漢國置業有限公司
Hon Kwok Land Investment Company, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 160)

2023-24 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL RESULTS

The revenue for the six months ended 30 September 2023 was HK$643 million (2022: HK$629 million) with a net profit attributable to shareholders of HK$89 million (2022: HK$114 million). Excluding the effect of fair value gains on investment properties (net of deferred taxation) of HK$14 million (2022: HK$11 million), the underlying net profit attributable to shareholders would be HK$75 million for the period (2022: HK$103 million). Operationally, gains in revenues from improved occupancy in our properties held for rent were offset by higher interest payments from our commercial borrowings.

Basic earnings per share was HK$0.12 (2022: HK$0.16). As at 30 September 2023, the shareholders' equity amounted to HK$11,253 million (as at 31 March 2023: HK$11,663 million) and net assets per share attributable to shareholders was HK$15.62 (as at 31 March 2023: HK$16.19). The decrease in shareholders' equity was primarily the result of an exchange rate depreciation of our Renminbi-denominated assets.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2023 (2022: Nil).

BUSINESS REVIEW

Our business is chiefly divided into two segments: property developments where properties are built and sold, and property investments where properties are held for rental income. In continuing adverse market conditions, our company is delivering results from these two segments.

(1) Property Development

During the six months ended 30 September 2023, the property development segment revenue came in at HK$386 million (2022: HK$394 million) with profits before tax of HK$194 million (2022: HK$173 million). Earnings came from the continuing sale of property units plus car park spaces in our Nanhai, Guangzhou project.

(i) Property Development – Mainland China

The Group's property development projects located in Mainland China consist of (i) the Metropolitan Oasis, a wholly-owned project in Nanhai, Guangzhou; (ii) The Riverside and Hon Kwok Building, a wholly-owned project on Beijing Nan Road in the Yue Xiu District of Guangzhou and (iii) the Enterprise Square in the Nanshan District of Shenzhen in which the Group owns a 20% interest.

The Metropolitan Oasis is located in the Da Li District of Nanhai, and was substantially completed for sale in December 2020, in the middle of the Pandemic. It was the main driver of our earnings during the most recent earnings period, contributing revenue of HK$386 million (2022: HK$394 million) consisting of the sales of property units of HK$315 million and car parking spaces of HK$71 million, with corresponding profit before taxation of HK$194 million (2022: HK$173 million).

Due to administrative timing, we have unrecognized contracted sales of HK$119 million that we expect to book in the second half of this year. We are substantially sold out on the project, with only a small number of units left in inventory. So we will not expect major future contributions from this project.

The Riverside is located at 45-107 Beijing Nan Road, in the Yue Xiu District of Guangzhou. The project is a comprehensive mixed use development including a residential tower with 144 units for sale, plus an office building to be named the "Hon Kwok Building" to be held primarily as an investment property for generating rental income. Construction works are progressing well with targeted project completion in 2024. Pre-sale Consent for the residential tower was granted in August 2023. An initial number of residential units launched for pre-sale in October 2023 with satisfactory responses.

Enterprise Square, of which the Group owns a 20% interest, is situated at Qiaoxiang Road North, Nanshan District, Shenzhen. This mixed-use commercial complex includes an office tower and a shopping mall for lease, and a tower of residential apartment units for sale. During the six months ended 30 September 2023, the project recognised revenue of HK$188 million (2022: HK$229 million), net profit attributable to the Group in respect of its interest in Enterprise Square, including the change in fair value of the investment properties, amounting to HK$15 million (2022: HK$17 million). As at 30 September 2023, the contracted sales not yet booked amounted to HK$53 million.

(ii) Property Development – Hong Kong

In January 2023, the Group acquired 50% interests in a development site at South Bay Road, Repulse Bay at a consideration of HK$393 million through a joint venture with S E A Holdings Limited. The project will build luxury residences with panoramic sea views. Planning, Design, and Construction permit works are in progress and so far on schedule.

(2) Property Investment

With the removal of pandemic restrictions at the start of the year, the Chinese economy faced the worst rental market in a generation, with historically high vacancies and commercial defaults. Thanks to our professionally managed, market oriented products positioned at desirable locations, we have performed satisfactorily and even managed to make modest advances. In addition, we took advantage of favorable market opportunities to enter the Japan investment property market.

During the six months ended 30 September 2023, investment related revenue was HK$226 million (2022: HK$212 million), with profits before taxation of HK$164 million (2022: HK$138 million). This includes increase in fair market valuations of HK$22 million (2022: HK$5 million).

(i) Property Investment – Mainland China

Our company's Mainland China portfolio of investment properties consist of six key projects with an aggregate gross floor area of approximately 446,000 square meters. These include (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) the Chongqing Hon Kwok Centre, a twin-tower office building at the Bei Bu Xin Qu of Chongqing and (vi) the Chongqing Jinshan Shangye Zhongxin, an office tower and a hotel/office tower at the Bei Bu Xin Qu of Chongqing. The portfolio achieved an average occupancy rate of 75% (2022: 74%).

In spite of difficult trading conditions and keen competition in the leasing market, the Hon Kwok City Commercial Centre in Shenzhen, improved rental income contribution compared to last year, improving average occupancy to a healthy 70% level (2022: 63%).

(ii) Property Investment – Hong Kong

Our Hong Kong portfolio covers office, hotel property and data centre properties, with an aggregate gross floor area of approximately 474,000 square feet: (i) the 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; (iii) The Bauhinia Hotel (TST), a hotel property at Observatory Court, Tsim Sha Tsui; and (iv) Digital Realty Kin Chuen (HKG11), the data centre at Kin Chuen Street, Kwai Chung.

The Bauhinia (Central) renovation is ongoing. The project includes rebranding The Bauhinia (Central) to a luxury lifestyle serviced apartment and hotel. The physical assets aims to obtain Leadership in Energy and Environmental Design (LEED) certification. Upon completion, the property will integrate green and sustainable features including the Building Integrated Photovoltaics "BIPV" technology on building façade, becoming the largest building in Hong Kong to generate power from sustainable solar energy. The renovation works are progressing smoothly, we expect completion by the middle of 2024.

Our data centre is fully let under a long-term lease and the other two properties continue to deliver steady occupancy. The property portfolio achieved an average occupancy of around 95% for the period under review (2022: 86%).

(iii) Property Investment – Acquisition of hotel properties in Japan

To capture investment opportunities and to enhance the Group's growth, the Group formed a joint venture company with an independent third party for the purpose of investing in a portfolio of hotel properties in Japan. As of 30 September 2023, the Group has acquired interests in three hotel properties in Osaka and Tokyo, at an aggregate cash consideration of approximately HK$192 million. The acquisitions were financed by internal resources and bank mortgage loans. The properties are held as investment properties for earning recurrent rental income.

(iv) Property Investment – Valuation

The Group's investment property portfolio is measured on a fair value basis, marked at HK$14,989 million as at 30 September 2023 (as at 31 March 2023: HK$15,148 million), including the Mainland China portfolio of HK$9,599 million, Hong Kong portfolio of HK$5,227 million and Japan portfolio of HK$163 million. Taking into account the additions to investment properties and the exchange differences arising from the fluctuation in Renminbi during the period, the increase in fair value (net of deferred taxation) was HK$14 million (2022: HK$11 million). The Group's Hong Kong property portfolio exhibited a slight revaluation gain, whereas its Mainland China property portfolio showed a mild revaluation loss.

(3) Property, carpark management and others

Our Hong Kong based property management and carpark management business contributed revenue of HK$30 million (2022: HK$23 million) and segment profit before taxation of HK$4.2 million (2022: HK$7.0 million) for the period under review. Funds were invested in upgrading existing projects and in winning new projects, resulting in a small decline in net profits for the period. As at 30 September 2023, the Group managed 24 carparks (31 March 2023: 25 carparks) with approximately 1,820 parking spaces (as at 31 March 2023: 2,090 parking spaces).

OUTLOOK

The double whammy of the high interest rate environment combined with the slow recovery of the Mainland China economy means difficult trading conditions will extend into next year.

On the Mainland, the general malaise stemming from the slow implosion of the Chinese property market has led to a collapse of consumer confidence, Unlike Western economies, China faces a deflationary outlook, with social uncertainty created by high youth unemployment. Economists are divided on whether the current downturn is cyclical in nature with recovery in the near future, or whether this is a Japan style systematic structural downturn requiring decades to fix.

The Government has responded by lowering interest rates, relieving and reversing home purchase restrictions, moving into deficit spending, and raising new debt to stimulate the economy. Recognizing the shortcomings of previous stimulus efforts, the new incentives have focussed on green sustainable infrastructure, and boosting the viability of small and medium-sized private enterprises. It is clear that we have switched channels, and unlike in previous downturns, economic growth will not be coming from rising property prices.

Hong Kong is whipsawed between the inflationary Western economy and the deflationary Chinese economy. We tied our currency to the West, but our everyday business operations are tied to China. And we have the worst of both worlds, with an acute labor shortage and high interest rates, combined with a declining property market. Unsold residential stock is at record highs, and Grade A office vacancies are near 12%, a level last seen during the Sino-British talks in the 1980's.

Still, there are signs of optimism. Consumer spending in China, while muted, remains strong. Cross-border trade barriers are coming down. Tourism is coming back slowly. There is warming relations between China and the US, with President Xi visiting President Biden in San Franscisco. Perhaps the worst of the de-coupling/deglobalization trends are behind us.

Overall though, we are preparing for another tough year. While the worst may be behind us, the rosy times are still far away. As the two current wars wind down, rebuilding efforts will come online and create inflationary pressures that will keep us in a persistently high interest rate environment. At the same time, the rebuilding will stimulate Chinese manufacturing, which might lead to higher employment that will pull China out of the deflationary cycle.

Our company will adapt to high interest rates through management and strategic adjustments. We will work hard to get more out of our existing portfolio and to reduce risk. Since the Chinese Government, for example, appears determined to limit the role of real estate in China, we will look for growth opportunities in Hong Kong and abroad.

Finally, I wish to express my sincere thanks to our colleagues and my fellow directors for their hard work and contributions.

James Sing-Wai Wong
Chairman

Hong Kong, 21 November 2023

UNAUDITED CONSOLIDATED RESULTS

The unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2023 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	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**642,508**	629,084
Cost of sales		**(282,907)**	(282,008)
Gross profit		**359,601**	347,076
Other income	*3*	**29,072**	25,164
Fair value gains on investment properties, net		**22,159**	4,998
Administrative expenses		**(43,603)**	(65,149)
Other operating expenses, net		**(15,045)**	(24,554)
Finance costs	*4*	**(146,728)**	(90,884)
Share of profit of an associate		**14,661**	16,681
Profit before tax	*5*	**220,117**	213,332
Income tax expense	*6*	**(130,397)**	(97,415)
Profit for the period		**89,720**	115,917
Attributable to:			
Owners of the Company		**89,117**	114,117
Non-controlling interests		**603**	1,800
		89,720	115,917
Earnings per share attributable to ordinary equity holders of the Company			
Basic and diluted	*7*	**HK$0.12**	HK$0.16

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**89,720**	115,917
Other comprehensive loss		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of an associate	**(23,926)**	(54,275)
Exchange differences on translation of foreign operations	**(402,295)**	(909,372)
Other comprehensive loss for the period, net of tax	**(426,221)**	(963,647)
Total comprehensive loss for the period	**(336,501)**	(847,730)
Attributable to:		
Owners of the Company	**(320,045)**	(796,647)
Non-controlling interests	**(16,456)**	(51,083)
	(336,501)	(847,730)

Condensed Consolidated Statement of Financial Position

	Notes	At 30 September 2023 (Unaudited) *HK$'000*	At 31 March 2023 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**257,441**	255,862
Investment properties		**14,988,608**	15,147,509
Investments in joint ventures		**393,129**	393,129
Investment in an associate		**781,019**	790,284
Financial assets at fair value through other comprehensive income		**87,929**	60,127
Financial assets at fair value through profit or loss		**23,572**	7,862
Total non-current assets		**16,531,698**	16,654,773
CURRENT ASSETS			
Tax recoverable		**3,414**	3,569
Properties held for sale under development and completed properties held for sale		**1,248,316**	1,422,423
Trade receivables	*9*	**11,880**	10,884
Contract costs		**13,087**	9,364
Prepayments, deposits and other receivables		**305,485**	305,606
Financial assets at fair value through profit or loss		**7,020**	7,406
Amount due from a joint venture		**13,950**	3,200
Cash and bank balances		**1,812,388**	1,751,897
Total current assets		**3,415,540**	3,514,349
CURRENT LIABILITIES			
Trade payables, other payables and accrued liabilities	*10*	**237,716**	132,348
Interest-bearing bank borrowings		**647,476**	1,563,778
Lease liabilities		**29,941**	13,856
Contract liabilities		**155,631**	269,880
Customer deposits		**77,379**	84,367
Tax payable		**401,272**	320,141
Total current liabilities		**1,549,415**	2,384,370
NET CURRENT ASSETS		**1,866,125**	1,129,979
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,397,823**	17,784,752
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**5,649,199**	4,561,621
Lease liabilities		**8,774**	13,551
Deferred tax liabilities		**1,289,888**	1,333,063
Total non-current liabilities		**6,947,861**	5,908,235
Net assets		**11,449,962**	11,876,517

Condensed Consolidated Statement of Financial Position *(Continued)*

	At 30 September 2023 (Unaudited) ***HK$'000***	At 31 March 2023 (Audited) *HK$'000*
EQUITY		
Equity attributable to owners of the Company		
Share capital	**1,519,301**	1,519,301
Reserves	**9,733,729**	10,143,828
	11,253,030	11,663,129
Non-controlling interests	**196,932**	213,388
Total equity	**11,449,962**	11,876,517

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 2023.

The financial information relating to the year ended 31 March 2023 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 September 2023 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 2023 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, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income 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 2023, 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.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

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

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.

	Six months ended 30 September 2023 (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	**386,441**	**225,944**	**30,123**	**642,508**
Segment results	**194,380**	**164,157**	**4,202**	**362,739**
Reconciliation:				
Interest income				**11,065**
Unallocated expenses				**(22,451)**
Fair value loss on a financial asset at fair value through profit or loss				**(386)**
Finance costs (other than interest on lease liabilities)				**(145,511)**
Share of profit of an associate				**14,661**
Profit before tax				**220,117**

	Six months ended 30 September 2022 (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	394,047	211,632	23,405	629,084
Segment results	173,303	138,276	6,970	318,549
Reconciliation:				
Interest income				8,175
Unallocated expenses				(38,253)
Fair value loss on a financial asset at fair value through profit or loss				(1,260)
Finance costs (other than interest on lease liabilities)				(90,560)
Share of profit of an associate				16,681
Profit before tax				213,332

2. Operating segment information *(Continued)*

	At 30 September 2023 (Unaudited)			
	Property development *HK$'000*	**Property investment** *HK$'000*	**Property, carpark management and others** *HK$'000*	**Total** *HK$'000*
Segment assets	**1,745,897**	**15,174,355**	**1,992,594**	**18,912,846**
Reconciliation:				
Elimination of intersegment receivables				**(2,074,079)**
Investments in joint ventures				**393,129**
Investment in an associate				**781,019**
Financial assets at fair value through profit or loss				**30,592**
Financial assets at fair value through other comprehensive income				**87,929**
Corporate and other unallocated assets				**1,815,802**
Total assets				**19,947,238**
Segment liabilities	**1,241,298**	**1,093,539**	**248,683**	**2,583,520**
Reconciliation:				
Elimination of intersegment payables				**(2,074,079)**
Corporate and other unallocated liabilities				**7,987,835**
Total liabilities				**8,497,276**

	At 31 March 2023 (Audited)			
	Property development *HK$'000*	Property investment *HK$'000*	Property, carpark management and others *HK$'000*	Total *HK$'000*
Segment assets	1,802,293	15,498,962	2,162,998	19,464,253
Reconciliation:				
Elimination of intersegment receivables				(2,309,405)
Investments in joint ventures				393,129
Investment in an associate				790,284
Financial assets at fair value through profit or loss				15,268
Financial assets at fair value through other comprehensive income				60,127
Corporate and other unallocated assets				1,755,466
Total assets				20,169,122
Segment liabilities	1,389,817	1,174,484	259,106	2,823,407
Reconciliation:				
Elimination of intersegment payables				(2,309,405)
Corporate and other unallocated liabilities				7,778,603
Total liabilities				8,292,605

3. Revenue and other income

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 2023 (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	**386,441**	**-**	**-**	**386,441**
Property management income	**-**	**19,886**	**1,190**	**21,076**
Total revenue from contracts with customers	**386,441**	**19,886**	**1,190**	**407,517**
Revenue from other sources				
Gross rental income	**-**	**206,058**	**28,933**	**234,991**
Total revenue from other sources	**-**	**206,058**	**28,933**	**234,991**
Revenue disclosed in the segment information	**386,441**	**225,944**	**30,123**	**642,508**
Timing of revenue recognition				
Goods transferred at a point in time	**386,441**	**-**	**-**	**386,441**
Services transferred over time	**-**	**19,886**	**1,190**	**21,076**
Total revenue from contracts with customers	**386,441**	**19,886**	**1,190**	**407,517**

	Six months ended 30 September 2022 (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	394,047	-	-	394,047
Property management income	-	19,619	934	20,553
Total revenue from contracts with customers	394,047	19,619	934	414,600
Revenue from other sources				
Gross rental income	-	192,013	22,471	214,484
Total revenue from other sources	-	192,013	22,471	214,484
Revenue disclosed in the segment information	394,047	211,632	23,405	629,084
Timing of revenue recognition				
Goods transferred at a point in time	394,047	-	-	394,047
Services transferred over time	-	19,619	934	20,553
Total revenue from contracts with customers	394,047	19,619	934	414,600

3. Revenue and other income *(Continued)*

Other income

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**11,065**	8,175
Others	**18,007**	14,035
Government subsidies[#]	**-**	2,954
	29,072	25,164

[#] The government subsidies represent mainly grants from the Employment Support Scheme of the Hong Kong Government, which aim 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	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans	**187,505**	106,080
Interest on lease liabilities	**1,217**	324
Less: Interest capitalised under properties under development/construction	**(41,994)**	(15,520)
	146,728	90,884

5. Profit before tax

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

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipments	**2,957**	2,846
Depreciation on right-of-use assets*	**16,372**	14,366
Fair value loss on a financial asset at fair value through profit or loss	**386**	1,260
Employee benefit expenses (including directors' remuneration)	**32,687**	32,550
Less: Amounts capitalised under properties under development/construction	**(11,500)**	(10,000)
	21,187	22,550

* Included in the amount are the depreciation of leased carparks of HK$10,409,500 (2022: HK$8,138,000) which are included in "Cost of sales" in the condensed consolidated statement of profit or loss.

6. Income tax

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Under-provision in prior periods	**-**	258
Current – Elsewhere	**122,306**	103,600
Deferred	**8,091**	(6,443)
Total tax charge for the period	**130,397**	97,415

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%. 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$89,117,000 (2022: HK$114,117,000) and the number of 720,429,301 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 2023 and 2022 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 2023 (2022: Nil).

The final dividend of HK 12.5 cents per ordinary share for the year ended 31 March 2023 was approved by the Company's shareholders at the annual general meeting of the Company held on 31 August 2023 and paid on 4 October 2023.

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 2023	At 31 March 2023
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 30 days	**1,346**	882
31 to 60 days	**831**	156
61 to 90 days	**-**	143
Over 90 days	**9,703**	9,703
Total	**11,880**	10,884

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 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 and accrued liabilities

Included in the trade payables, other payables and accrued liabilities are trade payables of HK$9,612,000 (as at 31 March 2023: HK$7,492,000). 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 2023 (Unaudited) ***HK$'000***	At 31 March 2023 (Audited) *HK$'000*
Within 30 days	**9,612**	7,492

11. Contingent liabilities

(a) As at 30 September 2023, the Group has given a guarantee of HK$487,500,000 (as at 31 March 2023 (audited): HK$487,500,000) to a bank in connection with a facility granted to a joint venture and such banking facility guaranteed by the Group to the joint venture was utilised to the extent of HK$237,500,000 (as at 31 March 2023 (audited): HK$237,500,000).

(b) As at 30 September 2023, the Group has given guarantees of HK$3,141,000 (as at 31 March 2023 (audited): HK$3,284,000) 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.

12. Event after reporting date

In September 2023, The Bauhinia Hotels Group Japan I 合同会社 (Godo Kaisha) entered into the sale and purchase agreement with an independent third party to acquire a hotel property located in Osaka, Japan, at a consideration at JPY899.8 million (equivalent to approximately HK$47.7 million at the date of the sale and purchase agreement). The acquisition was completed in October 2023 and the hotel property will be held as investment property for generating rental income.

The Bauhinia Hotels Group Japan I 合同会社 (Godo Kaisha) was established under the Tokumei Kumiai Arrangement, a contractual arrangement defined in the Commercial Code of Japan, and is solely funded by Optimal Trade Holdings Limited (貿旺控股有限公司), an indirect subsidiary of which the Group owned 60% interests.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK$6,335 million as at 30 September 2023 (as at 31 March 2023: HK$6,153 million), of which approximately 11% (as at 31 March 2023: 26%) of the debts were classified as current liabilities. Included therein were debts of HK$347 million related to term loans which will be refinanced during the forthcoming twelve months. Assuming that the aforesaid refinancing will be completed on schedule, the current portion of the total interest-bearing debts would be approximately 5%.

Total cash and bank balances including time deposits were approximately HK$1,812 million as at 30 September 2023 (as at 31 March 2023: HK$1,752 million) and the increase was mainly due to cash generated from property sales of development project. The Group had committed but undrawn banking facilities of a total of approximately HK$670 million at period end available for its working capital purpose.

Total shareholders' funds as at 30 September 2023 were approximately HK$11,253 million (as at 31 March 2023: HK$11,663 million). The decrease was primarily due to the depreciation of Renminbi-denominated net assets, net of profit attributable to shareholders less dividend paid.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK$4,523 million (as at 31 March 2023: HK$4,401 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK$11,450 million (as at 31 March 2023: HK$11,877 million), was 40% as at 30 September 2023 (as at 31 March 2023: 37%).

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 30 September 2023, 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$15,756 million as at 30 September 2023 were pledged to secure certain banking facilities of the Group.

Employees and remuneration policies

The Group, not including its joint ventures and associate, employed approximately 360 employees as at 30 September 2023 (as at 31 March 2023: approximately 360). There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

CONNECTED TRANSACTIONS

1. On 12 July 2018, Gold Famous Development Limited (“Gold Famous”), an indirect wholly-owned subsidiary of the Company, entered into a framework agreement with Chinney Construction Company, Limited (“Chinney Construction”), an indirect wholly-owned subsidiary of Chinney Alliance Group Limited (“Chinney Alliance”) (Stock Code: 385), 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 K.C.T.L. 495, Kin Chuen Street, Kwai Chung, New Territories, Hong Kong at a total contract sum not exceeding HK$757,800,000. As Chinney Investments, Limited (“Chinney Investments”) (Stock Code: 216) is interested in approximately 68.09% of the issued shares of the Company and approximately 29.10% of the issued shares of Chinney Alliance and Dr. James Sai-Wing Wong is a controlling shareholder, the then executive director and Chairman of each of Chinney Investments, the Company and Chinney Alliance, the related transaction constituted a connected transaction for each of Chinney Investments, the Company and Chinney Alliance under the Listing Rules. The transaction was approved by the independent shareholders of Chinney Investments, the Company 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 Chinney Investments, the Company 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.

2. On 26 September 2022, Honour Well Development Limited (“Honour Well”), an indirect wholly-owned subsidiary of the Company, entered into a framework agreement with each of Chinney Construction and Shun Cheong Building Services Limited (“Shun Cheong”), both being indirect wholly-owned subsidiaries of Chinney Alliance, pursuant to which, Chinney Construction was appointed by Honour Well as the contractor for the builder’s works at the contract sum of not exceeding HK$96,300,000 and Shun Cheong was appointed by Honour Well as the contractor for the mechanical and electrical engineering works and façade works at the contract sum of not exceeding HK$141,000,000 relating to the revamp project of the building located at 119-121 Connaught Road Central, Sheung Wan, Hong Kong. As Chinney Investments is interested in approximately 68.09% of the issued shares of the Company and approximately 29.10% of the issued shares of Chinney Alliance and Dr. James Sai-Wing Wong is a controlling shareholder, the then executive director and Chairman of each of Chinney Investments, the Company and Chinney Alliance, the related transactions constituted connected transactions for each of Chinney Investments, the Company and Chinney Alliance under the Listing Rules. The transactions were approved by independent shareholders of Chinney Investments, the Company and Chinney Alliance at the respective general meetings held by each of the companies on 28 November 2022.

Details of the transactions were set out in the joint announcement of Chinney Investments, the Company and Chinney Alliance dated 26 September 2022 and the Company's circular dated 8 November 2022. During the six months ended 30 September 2023, HK$5,615,000 was paid to Shun Cheong and HK$10,201,000 was paid to Chinney Construction, respectively in respect of the transactions.

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 2023.

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 2023, except for the following deviations:

1. CG Code provision B.2.2 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 will not be subject to retirement by rotation; which deviates from CG Code provision B.2.2 as the Board considers that the continuity of office of the Chairman provides the Group with a strong and consistent leadership and is of great importance to the smooth operations of the Group.

2. CG Code provision E.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 2023 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 2023.

By Order of the Board
James Sing-Wai Wong
Chairman

Hong Kong, 21 November 2023

At the date of this announcement, the directors of the Company are Mr. James Sing-Wai Wong (Chairman), Mr. Xiao-Ping Li and Mr. Philip Bing-Lun Lam as executive directors; and Ms. Janie Fong, Mr. David Tak-Wai Ma and Mr. James C. Chen as independent non-executive directors.