Chinney Investments, Limited

Stock Code: 216

Interim Report
2023/24

CONTENTS

Cover Photo:

Four buildings from right to left namely Hon Kwok Building (漢國大廈), The Riverside (港匯臺), No. 5 Residence (5號公館) and Ganghui Dasha (港滙大廈), all being the Group's development projects, are located at Beijing Nan Road, Yue Xiu District, Guangzhou, at the waterfront of the Pearl River.

The Riverside and Hon Kwok Building are newly developed with targeted project completion in 2024.

CORPORATE INFORMATION

DIRECTORS

James Sing-Wai Wong *(Chairman)*
Yuen-Keung Chan *(Vice Chairman and Managing Director)*
Emily Yen Wong
Richard Chi-Ho Lo*
Winfred Wai-Lap Fan*
Randall Todd Turney*

* *Independent non-executive directors*

AUDIT COMMITTEE

Winfred Wai-Lap Fan *(Chairman)*
Richard Chi-Ho Lo
Randall Todd Turney

REMUNERATION COMMITTEE

Winfred Wai-Lap Fan *(Chairman)*
Yuen-Keung Chan
Randall Todd Turney

NOMINATION COMMITTEE

Richard Chi-Ho Lo *(Chairman)*
Winfred Wai-Lap Fan
Randall Todd Turney
James Sing-Wai Wong
Yuen-Keung Chan

COMPANY SECRETARY

Ka-Yee Wan

PRINCIPAL BANKERS

The Bank of East Asia, Limited
Chong Hing Bank Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China Limited
Industrial and Commercial Bank of China (Asia) Limited
Shanghai Commercial Bank Limited

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road, Quarry Bay
Hong Kong

REGISTRAR

Tricor Tengis Limited
17th Floor
Far East Finance Centre
No. 16 Harcourt Road
Hong Kong

REGISTERED OFFICE

23rd Floor
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111 Connaught Road Central
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STOCK CODE

SEHK 216

WEBSITE

http://www.chinney.com.hk

21 November 2023

Dear Shareholders:

We present the interim six-month results of our company. As usual, we begin with a presentation of the financial results, followed by a brief review of the business, and closing with my commentary for the remainder of the year,

FINANCIAL RESULTS

The revenue for the six months ended 30 September 2023 was HK$651 million (2022: HK$638 million) with a net loss attributable to shareholders of HK$2 million (2022: profit of HK$45 million). Excluding the effect of fair value gains on investment properties (net of deferred taxation) of HK$8 million (2022: HK$3 million), the underlying net loss attributable to shareholders would be HK$10 million (2022: profit of HK$42 million).

Basic loss per share was HK$0.004 (2022: earnings per share of HK$0.081). As at 30 September 2023, the shareholders' equity amounted to HK$7,704 million (as at 31 March 2023: HK$7,994 million) and net assets per share attributable to shareholders was HK$13.97 (as at 31 March 2023: HK$14.50). The decrease in shareholders' equity was primarily due to 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 company is made up of property and construction businesses. Our property business is lead mostly by our investment in Hon Kwok Land Investment Company, Limited ("HKLIC", Stock Code: 160) and its subsidiaries ("HKL Group"), which in turn is chiefly divided into two segments: property developments where properties are built and sold, and property investments where properties are held for rental income.

1. Property

(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$181 million (2022: HK$149 million). Earnings came from the continuing sale of property units plus car park spaces in our Nanhai, Guangzhou project.

BUSINESS REVIEW *(Continued)*

1. **Property** *(Continued)*

(1) **Property Development** *(Continued)*

(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 under HKL Group; (ii) The Riverside and Hon Kwok Building, a wholly-owned project on Beijing Nan Road in the Yue Xiu District of Guangzhou under HKL Group and (iii) the Enterprise Square in the Nanshan District of Shenzhen in which HKL 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$181 million (2022: HK$149 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, 20% associates owned by HKL Group, 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 HKL 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.

BUSINESS REVIEW *(Continued)*

1. **Property** *(Continued)*

(ii) Property Development – Hong Kong

In January 2023, HKL 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$234 million (2022: HK$220 million), with profits before taxation of HK$160 million (2022: HK$124 million). This includes increase in fair market valuations of HK$20 million (2022: decrease of HK$1 million).

(i) Property Investment – Mainland China

Our company's Mainland China portfolio of investment properties consist of seven key projects with an aggregate gross floor area of approximately 452,660 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, (vi) the Chongqing Jinshan Shangye Zhongxin, an office tower and a hotel/office tower at the Bei Bu Xin Qu of Chongqing and (vii) Nexxus, Jing'an, a four-storey premises in Jing'an, Shanghai. The portfolio achieved an average occupancy rate of 75% (2022: 75%).

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%).

BUSINESS REVIEW *(Continued)*

1. **Property** *(Continued)*

(2) **Property Investment** *(Continued)*

(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, HKL 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.

BUSINESS REVIEW *(Continued)*

1. **Property** *(Continued)*

(iv) Property Investment – Valuation

The Group's investment property portfolio is measured on a fair value basis, marked at HK$15,542 million as at 30 September 2023 (as at 31 March 2023: HK$15,721 million), including the Mainland China portfolio of HK$10,007 million, Hong Kong portfolio of HK$5,372 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$8 million (2022: HK$3 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$1.0 million (2022: HK$3.2 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).

2. **Property under redevelopment plan**

The development project of which the Group owns 30% interests is located in Douchizhou, Zhongtang Town, Dongguan. With gross floor area of approximately 58,000 square meters, it has been developed into a mixed-use project comprising residential units and commercial office. The project was completed and a portion of the residential units have been launched to the market for sale.

3. **Construction and Trading**

Chinney Alliance Group Limited ("Chinney Alliance") (Stock Code: 385), a 29.1% owned associate recorded turnover of HK$2,539 million (2022: HK$2,855 million) and net loss attributable to shareholders of HK$59.8 million (2022: profit of HK$5.4 million) for the six months ended 30 June 2023.

BUSINESS REVIEW *(Continued)*

3. Construction and Trading *(Continued)*

Chinney Alliance's foundation piling and ground investigation businesses are conducted by Chinney Kin Wing Holdings Limited ("Chinney Kin Wing") (Stock Code: 1556). Chinney Kin Wing contributed revenue of HK$1,021 million (2022: HK$852 million) and operating profit of HK$52.1 million (2022: HK$44.0 million). Increase in revenue was primarily due to the recognition of sizable public works projects. Whereas the increase in profit contribution was in line with the revenue increase and due to the implementation of stringent project cost control. In view of the local government's commitment to invest in housing and infrastructure projects, we see ample opportunities in this construction sector.

On the other hand, the Building Construction division, engaged in superstructure construction works in Hong Kong and Macau, contributed revenue of HK$376 million (2022: HK$410 million) and recorded an operating loss of HK$21.1 million (2022: loss of HK$12.9 million). We continue to recover from post-pandemic related project stresses, including increased labor and materials costs. Macau, in particular, has been slow to recover. We anticipate an improvement in these results in coming months as new projects come online.

Our Building related contracting services division faced the greatest challenges. This business is engaged in the contracting businesses of HVAC installation and maintenance, water, electrical, photovoltaic and fire protection systems, contributed revenue of HK$861 million (2022: HK$1,161 million) and recorded operating loss of HK$41.0 million (2022: profit of HK$12.9 million). The substantial decline in revenue was mainly due to the slow progress of major projects caused by Covid related delays, leading to operating losses associated with a decline in profit contributions, additional staff costs and increases in interest costs. This is a subcontractor business, and this cyclical downturn reflects the overall weakness of general contractors during Covid. We are closely monitoring projects to control costs and enhance profitability.

The Plastic Trading division contributed revenue of HK$175 million (2022: HK$262 million) and recorded an operating loss of HK$5.8 million (2022: profit of HK$10.4 million). The softening external demand for goods continued to affect our customers who are mainly manufacturers and exporters from Mainland China. Besides, sales of JcoNAT disinfectant also dropped after the pandemic. Nevertheless, the division continues to develop green plastic products and new wellness products to enhance profitability.

The Aviation division, contributed revenue of HK$105 million (2022: HK$170 million) and recorded an operating loss of HK$0.2 million (2022: profit of HK$0.8 million). With the increase in tender opportunities for the airport and related projects, we believe these results will improve in coming periods as contracts complete and new projects come online.

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 Francisco. Perhaps the worst of the decoupling/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, HKLIC will look for growth opportunities in Hong Kong and abroad.

Finally, I wish to express my sincere thanks to my fellow directors for their contributions and all staff members for their hard work during the period under review.

James Sing-Wai Wong
Chairman

Hong Kong, 21 November 2023

GENERAL INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2023, none of the directors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2023, so far as is known to the directors of the Company, the following substantial shareholders and other persons had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	*Notes*	**Capacity and nature of interest**	**Number of ordinary shares held**	**Percentage of the Company's issued shares**
Dr. James Sai-Wing Wong ("Dr. Wong")	*1 & 2*	Through controlled corporations	341,439,324	61.93
	1	Directly beneficially owned	480,000	0.09
Lucky Year Finance Limited	*1 & 2*	Through controlled corporation	341,439,324	61.93
Chinney Holdings Limited	*1 & 2*	Directly beneficially owned	341,439,324	61.93

Notes:

1. *All the interests stated above represent long positions.*

2. *Dr. Wong, Lucky Year Finance Limited and Chinney Holdings Limited are deemed to be interested in the same parcel of 341,439,324 shares by virtue of Section 316 of the SFO.*

Save as disclosed herein, as at 30 September 2023, none of the substantial shareholders or other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

(a) In March 2020, Vast Champ Investment (Chongqing) Co., Ltd. (the "Onshore Borrower"), being a direct wholly-owned subsidiary of the Offshore Borrower (as defined below) and an indirect wholly-owned subsidiary of HKLIC, as borrower, entered into a loan agreement (固定資產貸款借款合同) (the "Onshore Loan Agreement") relating to a term loan facility in the principal amount up to RMB450 million (the "Onshore Loan Facility") with a PRC branch of a bank in Hong Kong (the "Onshore Lender"). The Onshore Loan Facility will be mainly used for refinancing the existing banking facility of the Onshore Borrower and repayment of inter-company loans, and also as general working capital for the daily operation of the Onshore Borrower. The tenor of the Onshore Loan Facility shall be 5 years commencing from the first drawdown date of the Onshore Loan Facility, or up to the maturity date of the Offshore Loan Facility (as defined below), whichever is later.

    Pursuant to the Onshore Loan Agreement, the Onshore Borrower undertakes with the Onshore Lender, inter alia, that (1) it will procure the Company to continue to (i) be the major beneficial ultimate shareholder of HKLIC; (ii) hold not less than 30% effective shareholding of HKLIC; and (iii) maintain management control of HKLIC; and (2) Dr. Wong, the controlling shareholder of both HKLIC and the Company, or his family members or his designated trust beneficiary shall continue to collectively remain as the major beneficial ultimate shareholder of the Company.

    If any of the undertakings as stipulated in the Onshore Loan Agreement are not performed by the Onshore Borrower, it will constitute an event of default and the occurrence of which, if not being remedied by the Onshore Borrower within the period as allowed by the Onshore Lender, would render the Onshore Lender having the right to declare the Onshore Loan Facility to be immediately due and payable.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES *(Continued)*

(b) In March 2020, Vast Champ Investment Limited (the "Offshore Borrower"), an indirect wholly-owned subsidiary of HKLIC, as borrower, entered into a loan agreement (the "Offshore Loan Agreement") relating to a term loan facility in the principal amount up to HK$100 million (the "Offshore Loan Facility") with a bank in Hong Kong (the "Offshore Lender"). The Offshore Loan Facility will be used for repayment of inter-company loans raised for the purpose of refinancing an existing banking facility of the Offshore Borrower. The tenor of the Offshore Loan Facility shall be 5 years from the drawdown date of the Offshore Loan Facility or up to the maturity date of the Onshore Loan Facility, whichever is earlier.

Pursuant to the Offshore Loan Agreement, it shall be an event of default if (1) the Company ceases to (i) be the major beneficial ultimate shareholder of HKLIC; or (ii) hold not less than 30% effective shareholding of HKLIC, or (iii) maintain management control of HKLIC; or (2) Dr. Wong, the controlling shareholder of both HKLIC and the Company, or his family members or his designated trust beneficiary ceases to collectively remain the major beneficial ultimate shareholder of the Company.

If an event of default under the Offshore Loan Agreement occurs, the Offshore Lender may declare all outstanding amounts together with all interest accrued under the Offshore Loan Facility to be immediately due and payable.

(c) In October 2020, Chinney Treasury Limited, a wholly-owned subsidiary of the Company, as borrower, entered into an agreement (the "HK$800 million Facilities Agreement") relating to HK$800 million term and revolving loan facilities (the "HK$800 million Loan Facilities") with a syndicate of banks. The HK$800 million Loan Facilities have a term of 48 months commencing from the date of the HK$800 million Facilities Agreement and are to be used for refinancing the existing loans facilities with outstanding balance of HK$500 million and financing the Group's general corporate funding requirements.

Pursuant to the HK$800 million Facilities Agreement, it shall be an event of default if Dr. Wong, the controlling shareholder of the Company, and/or his family members collectively cease to (i) maintain management control over the Company; or (ii) remain as the major beneficial ultimate shareholder of the Company; or (iii) hold (whether directly or indirectly) at least 50% of equity interest in the Company (within the meaning of Part XV of the SFO).

If an event of default under the HK$800 million Facilities Agreement occurs, the agent acting for the lending banks may, and shall if so requested by a majority of the lending banks, terminate the HK$800 million Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the HK$800 million Loan Facilities to be immediately due and payable.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES *(Continued)*

(d) In February 2023, Hon Kwok Treasury Limited, a wholly-owned subsidiary of HKLIC, as borrower, entered into a facility agreement (the “Facility Agreement”) relating to term and revolving loan facilities of HK$737 million, which may be increased to HK$1,500 million subject to the terms and conditions as stipulated therein (the “Loan Facilities”) with a syndicate of financial institutions (the “Lenders”). The Loan Facilities have a term of 48 months commencing from the date of the Facility Agreement and to be used for (i) refinancing the existing syndicated loan with an outstanding balance of HK$727.5 million; (ii) financing the costs and expenses in relation to the Loan Facilities; and (iii) financing or refinancing the general working capital requirements of HKL Group.

Pursuant to the Facility Agreement, it shall be an event of default if (i) the Company ceases to be the major beneficial shareholder of HKLIC as a result of the Company ceasing to hold no less than 30% effective shareholding of HKLIC or does not or ceases to maintain management control of HKLIC; or (ii) Dr. Wong, the controlling shareholder of both HKLIC and the Company, or his family members collectively, do not or cease to hold the major beneficial ultimate shareholding interest in the Company.

If an event of default under the Facility Agreement occurs, the agent acting for the Lenders may, and shall if so requested by a majority of the Lenders, terminate the Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the Loan Facilities to be immediately due and payable.

(e) In September 2023, Gold Famous Development Limited (“Gold Famous”), a wholly-owned subsidiary of HKLIC, as borrower, entered into a facility agreement (the “HK$1,525 million Facility Agreement”) relating to term loan facilities of HK$1,525 million (the “HK$1,525 million Loan Facilities”) with a syndicate of financial institutions. The HK$1,525 million Loan Facilities will be used for (i) refinancing the existing facilities of Gold Famous with an outstanding balance of approximately HK$1,141 million; and (ii) financing the general corporate requirements of HKL Group. The HK$1,525 million Loan Facilities have a term of 48 months after the date of the first utilisation of the HK$1,525 million Loan Facilities.

Pursuant to the HK$1,525 million Facility Agreement, it shall be an event of default if (i) the Company (1) ceases to be the single largest beneficial shareholder of HKLIC; or (2) does not or ceases to hold not less than 30% effective shareholding interests of HKLIC; or (3) does not or ceases to maintain management control of HKLIC; or (ii) Dr. Wong, the controlling shareholder of both HKLIC and the Company, or his family members collectively, do not or cease to hold the major beneficial ultimate shareholding interests in the Company.

If an event of default under the HK$1,525 million Facility Agreement occurs, the agent acting for the lending banks may, and shall if so directed by a majority of the lending banks, terminate the HK$1,525 million Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the HK$1,525 million Loan Facilities to be immediately due and payable.

CONNECTED TRANSACTIONS

1. 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 K.C.T.L. 495, Kin Chuen Street, Kwai Chung, New Territories, Hong Kong (the "Data Centre Project") at a total contract sum not exceeding HK$757,800,000. As the Company is interested in approximately 68.09% of the issued shares of HKLIC and approximately 29.10% of the issued shares of Chinney Alliance and Dr. Wong is a controlling shareholder, the then executive director and Chairman of each of the Company, HKLIC and Chinney Alliance, the related transaction constituted a connected transaction for each of the Company, HKLIC and Chinney Alliance under the Listing Rules. The transaction was approved by the independent shareholders of the Company, HKLIC 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, HKLIC 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"), HKLIC's indirect wholly-owned subsidiary, 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 the Company is interested in approximately 68.09% of the issued shares of HKLIC and approximately 29.10% of the issued shares of Chinney Alliance and Dr. Wong is a controlling shareholder, the then executive director and Chairman of each of the Company, HKLIC and Chinney Alliance, the related transactions constituted connected transactions for each of the Company, HKLIC and Chinney Alliance under the Listing Rules. The transactions were approved by the independent shareholders of the Company, HKLIC 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 the Company, HKLIC 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 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 and the Managing Director 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 and the Managing Director provide the Group with a strong and consistent leadership and is of great importance to the smooth operations of the Group.

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).

CORPORATE GOVERNANCE *(Continued)*

Audit Committee

The Company has established an Audit Committee comprising Mr. Winfred Wai-Lap Fan, Mr. Richard Chi-Ho Lo and Mr. Randall Todd Turney.

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.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK$7,422 million as at 30 September 2023 (as at 31 March 2023: HK$7,262 million), of which approximately 17% (as at 31 March 2023: 29%) 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 12%.

Total cash and bank balances including time deposits were approximately HK$1,844 million as at 30 September 2023 (as at 31 March 2023: HK$1,850 million). The Group had committed but undrawn banking facilities of a total of approximately HK$856 million at period end available for its working capital purpose.

Total shareholders' funds as at 30 September 2023 were approximately HK$7,704 million (as at 31 March 2023: HK$7,994 million). The decrease was primarily due to the depreciation of Renminbi-denominated net assets, net of profit attributable to shareholders less dividend declared.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK$5,578 million (as at 31 March 2023: HK$5,412 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK$11,493 million (as at 31 March 2023: HK$11,929 million), was 49% as at 30 September 2023 (as at 31 March 2023: 45%).

FINANCIAL REVIEW *(Continued)*

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$16,309 million as at 30 September 2023 and shares in certain subsidiaries were pledged to secure certain banking facilities of the Group.

Employees and remuneration policies

The Group, not including its associates and joint ventures, employed approximately 370 employees as at 30 September 2023 (as at 31 March 2023: approximately 370). There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

Contingent liabilities

Particulars of the Group's contingent liabilities are set out in note 12 to the condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 September	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**650,752**	637,578
Cost of sales		**(283,720)**	(283,646)
Gross profit		**367,032**	353,932
Other income and gains, net	*3*	**29,996**	25,399
Fair value gains/(losses) on investment properties, net		**20,159**	(749)
Administrative and other operating expenses		**(74,415)**	(108,013)
Finance costs	*4*	**(182,652)**	(109,078)
Share of profits/(losses) of associates, net		**(2,727)**	17,568
Profit before tax	*5*	**157,393**	179,059
Income tax expense	*6*	**(130,572)**	(96,107)
Profit for the period		**26,821**	82,952
Attributable to:			
Owners of the Company		**(2,231)**	44,732
Non-controlling interests		**29,052**	38,220
		26,821	82,952
Earnings/(loss) per share attributable to ordinary equity holders of the Company			
Basic and diluted	*7*	**HK$(0.004)**	HK$0.081

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September 2023 (Unaudited) HK$'000	2022 (Unaudited) HK$'000
Profit for the period	**26,821**	82,952
Other comprehensive loss		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of associates	**(25,534)**	(51,729)
Exchange differences on translation of foreign operations	**(381,558)**	(900,805)
Other comprehensive loss for the period, net of tax	**(407,092)**	(952,534)
Total comprehensive loss for the period	**(380,271)**	(869,582)
Attributable to:		
Owners of the Company	**(261,679)**	(565,684)
Non-controlling interests	**(118,592)**	(303,898)
	(380,271)	(869,582)

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		**257,649**	256,148
Investment properties		**15,541,616**	15,721,045
Goodwill		**54,553**	54,553
Investments in joint ventures		**393,129**	393,129
Investments in associates		**1,238,818**	1,271,406
Financial assets at fair value through other comprehensive income		**104,329**	76,527
Financial assets at fair value through profit or loss		**23,572**	7,862
Total non-current assets		**17,613,666**	17,780,670
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*	**12,282**	10,930
Contract costs		**13,087**	9,364
Prepayments, deposits and other receivables		**340,112**	322,446
Financial asset at fair value through profit or loss		**8,911**	9,297
Amount due from a joint venture		**13,950**	3,200
Cash and bank balances		**1,844,482**	1,850,107
Total current assets		**3,484,554**	3,631,336
CURRENT LIABILITIES			
Trade payables, other payables, accrued liabilities and others	*10*	**192,366**	142,975
Interest-bearing bank and other borrowings		**1,206,057**	2,077,095
Lease liabilities		**29,941**	13,856
Contract liabilities		**155,631**	269,880
Customer deposits		**77,379**	84,367
Tax payable		**401,606**	320,497
Total current liabilities		**2,062,980**	2,908,670
NET CURRENT ASSETS		**1,421,574**	722,666
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,035,240**	18,503,336

	Note	At 30 September 2023 (Unaudited) HK$'000	At 31 March 2023 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**6,176,855**	5,157,498
Lease liabilities		**8,774**	13,551
Deferred tax liabilities		**1,356,961**	1,403,058
Total non-current liabilities		**7,542,590**	6,574,107
Net assets		**11,492,650**	11,929,229
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	**405,411**	405,411
Reserves		**7,298,912**	7,588,159
		7,704,323	7,993,570
Non-controlling interests		**3,788,327**	3,935,659
Total equity		**11,492,650**	11,929,229

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital (Unaudited) HK$'000	Other reserve (Unaudited) HK$'000	Asset revaluation reserve (Unaudited) HK$'000	Exchange fluctuation reserve (Unaudited) HK$'000	Retained profits (Unaudited) HK$'000	Total (Unaudited) HK$'000	Non-controlling interests (Unaudited) HK$'000	Total equity (Unaudited) HK$'000
At 1 April 2022	405,411	440,250	91,165	330,763	7,180,777	8,448,366	4,161,410	12,609,776
Profit for the period	–	–	–	–	44,732	44,732	38,220	82,952
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations	–	–	–	(610,416)	–	(610,416)	(342,118)	(952,534)
Total comprehensive income/(loss) for the period	–	–	–	(610,416)	44,732	(565,684)	(303,898)	(869,582)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	(28,740)	(28,740)
Final dividend in respect of previous financial year	–	–	–	–	(27,568)	(27,568)	–	(27,568)
At 30 September 2022	405,411	440,250	91,165	(279,653)	7,197,941	7,855,114	3,828,772	11,683,886
At 1 April 2023	405,411	440,250	91,165	(129,440)	7,186,184	7,993,570	3,935,659	11,929,229
Profit/(loss) for the period	–	–	–	–	(2,231)	(2,231)	29,052	26,821
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations	–	–	–	(259,448)	–	(259,448)	(147,644)	(407,092)
Total comprehensive loss for the period	–	–	–	(259,448)	(2,231)	(261,679)	(118,592)	(380,271)
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	(28,740)	(28,740)
Final dividend in respect of previous financial year	–	–	–	–	(27,568)	(27,568)	–	(27,568)
At 30 September 2023	**405,411**	**440,250**	**91,165**	**(388,888)**	**7,156,385**	**7,704,323**	**3,788,327**	**11,492,650**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 September 2023 (Unaudited) HK$'000	Six months ended 30 September 2022 (Unaudited) HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**157,393**	179,059
Adjustments for:			
Finance costs	*4*	**182,652**	109,078
Share of losses/(profits) of associates, net		**2,727**	(17,568)
Interest income	*3*	**(11,989)**	(8,267)
Depreciation of property, plant and equipments	*5*	**2,958**	2,847
Depreciation of right-of-use assets	*5*	**16,372**	14,466
Fair value losses/(gains) on investment properties, net		**(20,159)**	749
Fair value loss on a financial asset at fair value through profit or loss	*5*	**386**	1,260
		330,340	281,624
Decrease in properties held for sale under development and completed properties held for sale		**60,807**	109,133
Decrease/(increase) in trade receivables, prepayments, deposits and other receivables		**(30,798)**	1,862
Decrease/(increase) in contract costs		**(3,997)**	6,364
Increase/(decrease) in trade payables, other payables, accrued liabilities and others		**106,229**	(3,795)
Decrease in contract liabilities		**(109,764)**	(207,385)
Decrease in customer deposits		**(5,586)**	(3,991)
Cash generated from operations		**347,231**	183,812
Interest paid		**(1,217)**	(324)
Overseas taxes paid		**(15,365)**	(74,587)
Net cash flows from operating activities		**330,649**	108,901

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash flows from operating activities	**330,649**	108,901
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**11,989**	8,267
Purchases of items of property, plant and equipment	**(1,836)**	(354)
Purchases of a financial asset at fair value through profit or loss	**–**	(5,747)
Purchases of a financial asset at fair value through other comprehensive income	**(44,567)**	(60,127)
Additions to investment properties	**(230,662)**	(45,520)
Dividends received from an associate	**4,327**	4,760
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired	**(21,865)**	1,940
Advance of loans to a joint venture	**(10,750)**	–
Net cash flows used in investing activities	**(293,364)**	(96,781)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	**1,707,380**	1,481,848
Repayment of bank loans	**(1,476,789)**	(1,063,309)
Dividend paid	**–**	(27,568)
Dividends paid to non-controlling shareholders	**–**	(28,740)
Interest paid	**(223,429)**	(124,274)
Principal portion of lease payments	**(10,005)**	(15,011)
Net cash flows from/(used in) financing activities	**(2,843)**	222,946

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET INCREASE IN CASH AND CASH EQUIVALENTS	**34,442**	235,066
Cash and cash equivalents at beginning of period	**1,845,359**	1,971,141
Effect of foreign exchange rates changes, net	**(61,932)**	(154,716)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,817,869**	2,051,491
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**1,672,040**	2,015,491
Non-pledged time deposits	**172,442**	60,631
Cash and bank balances as stated in the condensed consolidated statement of financial position	**1,844,482**	2,076,122
Non-pledged time deposits with original maturity of more than three months when acquired	**(26,613)**	(24,631)
	1,817,869	2,051,491

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 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 other comprehensive income and financial assets at fair value through profit or loss 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.

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Changes in accounting policies and disclosures *(Continued)*

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.

(a) Business segments

	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	234,188	30,123	650,752
Segment results	180,669	160,155	968	341,792
Reconciliation:				
Interest income				11,989
Corporate and other unallocated expenses				(11,840)
Fair value loss on a financial asset at fair value through profit or loss				(386)
Finance costs (other than interest on lease liabilities)				(181,435)
Share of losses of associates, net				(2,727)
Profit before tax				157,393

2. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	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	220,126	23,405	637,578
Segment results	148,551	124,387	3,206	276,144
Reconciliation:				
Interest income				8,267
Corporate and other unallocated expenses				(12,906)
Finance costs (other than interest on lease liabilities)				(108,754)
Fair value loss on a financial asset at fair value through profit or loss				(1,260)
Share of profits of associates				17,568
Profit before tax				179,059

2. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(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	15,737,108	2,072,639	19,555,644
Reconciliation:				
Elimination of intersegment receivables				(2,074,079)
Investments in joint ventures				393,129
Investments in associates				1,238,818
Financial assets at fair value through profit or loss				32,483
Financial assets at fair value through other comprehensive income				104,329
Corporate and other unallocated assets				1,847,896
Total assets				21,098,220
Segment liabilities	1,241,298	1,097,434	199,438	2,538,170
Reconciliation:				
Elimination of intersegment payables				(2,074,079)
Corporate and other unallocated liabilities				9,141,479
Total liabilities				9,605,570

2. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	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	16,082,146	2,225,075	20,109,514
Reconciliation:				
Elimination of intersegment receivables				(2,309,405)
Investments in associates				1,271,406
Investments in joint ventures				393,129
Financial assets at fair value through profit or loss				17,159
Financial assets at fair value through other comprehensive income				76,527
Corporate and other unallocated assets				1,853,676
Total assets				21,412,006
Segment liabilities	1,389,817	1,178,129	266,088	2,834,034
Reconciliation:				
Elimination of intersegment payables				(2,309,405)
Corporate and other unallocated liabilities				8,958,148
Total liabilities				9,482,777

2. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Geographical segments – Revenue

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong	**101,704**	98,446
Mainland China	**549,048**	539,132
	650,752	637,578

3. REVENUE, OTHER INCOME AND GAINS

Disaggregation of revenue

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

	Six months ended 30 September 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	–	214,302	28,933	243,235
Total revenue from other sources	–	214,302	28,933	243,235
Revenue disclosed in the segment information	386,441	234,188	30,123	650,752
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

3. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Disaggregation of revenue *(Continued)*

	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	–	200,507	22,471	222,978
Total revenue from other sources	–	200,507	22,471	222,978
Revenue disclosed in the segment information	394,047	220,126	23,405	637,578
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, OTHER INCOME AND GAINS *(Continued)*

Other income and gains, net

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**11,989**	8,267
Others	**18,007**	14,106
Government subsidies#	**–**	3,026
	29,996	25,399

\# 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	**223,429**	124,274
Interest on lease liabilities	**1,217**	324
Less: Interest capitalised under properties under development/construction	**(41,994)**	(15,520)
	182,652	109,078

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	**2,958**	2,847
Depreciation of right-of-use assets*	**16,372**	14,466
Fair value loss on a financial asset at fair value through profit or loss	**386**	1,260
Employee benefit expenses (including directors' remuneration)	**43,057**	45,339
Less: Amounts capitalised under properties under development/construction	**(11,500)**	(10,000)
	31,557	35,339

* Included in the amount are the depreciation of leased carparks of HK$10,495,000 (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	**8,266**	(7,751)
Total tax charge for the period	**130,572**	96,107

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/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss (2022: earnings) per share amount is based on the loss for the period attributable to ordinary equity holders of the Company of HK$2,231,000 (2022: profit of HK$44,732,000) and the weighted average number of 551,368,153 ordinary shares in issue during both periods.

No adjustment has been made to the basic loss (2022: 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 5.0 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 10 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 (Unaudited) ***HK$'000***	At 31 March 2023 (Audited) *HK$'000*
Within 30 days	**1,748**	928
31 to 60 days	**831**	156
61 to 90 days	**–**	143
Over 90 days	**9,703**	9,703
Total	**12,282**	10,930

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, ACCRUED LIABILITIES AND OTHERS

Included in the trade payables, other payables, accrued liabilities and others are trade payables of HK$9,623,000 (as at 31 March 2023: HK$7,505,000). 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	**9,617**	7,499
Over 90 days	**6**	6
Total	**9,623**	7,505

11. SHARE CAPITAL

There were no movements in the issued and fully paid share capital of the Company in the current interim period.

12. 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.

13. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases certain of its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

13. OPERATING LEASE ARRANGEMENTS *(Continued)*

As lessor *(Continued)*

At 30 September 2023, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 30 September 2023 (Unaudited) *HK$'000*	At 31 March 2023 (Audited) *HK$'000*
Within one year	**332,117**	341,491
After one year but within two years	**315,255**	324,296
After two years but within three years	**263,296**	269,424
After three years but within four years	**226,490**	230,849
After four years but within five years	**389,380**	401,019
After five years	**389,822**	392,354
	1,916,360	1,959,433

14. CAPITAL COMMITMENTS

At 30 September 2023, the Group had authorised and contracted capital commitments in respect of property development expenditure amounting to HK$444,999,000 (as at 31 March 2023 (audited): HK$260,293,000).

15. RELATED PARTY TRANSACTIONS

(a) Connected Transactions

(i) During the prior period, HKL Group paid development expenditure relating to main contractor's construction works for the Data Centre Project to Chinney Construction, an indirect wholly-owned subsidiary of Chinney Alliance, amounted to HK$19,674,000. No development expenditure was paid during the six months ended 30 September 2023. The above transaction was negotiated between the concerned parties by reference to the prevailing market rate. The transaction constituted a connected transaction of the Company and was approved by the independent shareholders of the Company at an extraordinary general meeting held on 24 August 2018.

15. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Connected Transactions *(Continued)*

(ii) During the six months ended 30 September 2023, HKL Group paid builder's works, mechanical and electrical engineering works and façade works relating to the revamp project of the building located in Sheung Wan, Hong Kong to Chinney Construction and Shun Cheong, both are indirect wholly-owned subsidiaries of Chinney Alliance, amounted to HK$10,201,000 and HK$5,615,000 respectively. The above transactions were negotiated between the concerned parties by reference to the prevailing market rate. The transactions constituted connected transactions of the Company and were approved by the independent shareholders of the Company at an extraordinary general meeting held on 28 November 2022.

(b) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short-term employee benefits	**9,445**	9,110

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		**Fair values**	
	30 September 2023	31 March 2023	**30 September 2023**	31 March 2023
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial liabilities				
Interest-bearing bank and other borrowings	**7,382,912**	7,234,593	**7,382,912**	7,234,593

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Management has assessed that the fair values of cash and bank balances, trade receivables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in trade payables, other payables, accrued liabilities and others, the current portion of interest-bearing bank and other borrowings and current portion of lease liabilities, and a balance with an associate approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings and lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 September 2023 was assessed to be insignificant.

The Group did not have any financial liabilities measured at fair value as at 30 September 2023 and 31 March 2023. As at 30 September 2023, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included interest-bearing bank and other borrowings (non-current portion) of HK$6,176,855,000 (as at 31 March 2023 (audited): HK$5,157,498,000) and lease liabilities (non-current portion) of HK$8,774,000 (as at 31 March 2023 (audited): HK$13,551,000). The fair values of these financial liabilities disclosed were measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are unobservable (Level 3).

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities of the Group.

17. EVENT AFTER REPORTING PERIOD

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 HKL Group owned 60% interests.

18. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed interim consolidated financial statements were approved and authorised for issue by the board of directors on 21 November 2023.