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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 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL RESULTS

For the year ended 31 March 2022, the Group's consolidated revenue was HK\$1,113 million (2021: HK\$1,278 million) with a net profit attributable to shareholders of HK\$56 million (2021: HK\$78 million). The underlying net profit attributable to shareholders will be HK\$110 million (2021: HK\$91 million) after excluding the fair value losses of investment properties (net of deferred taxation) of HK\$54 million (2021: HK\$13 million). The decline in revenue was mainly due to a decrease in property sales recognised during the year. The increase in underlying profit was attributed to a gain of HK\$33 million arising from a partial disposal of interest in the Group's redevelopment project in Dongguan.

As at 31 March 2022, shareholders' equity amounted to HK\$8,448 million (as at 31 March 2021: HK\$8,234 million) and net assets per share attributable to shareholders stood at HK\$15.32 (as at 31 March 2021: HK\$14.93). The increase in shareholders' equity at year end resulted from net profits attributable to shareholders less dividend paid, and the exchange rate difference caused by appreciation of Renminbi against Hong Kong Dollars during the year.

DIVIDEND

The Directors recommend the payment of a final dividend of 5 Hong Kong cents per ordinary share for the year ended 31 March 2022 (2021: 5 Hong Kong cents) to shareholders whose names appear on the Company's register of members on 2 September 2022. Subject to the approval by the shareholders at the forthcoming annual general meeting, the dividend cheques are expected to be despatched to shareholders on or before 29 September 2022.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 25 August 2022. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 22 August 2022 to 25 August 2022 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be relocated to 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong with effect from 15 August 2022) not later than 4:30 p.m. on 19 August 2022.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 March 2022 is subject to the approval by the shareholders at the annual general meeting. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 1 September 2022 to 2 September 2022, during which period no share transfers will be registered. The last day for dealing in the Company's shares cum entitlements to the proposed final dividend will be 29 August 2022. In order to qualify for the proposed final dividend, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be relocated to 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong with effect from 15 August 2022) not later than 4:30 p.m. on 31 August 2022.

BUSINESS REVIEW

1. Property

The Group's property development and investment activities are 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 revenues of HK\$1,106 million (2021: HK\$1,276 million) and net profit attributable to its shareholders of HK\$92 million (2021: HK\$122 million) for the financial year 2021/2022.

The decline in revenue was due to decrease in sales recognition from Hon Kwok Group's development projects, which recorded HK\$633 million (2021: HK\$957 million), from the delivery of sold units in Metropolitan Oasis, a residential project in Nanhai, Mainland China. Revenue from its property rental business grew to HK\$434 million (2021: HK\$290 million) due to lease commencement of its fully-leased data centre in Hong Kong, together with an improvement in overall occupancy for Hon Kwok Group's investment properties.

The decline in net profit attributable to shareholders was mainly due to further fair value losses (net of deferred taxation) of HK\$80 million (2021: HK\$11 million) recorded upon reappraisals of Hon Kwok Group's investment properties at year end as compared with last year. Excluding fair value losses, underlying profit is HK\$172 million (2021: HK\$133 million).

Property Development and Investment – Mainland China

Guangzhou, PRC

Ganghui Dasha 港滙大廈 is situated at the junction of Beijing Road, Nanti Er Road and Baqi Er Road, in Yue Xiu District. This 20-storey commercial/office building with a total gross floor area of approximately 13,000 sq.m. earned stable rental income and reached an average occupancy rate of about 98% during the year (2021: 74%).

Our development site at **45-107 Beijing Nan Road**, Yue Xiu District, with a site area of approximately 9,500 sq.m., is in close proximity to the Beijing Road Pedestrian Street and to the Pearl River. It is designated for mixed-use development, including a 30-storey commercial/residential building and a 32-storey commercial/office building with an aggregate gross floor area of approximately 77,000 sq.m.. The development site is adjacent to the Group's former projects, No. 5 Residence and Ganghui Dasha.

Upon completion, these three developments will form a large-scale mixed-use complex consisting of office, residential and retail components along Beijing Road. This modern “live-work-play” development includes a commercial complex with integrated features of shopping, dining and leisure, plus residential and office buildings offering unobstructed waterfront views of the Pearl River. Pre-sales of the residential portion is scheduled to be launched in 2023, while the office portion will be held primarily as investment property for earning recurrent rental income. Construction works are in progress with completion expected in the financial year 2023/2024.

Nanhai, Foshan, PRC

Metropolitan Oasis 雅瑤綠洲, situated in Da Li District, Nanhai with a total gross floor area of approximately 273,000 sq.m., was developed in three phases. The final phase of the project, comprising 19 blocks of high-rise apartments of approximately 550 units, was completed in December 2020. For the year ended 31 March 2022, the Group recorded revenue of HK\$633 million (2021: HK\$957 million) from the property units of Phase 2 and Phase 3 delivered during the year. As at 31 March 2022, property sales contracted but revenue not yet booked amounted to RMB478 million, which is expected to be recognised in the financial year 2022/2023 and the subsequent year.

Shenzhen, PRC

Hon Kwok City Commercial Centre 漢國城市商業中心, the Group’s investment property, with a total gross floor area of approximately 128,000 sq.m., is situated at the junction of Shen Nan Zhong Road and Fu Ming Road, in the core area of Futian District. This signature above-ground 75-storey commercial/office tower with a 5-level basement, offers high-quality Grade A office and retail components. The building was completed in 2018 and delivered for leasing in 2019. Throughout the year under review, it exhibited satisfactory and steady growth in occupancy rate. As at 31 March 2022, 58% of the office space (2021: 30%) and 95% of the retail space (2021: 91%) were leased, with an overall occupancy rate achieved 64% (2021: 39%).

City Square 城市天地廣場, situated at Jia Bin Road, in Luo Hu District, is a 5-storey commercial podium occupied by retail shops at ground level and the first floor, along with a 162-room hotel on the three upper floors. During the year under review, the hotel sector continued to be negatively impacted by stringent travel restrictions imposed during sporadic Covid-19 outbreaks on the Mainland. For this reason, **The Bauhinia Hotel (Shenzhen)** 寶軒酒店 (深圳), had a relatively low level of occupancy. Fortunately, the average occupancy rate of **City Suites** 寶軒公寓, a 64-unit serviced apartment on top of the podium, remained stable and stood at around 90%.

Enterprise Square 僑城坊, in which Hon Kwok Group owns a 20% interest, is situated at Qiaoxiang Road North, in Nanshan District, covering a site area of approximately 49,000 sq.m. and a total gross floor area of approximately 224,500 sq.m.. Completed in 2018, the development consists of a commercial complex comprising office towers, a residential apartment tower and a commercial mall. Majority portion of the office towers and a portion of residential apartments have been sold. Meanwhile, the commercial mall and an office tower are held as investment property for earning recurrent rental income. For the year ended 31 March 2022, property sales of residential apartment units realised revenue of RMB341 million (2021: RMB351 million) from units delivered. As at 31 March 2022, property sales contracted but revenue not yet booked amounted to RMB100 million. Net profit attributable to Hon Kwok Group in respect of Enterprise Square, including changes in fair value of the office tower and commercial mall classified as investment properties, amounted to HK\$36 million (2021: HK\$67 million) for the year ended 31 March 2022.

Chongqing, PRC

Chongqing Hon Kwok Centre 重慶漢國中心, located in Bei Bu Xin Qu, is a 21-storey twin-tower office building complex atop a 4-storey retail/commercial podium. With a total gross floor area of approximately 108,000 sq.m., it achieved an average occupancy rate of 88% during the year under review (2021: 88%).

Chongqing Jinshan Shangye Zhongxin 重慶金山商業中心, is another twin-tower project located in Bei Bu Xin Qu and adjacent to the above Chongqing Hon Kwok Centre. With a total gross floor area of approximately 173,000 sq.m., it comprises a 41-storey office tower and a 42-storey hotel and office composite tower, each with its respective 4-storey retail/commercial podium. As at 31 March 2022, occupancy rate of the office tower was 84% (2021: 84%), while occupancy rate of the hotel/office tower was 62% (2021: 64%). Overall average occupancy rate was 75% during the year (2021: 74%).

Property Investment – Hong Kong

Digital Realty Kin Chuen (HKG11), is situated at Kin Chuen Street, Kwai Chung, New Territories. This newly completed data centre represents a significant milestone of the Group in diversifying its property portfolio strategically. With a gross floor area of approximately 228,000 sq.ft., the building is 12-storeys above ground with a 2-level basement. Designed to a high-level UTI Tier III data centre standard with BEAM Plus certification, the data centre provides the highest quality facility in Hong Kong. Delivered for occupation in 2021, the property has been fully let to a renowned international data centre operator on a long-term lease. The property generates stable and satisfactory rental income.

During the year ended 31 March 2022, the average occupancy rate of **The Bauhinia Hotel (Central)** 寶軒酒店(中環), a 42-room boutique hotel situated at four podium floors of a hotel/serviced apartment building at Connaught Road Central and Des Voeux Road Central was about 82% (2021: 71%). **The Bauhinia** 寶軒, a 171-room serviced apartment residence atop the above hotel, had an average occupancy rate of about 75% (2021: 75%). Difficult business conditions continued for the hotel sector due to lingering impacts of the Covid-19 pandemic and related travel restrictions. In preparation for a rebound in tourism and to enhance our competitiveness, we are updating our brand and refurbishing the apartments. At present, planning and design works are in progress.

The Bauhinia Hotel (TST) 寶軒酒店(尖沙咀), located in Observatory Court, Tsim Sha Tsui, is a 98-room boutique hotel occupying a total of 20 floors of a 23-storey commercial/office building. The average occupancy rate was about 64% for the year ended 31 March 2022 (2021: 66%). Remaining floors of the above building are leased for commercial use. To expand our target market, we collaborated with an international serviced living operator. During the year, a portion of our hotel rooms were operated under the brand “DASH LIVING” to provide co-living services. Management continues to explore new business opportunities, as well as adopt cost control measures amid the current challenging business environment.

Hon Kwok Jordan Centre 漢國佐敦中心, with a gross floor area of approximately 62,000 sq.ft., is a 23-storey commercial/office building situated at Hillwood Road, Tsim Sha Tsui. During the year ended 31 March 2022, the average occupancy rate gradually increased to 88% (2021: 69%).

Property and carpark management

For the year ended 31 March 2022, the property and carpark management division reported revenue of HK\$35 million as compared with HK\$29 million last year. The Group's carpark management business maintained steady growth amid the unfavourable operating environment of the Covid-19 pandemic. To support carpark operators, the government granted rental concessions to operators managing public carparks, which helped reduce operating costs. As at 31 March 2022, the Group managed 23 car parks (31 March 2021: 17 car parks) with approximately 2,050 parking spaces (31 March 2021: 2,200 parking spaces).

Property Investment - Valuation

The Group's investment property portfolio measured on a fair value basis is valued at HK\$15,923 million as at 31 March 2022 (as at 31 March 2021: HK\$15,207 million), comprised of a Mainland China portfolio of HK\$10,714 million and Hong Kong portfolio of HK\$5,209 million. Taking into account the new addition to the investment property portfolio of HK\$133 million and the effect of exchange rate differences, fair value losses of investment properties (net of deferred taxation) amounted to HK\$80 million for the year ended 31 March 2022 (2021: HK\$11 million). This was mainly attributed to downward pressure in Mainland China's property market.

2. Property under redevelopment plan

The development project at Douchizhou, Zhongtang Town, Dongguan, covers a site area of approximately 19,000 sq.m. and a gross floor area of approximately 58,000 sq.m.. It is a redevelopment project converting a parcel of land previously owned by our Group's former garment factory into a commercial/residential project. Superstructure construction works are expected to be completed by the end of 2022. A portion of residential units were launched to the market for pre-sales in early 2022 and achieved contract sales of RMB100 million up to 31 March 2022.

In November 2021, the Group entered into a sale and purchase agreement to dispose of a 35% interest in this project at Dongguan, PRC, through the sale of equity interest of its offshore holding company for a total cash consideration of RMB30 million (equivalent to Hong Kong dollar of approximately HK\$36.6 million). This reduced the Group's interest in the project from 65% to 30%. The transaction was completed in November 2021 and the relevant gain on disposal amounted to approximately HK\$33 million. The disposal enabled the Group to realise a portion of its interest in this investment and generated additional cash flow.

3. Construction and Trading

Chinney Alliance Group Limited ("Chinney Alliance") (Stock Code: 385), a 29.1% owned associate recorded revenue of HK\$6,800 million (2020: HK\$4,942 million) and net profit attributable to its shareholders of HK\$77.4 million (2020: HK\$124.1 million) for the year ended 31 December 2021.

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 (the "Stock Exchange"). Chinney Kin Wing contributed revenue of HK\$2,042 million (2020: HK\$1,553 million) and operating profit of HK\$81.7 million (2020: HK\$85.0 million).

The increase in revenue was attributable to the continuing construction progress of sizeable foundation contracts as well as contribution from drilling and site investigation contracts. However, profit margins shrank due to a significant increase in material and labour costs. In particular, extra resources were allocated to comply with stringent Covid-related contract requirements and construction schedules.

The building construction division engaged in superstructure construction works, contributed revenue of HK\$1,120 million (2020: HK\$659 million) and recorded an operating loss of HK\$41.5 million (2020: profit of HK\$15.7 million). Operating loss was incurred as a result of delay in projects completed during the year, of which cost overruns were not fully claimable from clients. Besides, project works have suffered delays under the impact of the pandemic these past couple of years.

The building-related contracting services division, engaged in electrical, HVAC, fire services and pump and drainage businesses, achieved revenue of HK\$2,684 million (2020: HK\$2,056 million) and operating profit of HK\$82.0 million (2020: HK\$74.4 million). Owing to the increase in material and labour costs, as well as site overheads, gross profit margins were squeezed. Management continued to explore higher value tender opportunities in large-scale government projects.

The aviation division contributed revenue of HK\$382 million (2020: HK\$211 million) and an operating profit of HK\$13.4 million (2020: HK\$14.9 million). The division has gained expertise and a reliable reputation in the aviation sector. It operates a number of projects for the Hong Kong International Airport and the Hong Kong Government.

The plastic and chemical products division generated revenue of HK\$572 million (2020: HK\$463 million) and operating profit of HK\$25.5 million (2020: HK\$11.1 million). The division found trading opportunities among disruptions caused by the Covid-19 pandemic, as the margin for trading plastic raw materials and chemicals improved during supply shortages. Besides, sales of disinfectant product “JcoNAT” added to profit growth this year.

4. Acquisition of Property

In January 2022, the Group entered into an agreement to acquire a property, currently known as “前社NEXXUS·靜安” (Nexxus Jing'an[#]), via its indirect holding company at an aggregate cash consideration of approximately HK\$230 million. The property, situated at Xikang Road, Shanghai, is a completed 4-storey commercial premises with total gross floor area of approximately 6,660 sq.m. and occupancy rate of approximately 90%. The acquisition constituted a major transaction for the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). Please refer to the Company’s announcements dated 7 January 2022, 21 January 2022 and 3 March 2022 and the circular dated 25 April 2022 for details. The above transaction was completed in January 2022 and thereafter, the property acquired was accounted for as an investment property in the Group’s financial statements.

OUTLOOK

During 2022, adverse impacts of the Covid-19 pandemic continued to hinder global recovery. Global supply chains were severely disrupted by stringent travel restrictions and city lockdowns. As more countries gradually open up their borders, the impact of the pandemic may be mitigated. Yet, there are significant differences among countries in their pace of recovery. Looking forward, the global economic outlook remains clouded by uncertainties, including anticipated aggressive interest rate hikes in the US, rising inflation, geopolitical conflict, oil price fluctuations, along with continuing China-US tensions. Therefore, the global political and economic landscape remains unstable.

On the Mainland, the Chinese Government adhered to a state policy of maintaining stability in the real estate industry, and focused on safeguarding healthy development of the property market. Earlier this year, economic recovery was hampered by sporadic outbreaks of Covid-19, which led to localised lockdowns in some cities. To shore up a slowing property market, the Chinese government stepped up policy measures to support the economy and introduced easing measures such as reduced housing mortgage rates and relaxation in lending to boost property sales. It is anticipated that further stimulus measures will be introduced in the near term, and that the domestic market will be on track for recovery amid prevailing localised policies in top-tier cities.

In Hong Kong, an outbreak of the fifth wave of Covid-19 in the first quarter of 2022 posed challenges to the local economy. Implementation of stringent social distancing restrictions and cross border closures severely hit domestic consumption, resulting in a year-on-year decline of 4.5% in GDP in the first quarter. Fortunately, the pandemic was primarily brought under control in the second quarter, and together with the introduction of a series of government relief measures, it is believed that the local economy will progressively regain momentum. However, the Hong Kong economy is still vulnerable to external factors, in particular, the magnitude and pace of interest rate hikes in the US and ongoing China-US tensions. We remain cautiously optimistic about the economy and will remain vigilant to fluctuations in global markets.

Finally, I would like to thank my fellow directors for their support and valuable advice and all staff members for their efforts during the year under review.

James Sai-Wing Wong
Chairman

Hong Kong, 28 June 2022

CONSOLIDATED RESULTS

The consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2022 together with comparative figures for the previous year are as follows:

Consolidated Statement of Profit or Loss

		For the year ended 31 March	
		2022	2021
	Notes	HK\$'000	HK\$'000
Revenue	3	1,112,501	1,277,982
Cost of sales		<u>(514,832)</u>	<u>(638,743)</u>
Gross profit		597,669	639,239
Other income and gains, net	3	60,385	31,249
Fair value losses on investment properties, net		(127,429)	(43,930)
Gain on disposal of subsidiaries	4	32,937	-
Administrative and other operating expenses, net		(210,891)	(206,120)
Finance costs	5	(178,411)	(189,505)
Share of profits and losses of associates		<u>54,496</u>	<u>103,116</u>
Profit before tax	6	228,756	334,049
Income tax expense	7	<u>(133,215)</u>	<u>(216,108)</u>
Profit for the year		<u>95,541</u>	<u>117,941</u>
Attributable to:			
Owners of the Company		55,704	77,876
Non-controlling interests		<u>39,837</u>	<u>40,065</u>
		<u>95,541</u>	<u>117,941</u>
Earnings per share attributable to ordinary equity holders of the Company	8		
Basic and diluted		<u>HK\$0.10</u>	<u>HK\$0.14</u>

Consolidated Statement of Comprehensive Income

	For the year ended 31 March	
	2022	2021
<i>Note</i>	HK\$'000	HK\$'000
Profit for the year	<u>95,541</u>	<u>117,941</u>
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of associates	16,010	38,229
Release of exchange reserve fluctuation reserve upon disposal of subsidiaries	4 (12,830)	-
Exchange differences on translation of foreign operations	<u>287,764</u>	<u>641,284</u>
Other comprehensive income for the year, net of tax	<u>290,944</u>	<u>679,513</u>
Total comprehensive income for the year	<u><u>386,485</u></u>	<u><u>797,454</u></u>
Attributable to:		
Owners of the Company	241,665	514,633
Non-controlling interests	<u>144,820</u>	<u>282,821</u>
	<u><u>386,485</u></u>	<u><u>797,454</u></u>

Consolidated Statement of Financial Position

		31 March 2022 HK\$'000	31 March 2021 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		305,739	295,564
Investment properties		15,922,780	15,207,048
Goodwill	10	54,553	-
Investment in a joint venture		199	199
Investments in associates		1,285,431	1,285,888
Financial asset measured at fair value through other comprehensive income		11,685	-
Total non-current assets		17,580,387	16,788,699
CURRENT ASSETS			
Tax recoverable		436	234
Properties held for sale under development and completed properties held for sale		1,957,931	2,117,059
Trade receivables	11	14,319	19,116
Contract costs		17,451	16,917
Prepayments, deposits and other receivables		274,198	317,414
Cash and bank balances		2,000,408	2,000,264
		4,264,743	4,471,004
Assets classified as held for sale		-	34,200
Total current assets		4,264,743	4,505,204
CURRENT LIABILITIES			
Trade payables, other payables, accrued liabilities and others	12	240,348	325,274
Interest-bearing bank and other borrowings	13	3,791,084	1,616,638
Lease liabilities		20,004	11,993
Contract liabilities		421,238	364,389
Customer deposits		86,354	92,341
Tax payable		309,135	298,281
Total current liabilities		4,868,163	2,708,916
NET CURRENT ASSETS/(LIABILITIES)		(603,420)	1,796,288
TOTAL ASSETS LESS CURRENT LIABILITIES		16,976,967	18,584,987

Consolidated Statement of Financial Position *(Continued)*

		31 March 2022	31 March 2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	2,841,986	4,835,098
Lease liabilities		23,711	13,641
Deferred tax liabilities		1,501,494	1,441,579
Total non-current liabilities		<u>4,367,191</u>	<u>6,290,318</u>
Net assets		<u>12,609,776</u>	<u>12,294,669</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		405,411	405,411
Reserves		<u>8,042,955</u>	<u>7,828,858</u>
		8,448,366	8,234,269
Non-controlling interests		<u>4,161,410</u>	<u>4,060,400</u>
Total equity		<u>12,609,776</u>	<u>12,294,669</u>

Notes:

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

Basis of presentation and preparation

In preparing the consolidated financial statements, the directors of the Company have given due consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK\$603 million as at 31 March 2022. The net current liability position was caused by reclassification of certain non-current liabilities to current due to the maturity dates of the respective bank loans.

The Group has been actively negotiating with banks for the renewal of the Group's bank borrowings when they fall due in order to secure necessary funds to meet the Group's working capital and financial requirements in the foreseeable future. Subsequent to 31 March 2022, a new bank loan has been granted by a bank in June 2022 to refinance a loan of HK\$849 million maturing in August 2022 and the finalisation of the loan agreement is in progress. The remaining loans maturing during the next financial year will be refinanced according to the repayment schedule.

In the opinion of directors of the Company, the liquidity of the Group is well managed with the refinancing of bank loans and sources of finance available. After taking into account the cash flow projection prepared by the management, the directors of the Company consider that the Group will have adequate funds available to enable it to operate as a going concern. Accordingly, the consolidated financial statements for the year ended 31 March 2022 have been prepared on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts and to provide for further liabilities which might arise. The consolidated financial statements do not include any adjustments that would result from the failure of the Group to continue in business as a going concern.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (the "Hong Kong Companies Ordinance"). They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited financial information relating to the year ended 31 March 2022 and the financial information relating to the year ended 31 March 2021 included in this preliminary announcement of annual results for the year ended 31 March 2022 do not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 March 2021, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The financial statements for the year ended 31 March 2022 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course. The Company has delivered the financial statements for the year ended 31 March 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on these financial statements for the year ended 31 March 2021. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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

Changes in accounting policies and disclosures

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Amendment to HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i> <i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>
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The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank and other borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“HIBOR”) as at 31 March 2022. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 April 2021. However, the Group has not received Covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2. Operating Segment Information

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

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

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

Segment assets exclude investment in a joint venture, investments in associates, other unallocated head office and corporate assets, including tax recoverable and cash and bank balances as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities, including interest-bearing bank and other borrowings, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

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

2. Operating Segment Information *(Continued)*

For the year ended 31 March 2022

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	632,973	440,603	38,925	<u>1,112,501</u>
Segment results	238,010	81,110	18,472	337,592
<i>Reconciliation:</i>				
Interest income				13,211
Corporate and other unallocated expenses				(32,774)
Gain on disposal of subsidiaries				32,937
Finance costs (other than interest on lease liabilities)				(176,706)
Share of profits and losses of associates				<u>54,496</u>
Profit before tax				<u><u>228,756</u></u>

For the year ended 31 March 2021

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	957,124	291,437	29,421	<u>1,277,982</u>
Segment results	345,041	70,068	21,004	436,113
<i>Reconciliation:</i>				
Interest income				10,719
Corporate and other unallocated expenses				(28,069)
Finance costs (other than interest on lease liabilities)				(187,830)
Share of profits of associates				<u>103,116</u>
Profit before tax				<u><u>334,049</u></u>

2. Operating Segment Information (Continued)

	At 31 March 2022			
	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment assets	2,176,175	16,468,841	2,033,663	20,678,679
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(2,120,023)
Investment in a joint venture				199
Investments in associates				1,285,431
Corporate and other unallocated assets				<u>2,000,844</u>
Total assets				<u>21,845,130</u>
Segment liabilities	1,421,656	1,172,751	317,271	2,911,678
<i>Reconciliation:</i>				
Elimination of intersegment payables				(2,120,023)
Corporate and other unallocated liabilities				<u>8,443,699</u>
Total liabilities				<u>9,235,354</u>

	For the year ended 31 March 2022			
	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Other segment information:				
Fair value losses on investment properties, net	-	127,429	-	127,429
Gain on disposal of items of property, plant and equipment	25,637	-	6	25,643
Depreciation	2,809	8,384	19,708	30,901
Capital expenditure*	<u>302</u>	<u>133,731</u>	<u>1,126</u>	<u>135,159</u>

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

2. Operating Segment Information (Continued)

	At 31 March 2021			
	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>

	For the year ended 31 March 2021			
	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Other segment information:				
Fair value losses on investment properties, net	-	43,930	-	43,930
Gain on disposal of items of property, plant and equipment	456	-	7	463
Depreciation	2,458	7,238	20,006	29,702
Capital expenditure*	<u>1,080</u>	<u>104,034</u>	<u>3,630</u>	<u>108,744</u>

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

2. Operating Segment Information *(Continued)*

Geographical information

(a) Revenue

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	199,146	107,173
Mainland China	913,355	1,170,809
	<u>1,112,501</u>	<u>1,277,982</u>

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

(b) Non-current assets

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	5,267,052	5,152,762
Mainland China	10,961,467	10,349,850
	<u>16,228,519</u>	<u>15,502,612</u>

The non-current asset information above is based on the locations of the assets and excludes goodwill, investments in associates and a joint venture and financial asset measured at fair value through other comprehensive income.

3. Revenue, Other Income and Gains, Net (Continued)

	2022 HK\$'000	2021 HK\$'000
Other income and gains, net		
Gain on disposal of items of property, plant and equipment	25,643	463
Loss on disposal of investment properties	(4,491)	-
Bank interest income	13,211	10,719
Management fee income received from an associate	5,728	5,448
Government subsidies*	1,070	5,580
Others	19,224	9,039
	<u>60,385</u>	<u>31,249</u>

* 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 are no unfulfilled conditions or contingencies relating to these subsidies.

4. Gain on Disposal of Subsidiaries

Disposal of Marigold Properties Limited ("Marigold Properties")

During the year ended 31 March 2022, the Company disposed of its 35% equity interest in Marigold Properties, a subsidiary of the Company, and its subsidiaries ("Marigold Properties Group"). Marigold Properties Group was engaged in property development business in Mainland China. The transaction was completed in November 2021. In the prior year, the Company disposed of its 35% equity interest in Marigold Properties Group.

The net assets disposed of are as follows:

	2022 HK\$'000
Net assets disposed of:	
Properties held for sale under development	137,248
Property, plant and equipment	238
Cash and bank balances	6,450
Prepayments, deposits and other receivables	182,666
Other payables and accrued liabilities	(102,052)
Amounts due to a fellow subsidiary	(1,190)
Interest-bearing bank borrowings	(176,829)
	<u>46,531</u>
Net assets	46,531
Non-controlling interests	(16,068)
	<u>30,463</u>
Release of exchange fluctuation reserve	(12,830)
	<u>17,633</u>
Fair value of investments in associates retained upon loss of control of subsidiaries	(13,959)
Gain on disposal of subsidiaries	32,937
	<u>36,611</u>
Consideration received	<u>36,611</u>
Satisfied by:	
Cash	<u>36,611</u>

4. Gain on disposal of subsidiaries (Continued)

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

	2022
	HK\$'000
Cash consideration	36,611
Cash and bank balances disposed of	(6,450)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	30,161

5. Finance Costs

	2022	2021
	HK\$'000	HK\$'000
Interest on bank and other loans	193,031	214,685
Interest on lease liabilities	1,705	1,675
Less: Interest capitalised under properties under development/construction	(16,325)	(26,855)
	178,411	189,505

6. Profit Before Tax

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

	2022	2021
	HK\$'000	HK\$'000
Cost of properties sold	310,807	468,031
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	204,025	170,712
Depreciation of property, plant and equipment and right-of-use assets	30,901	29,702
Lease payments not included in the measurement of lease liabilities	4,893	3,889
Auditor's remuneration	4,241	3,745
Foreign exchange differences, net	451	88
Gain on disposal of items of property, plant and equipment	(25,643)	(463)
Employee benefit expenses (including directors' remuneration):		
Wages, salaries, allowances and benefits in kind	92,470	92,237
Pension scheme contributions	2,235	2,203
	94,705	94,440
Less: Amount capitalised under properties under development/construction	(24,300)	(22,250)
	70,405	72,190

At 31 March 2022 and 31 March 2021, the amount of forfeited pension scheme contributions available to the Group for future utilisation was not significant.

7. Income Tax

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
Hong Kong	(95)	-
Mainland China corporate income tax	(27,752)	(80,028)
Land appreciation tax in Mainland China	(153,518)	(159,778)
Overseas profits tax	(2)	(471)
	(181,367)	(240,277)
Deferred tax	48,152	24,169
Total tax charge for the year	<u>(133,215)</u>	<u>(216,108)</u>

Land appreciation tax has been calculated in conformity with the prevailing rules and practices on the Group's completed projects in Mainland China at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$55,704,000 (2021: HK\$77,876,000) and the weighted average number of ordinary shares in issue during the year of 551,368,153 (2021: 551,368,153).

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2022 and 2021 in respect of a dilution as the Group has no potential dilutive ordinary shares in issue during the years ended 31 March 2022 and 2021.

9. Dividend

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Proposed final – 5 HK cents (2021: 5 HK cents) per ordinary share	<u>27,568</u>	<u>27,568</u>

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

10. Business Combination

Acquisition of G9 Asia IV Pte. Ltd.

In January 2022, the Group acquired a 100% equity interest in G9 Asia IV Pte. Ltd. and its subsidiary, Shanghai Yinbai Property Co. Limited[#] (上海飲百置業有限公司) (together as “Shanghai Yinbai Group”) and related shareholders’ loans of HK\$8,870,000 at a cash consideration of HK\$230,334,000. Shanghai Yinbai Group is engaged in property investment in Mainland China. The acquisition is accounted as business combination.

The fair values of the identifiable assets and liabilities of Shanghai Yinbai Group as at the dates of acquisitions are as follows:

	2022 HK\$’000
Investment property	463,415
Property, plant and equipment	516
Prepayment, deposits and other receivables	7,058
Cash and bank balances	212
Trade payables and other payables	(4,740)
Shareholders’ loans	(8,870)
Interest-bearing bank borrowings	(217,073)
Deferred tax liabilities	(73,607)
	<hr/>
Total identifiable net assets at fair value	166,911
Assignment of shareholders’ loans	8,870
Goodwill on acquisition	54,553
	<hr/>
Total consideration	<u>230,334</u>
	<hr/>
Satisfied by:	
Cash	<u>230,334</u>

The fair values and gross contractual amounts of prepayment, deposits and other receivables of Shanghai Yinbai Group as at the date of acquisition amounted to HK\$7,058,000. No receivables are expected to be uncollectible.

An analysis of the cash flows in respect of the acquisitions of subsidiaries is as follows:

	2022 HK\$’000
Cash consideration	230,334
Cash and bank balances acquired	(212)
	<hr/>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u>230,122</u>

Since the acquisition, Shanghai Yinbai Group contributed HK\$3,859,000 to the Group’s revenue for the year ended 31 March 2022 and loss of HK\$6,000,000 to the Group’s consolidated profit for the year ended 31 March 2022.

Had the combination taken place at the beginning of the year, the revenue and the consolidated profit of the Group for the year would have been HK\$1,128,200,000 and HK\$117,856,000 respectively.

11. Trade Receivables

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	1,447	620
31 to 60 days	521	44
61 to 90 days	39	21
Over 90 days	<u>12,312</u>	<u>18,431</u>
Total	<u>14,319</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 the sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue balances are reviewed regularly by senior management. 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.

12. Trade Payables, Other Payables, Accrued Liabilities and Others

Included in trade payables, other payables, accrued liabilities and others are trade payables of HK\$9,296,000 (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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	9,290	9,526
Over 90 days	<u>6</u>	<u>35</u>
Total	<u>9,296</u>	<u>9,561</u>

13. Interest-Bearing Bank and other Borrowings

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank and other loans		
Current	3,791,084	1,616,638
Non-current	<u>2,841,986</u>	<u>4,835,098</u>
	<u>6,633,070</u>	<u>6,451,736</u>
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Analysed into:		
Bank and other loans repayable:		
Within one year	3,791,084	1,616,638
In the second year	1,112,834	2,904,954
In the third to fifth years, inclusive	1,713,352	1,882,309
Beyond five years	<u>15,800</u>	<u>47,835</u>
	<u>6,633,070</u>	<u>6,451,736</u>

Further analysis of bank and other loans repayment is included in "Liquidity and financial resources" under the section "FINANCIAL REVIEW".

14. Contingent Liabilities

As at 31 March 2022, the Group has given guarantees of HK\$15,146,000 (2021: 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\$6,677 million as at 31 March 2022 (2021: HK\$6,477 million), of which approximately 57% (2021: 25%) of the debts were classified as current liabilities. Included therein were debts of HK\$44 million related to bank and other loans with repayable on demand clause and HK\$3,069 million related to project or term loans which will be refinanced during the forthcoming financial year. Based on the repayment schedules pursuant to the related loan agreements and assuming that the aforesaid refinancing will be completed on schedule, the current portion of the total interest-bearing debts was approximately 10%.

Total cash and bank balances including time deposits were approximately HK\$2,000 million as at 31 March 2022 (2021: HK\$2,000 million). Included in cash and bank balances are restricted bank deposits of HK\$85 million (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\$1,747 million at year end available for its working capital purpose.

As at 31 March 2022, maturity of the Group's outstanding borrowings (including the lease liabilities) was as follows:

	As at 31 March 2022 HK\$' million	As at 31 March 2021 HK\$' million
<u>Due:</u>		
Within one year	3,811	1,629
In the second year	1,128	2,913
In the third to fifth years, inclusive	1,722	1,887
Beyond five years	16	48
	6,677	6,477

As at 31 March 2022, included in the outstanding borrowings due within one year were aggregated loan balances of HK\$3,069 million which would be refinanced during the forthcoming financial year and consisted of (i) project loans of HK\$1,065 million secured by properties in the PRC with maturity in August/September 2022, (ii) a project loan of HK\$1,219 million secured by a property in Hong Kong with maturity in November 2022; and (iii) an unsecured loan of HK\$785 million with maturity in February 2023.

Subsequent to 31 March 2022, new bank and other loans have been granted by banks to refinance the project loans amounted to HK\$1,065 million maturing in August/September 2022. The finalisation of loan agreements is in progress. The remaining loans maturing during next financial year will be refinanced according to the repayment schedule.

Total shareholders' funds as at 31 March 2022 were approximately HK\$8,448 million (2021: HK\$8,234 million). The increase was mainly due to current year'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\$4,677 million (2021: HK\$4,477 million) over total shareholders' funds plus non-controlling interests totalling of approximately HK\$12,610 million (2021: HK\$12,295 million), was 37% as at 31 March 2022 (2021: 36%).

Funding and treasury policies

The Group adopts prudent funding and treasury policies. Surplus funds are primarily maintained in the form of cash deposits with leading banks. The Group manages its funding requirements primarily on a short-to-medium term basis and refinances the maturing borrowings at appropriate time.

Acquisition and development of properties are financed partly by internal resources and partly by bank loans. Repayments of bank loans are scheduled to match asset lives and project completion dates. Bank loans are mainly denominated in Hong Kong dollars and Renminbi and bear interest at floating rates.

Foreign currency exposure is closely monitored by management and hedged to the extent desirable. As at 31 March 2022, 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\$16,852 million as at 31 March 2022 and shares in certain subsidiaries were pledged to secure certain banking facilities of the Group.

Employees and remuneration policies

The Group, not including its associates and a joint venture, employed approximately 370 employees as at 31 March 2022 (as at 31 March 2021: 380). Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually with discretionary bonuses being paid depending on individual performance. The Group also provides other benefits including medical cover, provident fund, personal accident insurance and educational subsidies to all eligible staff.

CONNECTED TRANSACTIONS

1. On 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.

2. On 12 July 2018, Gold Famous entered into a framework agreement with Chinney Construction Company, Limited (“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 and 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.

CORPORATE GOVERNANCE

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct for directors’ securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 March 2022.

Compliance with the Corporate Governance Code

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules for the year ended 31 March 2022, except for the following deviations:

1. CG Code provision A.1.1 (which has been re-numbered as C.5.1 since 1 January 2022) stipulates that the board of directors should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

During the year ended 31 March 2022, the board of directors of the Company (the “Board”) met twice for approving the annual results of the Company for the year ended 31 March 2021 and the interim results for the period ended 30 September 2021. As business operations were under the management and supervision of the executive directors of the Company, who had from time to time held meetings to resolve all material business or management issues, only two regular board meetings were held for the year ended 31 March 2022.

2. CG Code provision A.4.2 (which has been re-numbered as B.2.2 since 1 January 2022) stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The articles of association of the Company (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 (which has been re-numbered as B.2.2 since 1 January 2022) as the Board considers that the continuity of office of the Chairman and Managing Director provide the Group with a strong and consistent leadership and is of great importance to the smooth operations of the Group.

3. CG Code provision B.1.2 (which has been re-numbered as E.1.2 since 1 January 2022) stipulates that the terms of reference of the remuneration committee should include, as a minimum, those specific duties as set out in the CG Code provisions.

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

Audit committee

Regular meetings have been held by the Audit Committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group’s financial reporting process and internal control. The Audit Committee has reviewed with management the annual results of the Group for the year ended 31 March 2022.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2022 as set out in the preliminary announcement have been agreed by the Company’s auditor, Ernst & Young, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 March 2022.

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 28 June 2022

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.

The English names of the PRC entities marked with “#” are translations of their Chinese names and are included in this announcement for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese names of the PRC entities prevail.