2021 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	3,838,884	4,835,098
Lease liabilities	33,491	13,641
Deferred tax liabilities	1,438,336	1,441,579
	<hr/>	<hr/>
Total non-current liabilities	5,310,711	6,290,318
	<hr/>	<hr/>
Net assets	12,458,912	12,294,669
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the Company		
Share capital	405,411	405,411
Reserves	7,939,534	7,828,858
	<hr/>	<hr/>
	8,344,945	8,234,269
	<hr/>	<hr/>
Non-controlling interests	4,113,967	4,060,400
	<hr/>	<hr/>
Total equity	12,458,912	12,294,669
	<hr/>	<hr/>

Notes:

1. Basis of preparation and changes in accounting policies and disclosures

Basis of preparation

The unaudited condensed interim consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The unaudited condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2021.

The financial information relating to the year ended 31 March 2021 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 September 2021 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 March 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on those consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Changes in accounting policies and disclosures

The unaudited condensed interim consolidated financial statements have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. The accounting policies adopted in the preparation of the unaudited condensed interim consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2021, except as described below. The Group has applied, for the first time, the following revised Hong Kong Financial Reporting Standards (“HKFRS”, which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA for the current period’s financial information.

The adoption of these revised accounting standards does not have material impact on the Group’s unaudited condensed interim consolidated financial statements.

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

*COVID-19 – Related Rent Concessions
beyond 30 June 2021*

2. Operating segment information

The Group is principally engaged in property development, property investment and property related activities. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Operating segments are reported in a manner consistent with the internal reporting provided to key management personnel.

(a) Business segments

Six months ended 30 September 2021 (Unaudited)

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	<u>377,046</u>	<u>213,303</u>	<u>19,227</u>	<u>609,576</u>
Segment results	<u>184,956</u>	<u>68,425</u>	<u>3,626</u>	<u>257,007</u>
<i>Reconciliation:</i>				
Interest income				6,200
Corporate and other unallocated expenses				(12,572)
Finance costs (other than interest on lease liabilities)				(85,467)
Share of profits of associates				<u>24,977</u>
Profit before tax				<u>190,145</u>

Six months ended 30 September 2020 (Unaudited)

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	<u>608,929</u>	<u>127,550</u>	<u>13,598</u>	<u>750,077</u>
Segment results	<u>203,860</u>	<u>61,158</u>	<u>3,034</u>	<u>268,052</u>
<i>Reconciliation:</i>				
Interest income				6,894
Corporate and other unallocated expenses				(10,087)
Finance costs (other than interest on lease liabilities)				(95,308)
Share of profits of associates				<u>52,510</u>
Profit before tax				<u>222,061</u>

2. Operating segment information (Continued)

(a) Business segments (Continued)

At 30 September 2021 (Unaudited)

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment assets	2,524,395	15,824,378	2,109,754	20,458,527
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(2,264,889)
Investment in a joint venture				199
Investments in associates				1,311,427
Corporate and other unallocated assets				<u>1,735,744</u>
Total assets				<u>21,241,008</u>
Segment liabilities	1,534,277	1,163,763	441,338	3,139,378
<i>Reconciliation:</i>				
Elimination of intersegment payables				(2,264,889)
Corporate and other unallocated liabilities				<u>7,907,607</u>
Total liabilities				<u>8,782,096</u>

At 31 March 2021 (Audited)

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment assets	2,512,372	15,736,324	2,058,549	20,307,245
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(2,299,927)
Investment in a joint venture				199
Investments in associates				1,285,888
Corporate and other unallocated assets				<u>2,000,498</u>
Total assets				<u>21,293,903</u>
Segment liabilities	1,590,609	1,136,503	380,453	3,107,565
<i>Reconciliation:</i>				
Elimination of intersegment payables				(2,299,927)
Corporate and other unallocated liabilities				<u>8,191,596</u>
Total liabilities				<u>8,999,234</u>

2. Operating segment information *(Continued)*

(b) Geographical segments – Revenue

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong	94,668	41,090
Mainland China	514,908	708,987
	<u>609,576</u>	<u>750,077</u>

3. Revenue, Other income and gains

Disaggregation of revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers and the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	Six months ended 30 September 2021 (Unaudited)			
	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment				
Type of goods or services				
Sales of properties	377,046	-	-	377,046
Property management income	-	21,601	848	22,449
Total revenue from contracts with customers	<u>377,046</u>	<u>21,601</u>	<u>848</u>	<u>399,495</u>
Revenue from other sources				
Gross rental income	-	191,702	18,379	210,081
Total revenue from other sources	<u>-</u>	<u>191,702</u>	<u>18,379</u>	<u>210,081</u>
Revenue disclosed in the segment information	<u>377,046</u>	<u>213,303</u>	<u>19,227</u>	<u>609,576</u>
Timing of revenue recognition				
Goods transferred at a point in time	377,046	-	-	377,046
Services transferred over time	-	21,601	848	22,449
Total revenue from contracts with customers	<u>377,046</u>	<u>21,601</u>	<u>848</u>	<u>399,495</u>

3. Revenue, Other income and gains (Continued)

Disaggregation of revenue (Continued)

	Six months ended 30 September 2020 (Unaudited)			
	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment				
Type of goods or services				
Sales of properties	608,929	-	-	608,929
Property management income	-	15,207	920	16,127
Total revenue from contracts with customers	608,929	15,207	920	625,056
Revenue from other sources				
Gross rental income	-	112,343	12,678	125,021
Total revenue from other sources	-	112,343	12,678	125,021
Revenue disclosed in the segment information	608,929	127,550	13,598	750,077
Timing of revenue recognition				
Goods transferred at a point in time	608,929	-	-	608,929
Services transferred over time	-	15,207	920	16,127
Total revenue from contracts with customers	608,929	15,207	920	625,056

Other income and gains, net

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Gain on disposal of property, plant and equipment	25,335	86
Loss on disposal of investment properties	(4,491)	-
Bank interest income	6,200	6,894
Others	12,140	7,985
Government subsidies [#]	-	3,468
	39,184	18,433

[#] The government subsidies represented mainly grants from the Employment Support Scheme of the Hong Kong Government, which aimed to retain employment and combat COVID-19. There were no unfulfilled conditions or contingencies relating to these subsidies.

4. Finance costs

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	94,425	113,414
Interest on lease liabilities	613	651
Less: Interest capitalised under properties under development/construction	(8,958)	(18,106)
	86,080	95,959

5. Profit before tax

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

	Six months ended 30 September 2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Depreciation of property, plant and equipments	3,262	2,989
Depreciation of right-of-use assets*	16,482	11,018
Employee benefit expenses (including directors' remuneration)	41,946	37,057
Less: Amounts capitalised under properties under development/construction	(10,080)	(8,580)
	<u>31,866</u>	<u>28,477</u>

* Included in the amount are the depreciation of leased car parks of HK\$10,027,000 which are included in "Cost of sales" in the condensed consolidated statement of profit or loss.

6. Income tax

	Six months ended 30 September 2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Current – Hong Kong		
Under-provision in prior periods	95	-
Current – Elsewhere	112,172	128,545
Deferred	(18,379)	9,875
	<u>93,888</u>	<u>138,420</u>
Total tax charge for the period		

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. No Hong Kong profits tax was provided as the Group had available tax losses brought forward from prior years to offset the assessable profits generated during that period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

7. Earnings per share attributable to ordinary equity holders of the Company

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$58,479,000 (2020: HK\$53,494,000) and the weighted average number of 551,368,153 ordinary shares in issue during both periods.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 September 2021 and 2020 in respect of a dilution as the Group has no potential dilutive ordinary shares in issue during both periods.

8. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2021 (2020: Nil).

The final dividend of HK 5.0 cents per ordinary share for the year ended 31 March 2021 was approved by the Company's shareholders at the annual general meeting of the Company held on 26 August 2021 and paid on 28 September 2021.

9. Trade receivables

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

	At 30 September 2021 (Unaudited) HK\$'000	At 31 March 2021 (Audited) HK\$'000
Within 30 days	396	620
31 to 60 days	20	44
61 to 90 days	20	21
Over 90 days	<u>13,804</u>	<u>18,431</u>
Total	<u>14,240</u>	<u>19,116</u>

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of the consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue trade debts are closely monitored by management and are provided for in full in case of non-recoverability. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. The carrying amounts of the trade receivables approximate to their fair values.

10. Trade payables, other payables, accrued liabilities and others

Included in the trade payables, other payables, accrued liabilities and others are trade payables of HK\$8,060,000 (as at 31 March 2021: HK\$9,561,000). An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	At 30 September 2021 (Unaudited) HK\$'000	At 31 March 2021 (Audited) HK\$'000
Within 30 days	8,046	9,526
Over 90 days	<u>14</u>	<u>35</u>
Total	<u>8,060</u>	<u>9,561</u>

11. Contingent liabilities

As at 30 September 2021, the Group has given guarantees of HK\$25,866,000 (as at 31 March 2021 (audited): HK\$219,931,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date the loans are granted to the purchasers up to the date of issuance of property ownership certificates to the purchasers.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK\$6,245 million as at 30 September 2021 (as at 31 March 2021: HK\$6,477 million), of which approximately 38% (as at 31 March 2021: 25%) of the debts were classified as current liabilities. Included therein were debts of HK\$55 million related to bank loans with repayable on demand clause and HK\$1,500 million related to project or term loans which will be refinanced during the forthcoming twelve months. Based on the repayment schedules pursuant to the related loan agreements and assuming that the aforesaid refinancing will be completed on schedule, the current portion of the total interest-bearing debts would be approximately 13%.

Total cash and bank balances including time deposits were approximately HK\$1,736 million as at 30 September 2021 (as at 31 March 2021: HK\$2,000 million) and the decrease was mainly due to the repayment of bank loans and payment of construction costs for property development projects. Included in cash and bank balances are restricted bank deposits of HK\$115 million (as at 31 March 2021: HK\$114 million) which can only be applied in the designated property development projects prior to their completion of construction. The Group had committed but undrawn banking facilities of a total of approximately HK\$1,465 million at period end available for its working capital purpose.

Total shareholders' funds as at 30 September 2021 were approximately HK\$8,345 million (as at 31 March 2021: HK\$8,234 million). The increase was mainly due to current period's profit attributable to shareholders less dividend paid and the appreciation in value of assets less liabilities denominated in Renminbi.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK\$4,509 million (as at 31 March 2021: HK\$4,477 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK\$12,459 million (as at 31 March 2021: HK\$12,295 million), was 36% as at 30 September 2021 (as at 31 March 2021: 36%).

Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30 September 2021, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

Pledge of assets

Properties with an aggregate carrying value of approximately HK\$16,268 million as at 30 September 2021 and shares in certain subsidiaries were pledged to secure certain banking facilities of the Group.

Employees and remuneration policies

The Group, not including its associates and joint venture, employed approximately 370 employees as at 30 September 2021 (as at 31 March 2021: approximately 380). There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

CONNECTED TRANSACTIONS

1. On 20 September 2016, Gold Famous Development Limited (“Gold Famous”), an indirect wholly-owned subsidiary of Hon Kwok, entered into a framework agreement with Kin Wing Foundations Limited (“Kin Wing Foundations”), an indirect wholly-owned subsidiary of Chinney Kin Wing and an indirect non wholly-owned subsidiary of Chinney Alliance, pursuant to which, Kin Wing Foundations was appointed by Gold Famous as a contractor for the foundation construction works at K.C.T.L. 495, Kin Chuen Street, Kwai Chung, New Territories, Hong Kong (the “Land”) for a contract sum of HK\$210,000,000. As Dr. James Sai-Wing Wong is the controlling shareholder of each of the Company, Hon Kwok, Chinney Alliance and Chinney Kin Wing, the transaction constituted a connected transaction under the Listing Rules. The transaction was approved by the independent shareholders of the Company, Hon Kwok, Chinney Alliance and Chinney Kin Wing at the respective general meetings held by each of the companies on 7 November 2016.

Details of the transaction were set out in the joint announcement of the Company, Hon Kwok, Chinney Alliance and Chinney Kin Wing dated 20 September 2016 and the Company’s circular dated 21 October 2016. Construction works were completed and pending for finalisation of variation orders and final accounts of the project. During the six months ended 30 September 2021, no development cost was paid to Kin Wing Foundations.

2. On 12 July 2018, Gold Famous entered into a framework agreement with Chinney Construction, an indirect wholly-owned subsidiary of Chinney Alliance, pursuant to which Gold Famous engaged Chinney Construction to act as the main contractor to carry out construction works for the construction and development of a data centre at the Land at a total contract sum not exceeding HK\$757,800,000 (the “Framework Agreement”). As the Company is interested in approximately 68.09% of the issued shares of Hon Kwok and approximately 29.10% of the issued shares of Chinney Alliance and Dr. James Sai-Wing Wong is the chairman, executive director and a controlling shareholder of each of the Company, Hon Kwok and Chinney Alliance, the related transaction constituted a connected transaction for each of the Company, Hon Kwok and Chinney Alliance under the Listing Rules. The transaction was approved by the independent shareholders of the Company, Hon Kwok and Chinney Alliance at the respective general meetings held by each of the companies on 24 August 2018.

Details of the transaction were set out in the joint announcement of the Company, Hon Kwok, Chinney Alliance dated 12 July 2018 and the Company’s circular dated 8 August 2018. Construction works were completed and pending for agreement of variation orders and final accounts of the project. During the six months ended 30 September 2021, no development cost was paid to Chinney Construction in respect of the transaction.

CORPORATE GOVERNANCE

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct for directors’ securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 September 2021.

Compliance with the Corporate Governance Code

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules for the six months ended 30 September 2021, except for the following deviations:

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

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

The Chairman and the Managing Director will not be subject to retirement by rotation; which deviates from CG Code provision A.4.2 as the Board considers that the continuity of office of the Chairman and the Managing Director provide the Group with a strong and consistent leadership and is of great importance to the smooth operations of the Group.

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

2. CG Code provision A.5.1 stipulates that, amongst others, issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director.

The Company has not established a nomination committee. The Board is responsible for considering the suitability of a candidate to act as a director, and collectively approving and terminating the appointment of a director as this allows a more informed and balanced decision to be made. The Chairman is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Chairman will propose the appointment of such candidates to the Board for consideration and the Board will determine the suitability of the relevant candidates having due regard to the Nomination Policy and the Board Diversity Policy adopted by the Company and assess the independence of the proposed independent non-executive director(s) as appropriate.

3. CG Code provision B.1.2 stipulates that the terms of reference of the remuneration committee should include, as a minimum, those specific duties as set out in the CG Code provisions.

The Company has adopted the revised terms of reference of the Remuneration Committee on 30 March 2012 with certain deviations from the CG Code provisions. Pursuant to the revised terms of reference, the Remuneration Committee reviews and makes recommendations to the Board on the remuneration packages of directors (as opposed to directors and senior management).

Audit Committee

Regular meetings have been held by the Audit Committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Company's interim results for the six months ended 30 September 2021 have not been audited, but have been reviewed by the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2021.

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 25 November 2021

At the date of this announcement, the directors of the Company are Dr. James Sai-Wing Wong (Chairman), Mr. Yuen-Keung Chan (Vice Chairman and Managing Director) and Mr. James Sing-Wai Wong as executive directors; Mr. Paul Hon-To Tong and Dr. Emily Yen Wong as non-executive directors; and Mr. Richard Chi-Ho Lo, Mr. Winfred Wai-Lap Fan and Mr. Randall Todd Turney as independent non-executive directors.