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建業實業有限公司

Chinney Investments, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 216)

2023-24 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the “Board”) of Chinney Investments, Limited (the “Company”, and together with its subsidiaries, the “Group”) is pleased to announce the consolidated annual results of the Group for the year ended 31 March 2024.

Result for the year

	For the year ended 31 March	
	2024 HK\$'000	2023 HK\$'000
Revenue	1,102,627	1,066,412
Property development	592,595	579,625
Property investment	452,282	436,368
Property, carpark management and others	57,750	50,419
Underlying profit ⁽¹⁾	34,379	11,432
Profit/(Loss) attributable to owners of the Company	(66,667)	32,975

Financial information

	For the year ended 31 March	
	2024 HK\$	2023 HK\$
Earnings/(Loss) per share	(0.12)	0.06
Dividend per share		
Final	0.025	0.050
	As at 31 March	
	2024	2023
	HK\$	HK\$
Net assets value per share	13.67	14.50

Note:

(1) Underlying profit represents profit attributable to owners of the Company excluding the changes in fair value of investment properties and deferred tax.

CHAIRMAN'S STATEMENT

2023 was the most difficult year for our markets and for the Company in a generation. This year's results were sub-optimal and triggered an ongoing review of the Company's strategy. Overall, let us talk about why we believe that current conditions are transitory, and how we will eventually emerge stronger from the other side.

On behalf of the Board, I present to our shareholders the annual results of the Group for the year ended 31 March 2024. The Group's revenue increased by 3% to HK\$1,103 million (2023: HK\$1,066 million), and the recurrent underlying profit remained strong, improved to HK\$34.4 million (2023: HK\$11.4 million). However, there was a final loss attributable to ordinary equity holders of HK\$66.7 million (2023: profit of HK\$33.0 million), mainly due to revaluation losses and deferred tax of HK\$101.0 million (2023: gain of HK\$21.5 million). As such, there is a basic loss per share of HK\$0.12 (2023: earnings of HK\$0.06).

Our balance sheet continued to be robust. As at 31 March 2024, shareholders' equity was HK\$7,539 million (as at 31 March 2023: HK\$7,994 million) and net assets per share attributable to shareholders stood at HK\$13.67 (as at 31 March 2023: HK\$14.50).

A Brief Review of our Businesses

Our Group is facing heavy headwinds. From the doubling of interest rates in Hong Kong, an oversupply of office space in our key markets, to a virtual disappearance of buyers from the residential market; we are also exposed to the shocks of the ongoing economic structural realignment in China.

On the whole, our engineering associate Chinney Alliance Group, performed respectably. Our rental operations continued without drama. On the other hand, our property subsidiary, Hon Kwok Land Investment Group, bore the full brunt of the property sector depression in China.

From a geographical perspective, the pain is most deeply felt in our Chongqing properties. The economic malaise affecting Southwestern China has led to an oversupply of office space, which meant increasing vacancies and falling rental rates. We are vigorously managing the situation, including adjusting our organizational structure and repositioning the project to attract new tenants. For example, we opened a location for our successful HONKWORK co-working space concept that has so far grabbed new tenants and helped us recover some lost market share.

Despite the difficult operating environment, there are bright spots. Our Shenzhen property was a story of competing in a supply glut. More than 1,600,000 sq.m. of new Grade A office space (or 10 new Hon Kwok Centres) came onto the local market in 2023. We remain competitive by offering the highest quality building in our area. Because of our proximity to the heart of the city's startup culture at Huaqiang Beilu, we tend to attract many young companies. We've developed an effective strategy of "incubating" tenants in our HONKWORK co-working space first, then moving them into larger spaces inside the building when they grow bigger.

Positioned at the top of the 88 million strong Greater Bay Area consumer population, Guangzhou continues to be our revenue engine. Even with negative market conditions, we've sold our Nanhai project 77 units out of 80 units for sale, and showed strong sales of associated car park spaces 841 spaces in Nanhai project and 620 car spaces in Botanica. Moreover, we launched our new Beijing Road mix-use project at the end of 2023, including 144 residential flats for sale, 6,000 sq.m. of office space, and 20,000 sq.m. of modern open street accessible retail space.

In Hong Kong, our diversification strategy has helped us weather the downturn better than the other regions. Our resilient and multi-sector portfolio of hotels, the data centre, and offices are almost fully let; particularly the data centre driving the most returns. Hotel revenues recovered gradually with the dropping of the Covid restrictions in April of 2023. As part of our continuing modernization plans, the Bauhinia Central's remodeling is anticipated to reopen by the end of 2024. When operational, the building will be the first 100% solar paneled building in Hong Kong.

As part of our strategy to diversity overseas, we acquired a portfolio of five hotels properties in Tokyo and Osaka, Japan during the year under review. The removal of Covid restrictions propelled "revenge" travel, including a travel craze out of Hong Kong. We followed the crowd. The acquisition also took advantage of Japan's easy financing rates (around 1%) and the weak Yen. So far, the four that have come online are fully occupied and room rates are rising. We are actively pursuing more deals and see this as a promising area for future growth.

In our bread-and-butter engineering business, four of five of our construction and trading divisions were cash flow positive with the foundation and aviation businesses shining the brightest. The "all weather" composition of this group has shown its strength during the last five years by being profitable through the ups and downs of the construction boom and bust cycle. We see no reason why this steadiness should not continue into the future.

The Outlook

Financially, the economic recession in China has manifested in large downward revaluations of our investment properties which resulted in us to actively manage our leverage. As we enter the fifth year of "survival" mode, we can thank our strong balance sheet and experienced managers for keeping the Company above water.

The pessimistic view is that China's malaise persists throughout this year. And we have to be prepared for more downward pressure in the short term.

Nevertheless, the good news is that there are signs that we may have hit bottom and things will improve in the coming year. The stream of "gloom and doom" commentary about the end of China Mainland and Hong Kong from writers who don't live in here are way overblown. The economic growth in China is expected to grow sustainability at minimum 5% and exports and the trade surplus continues to rise.

While international decoupling grumbles along, elections in the European Union, United Kingdom, and the United States in the next few months will eventually settle medium term uncertainties. No matter if the outcomes are good or bad, we are agile enough to adjust our strategies to adapt to their policies.

And despite the Covid and post-Covid downturn, as the world's second largest economy, China remains the most dynamic economic region in the world. Multiple world economic forums forecast that 80% of global alpha (that is economic growth) will come out of Asia in the next 25 years. The vast majority of that growth will come from China.

China is in the middle of a historical course correction. The economy is moving away from its unhealthy dependence on real estate to more sustainable sources of growth. This emphasis on quality over quantity is to be praised, even if it is painful to the companies who make their money in real estate.

The new business environment will be in alternative energy, high technology, precision medicine, and advanced transportation-oriented businesses. The Greater Bay Area, where our company is mostly focused, will become the epicenter of this new Chinese economy which will be driven by consumerism.

Our company is well positioned in this sector. In addition to aviation, our engineering subsidiary is exploring opportunities in zero-carbon and climate change technologies, robotics, engineering digitization, electrification infrastructure, and urban air mobility. This will enhance our goal of becoming the leading ESG company in Asia.

The real estate business will also evolve. It will recover and mature to track real estate businesses more closely in the developed world. The days of “easy money” where one could buy a green field site, sit on it for a year, and then flip it for enormous profits are gone. Real estate developers are going to have to work harder to make money. But here is the key: there is still going to be money in real estate.

Demographically, China is extremely wealthy. The urbanization rate for China is around 65% and will continue to grow to 80% in the next 10 years. That means another 200 million people will move into cities and will need homes and offices for their businesses. China’s median age is 39 and a majority of this population continues to be upwardly mobile. The recent popularity of “trading up” residential programs where buyers swap new homes for old homes demonstrates a strong demand for higher quality products.

In the short term, to revive consumer sentiment and resolve the financing issues of real estate developers, the Central government has established “Real Estate Financing Coordination Mechanisms” in major cities, and issued batches of “whitelists” for real estate projects eligible for financing support from banks.

Not forgetting Hong Kong is our home. 2023 we saw the first year of rebuilding since 2019. Even though Hong Kong continues to be squeezed by high interest rates from the US as well as the economic recession in China, there are also green shoots coming out of the turmoil. In hospitality, the Hong Kong Airport expects passenger traffic to fully recover to the pre-pandemic level by the end of 2024. To jumpstart the market, all demand-side management stamp duties for residential properties were lifted. In addition, the Hong Kong Government implemented an “Admission Scheme for Talent” to encourage the immigration of skilled knowledge workers to grow our competitiveness. In addition, China’s National 14th Five-Year Plan clearly positioned Hong Kong’s development to leverage its unique advantages in finance and technology.

While I acknowledge and express regret for our company’s diminished returns over the short term, I am bullish for our medium- and long-term prospects. There are generational opportunities in this crisis. During the last year, we involved directors and managers in reviewing the strategic assumptions behind the business through retreats and management discussions. We will continue this work for the rest of the year and report back on progress.

For our business, we have much to look forward to in all aspects. In Hong Kong, our flagship Bauhinia Hotel will come back online by the end of 2024. We anticipate offering for sale our joint venture project in the South Bay by the end of 2025. The multiple government stimulus programs will also boost sales and occupancy in our Guangzhou project. And our Japan investments will start contributing to our bottom line.

Appreciation

On behalf of the Board, I would like to express my gratitude to our fellow directors for their guidance, our colleagues for their hard work and contributions to both our innovative and resilient work culture. I also wish to express my sincere thanks to our stakeholders and business partners, we will continue to be good partners and hope to count on your support for new projects and initiatives.

2025 marks the 50th Anniversary of the incorporation of the Chinney Group (parent company of Hon Kwok Land) in Hong Kong. It will mark the opening of a new chapter for our Company. Thank you for supporting us through these many years. With your continued support, we look forward to bringing you prosperous returns for the next 50 years.

Thank you.

James Sing-Wai Wong
Chairman

Hong Kong, 27 June 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the year ended 31 March	
		2024 HK\$'000	2023 HK\$'000
Revenue	3	1,102,627	1,066,412
Cost of sales		<u>(506,772)</u>	<u>(495,765)</u>
Gross profit		595,855	570,647
Other income and gains, net	3	47,147	45,680
Fair value losses on investment properties, net		(156,699)	(64,697)
Fair value gain on transfer of development property to investment property		-	98,973
Administrative and other operating expenses, net		(130,056)	(177,012)
Finance costs	4	(386,003)	(266,478)
Share of profits of associates		<u>31,138</u>	<u>23,324</u>
Profit before tax	5	1,382	230,437
Income tax expense	6	<u>(45,237)</u>	<u>(145,529)</u>
Profit/(Loss) for the year		<u>(43,855)</u>	<u>84,908</u>
Attributable to:			
Owners of the Company		(66,667)	32,975
Non-controlling interests		<u>22,812</u>	<u>51,933</u>
		<u>(43,855)</u>	<u>84,908</u>
Earnings/(Loss) per share attributable to ordinary equity holders of the Company	7		
Basic and diluted		<u>HK\$(0.12)</u>	<u>HK\$0.06</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Profit/(Loss) for the year	<u>(43,855)</u>	<u>84,908</u>
Other comprehensive loss		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of associates	(29,361)	(32,590)
Exchange differences on translation of foreign operations	<u>(517,481)</u>	<u>(676,556)</u>
Other comprehensive loss for the year, net of tax	<u>(546,842)</u>	<u>(709,146)</u>
Total comprehensive loss for the year	<u>(590,697)</u>	<u>(624,238)</u>
Attributable to:		
Owners of the Company	(427,175)	(427,228)
Non-controlling interests	<u>(163,522)</u>	<u>(197,010)</u>
	<u>(590,697)</u>	<u>(624,238)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 March 2024	31 March 2023
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		260,524	256,148
Investment properties		15,548,039	15,721,045
Goodwill		54,553	54,553
Investments in joint ventures		393,129	393,129
Investments in associates		1,268,855	1,271,406
Financial assets at fair value through profit or loss		23,572	7,862
Financial assets at fair value through other comprehensive income		99,624	76,527
Total non-current assets		17,648,296	17,780,670
CURRENT ASSETS			
Tax recoverable		27,012	3,569
Properties held for sale under development and completed properties held for sale		1,156,651	1,422,423
Trade receivables	9	16,907	10,930
Contract costs		8,129	9,364
Amount due from a joint venture		27,341	3,200
Prepayments, deposits and other receivables		361,009	322,446
Financial assets at fair value through profit or loss		8,809	9,297
Cash and bank balances		1,319,972	1,850,107
Total current assets		2,925,830	3,631,336
CURRENT LIABILITIES			
Trade payables, other payables, accrued liabilities and others	10	39,701	142,975
Interest-bearing bank and other borrowings		2,546,177	2,077,095
Lease liabilities		28,394	13,856
Contract liabilities		129,143	269,880
Customer deposits		74,891	84,367
Tax payable		26,129	320,497
Total current liabilities		2,844,435	2,908,670
NET CURRENT ASSETS		81,395	722,666
TOTAL ASSETS LESS CURRENT LIABILITIES		17,729,691	18,503,336

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	31 March 2024 HK\$'000	31 March 2023 HK\$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	5,050,224	5,157,498
Lease liabilities	18,193	13,551
Deferred tax liabilities	1,319,729	1,403,058
Total non-current liabilities	<u>6,388,146</u>	<u>6,574,107</u>
Net assets	<u>11,341,545</u>	<u>11,929,229</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	405,411	405,411
Reserves	7,133,416	7,588,159
	7,538,827	7,993,570
Non-controlling interests	3,802,718	3,935,659
Total equity	<u>11,341,545</u>	<u>11,929,229</u>

NOTES:

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

Basis of presentation and preparation

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

As at 31 March 2024, the Group had net current assets of HK\$81 million, out of which HK\$1,157 million represented properties held for sale under development and completed properties held for sale and HK\$1,320 million represented its cash and bank balances, the Group has interest-bearing bank borrowings due within one year amounting to HK\$2,546 million.

In view of the prevailing slow-down of the property market and the current economic environment, the directors of the Company have given due consideration to the future liquidity and operating performance of the Group in assessing whether the Group will have sufficient fund to fulfill its financial obligations and to continue as a going concern for at least twelve months from 31 March 2024. The directors of the Company are of the view that the Group maintains adequate working capital, after taking into consideration of the following:

- (i) the ability to re-finance existing borrowings as well as new debt financing to the Group to finance the existing financial and future operating and capital expenditures;
- (ii) to accelerate the pre-sale and sales of properties and the collection of sales proceeds; and
- (iii) the realisation of certain of its assets to generate more cashflow when needed.

Taking into account the various measures mentioned above and the fact that (i) the Group is in net current assets position of HK\$81 million as at 31 March 2024 and (ii) the cash flows projection of the Group including the Group’s ability to obtain new financing, to renew or re-finance the existing credit facilities before maturity, the directors of the Company are of the view that the Group has sufficient working capital to finance its operations in the next twelve months from the end of the reporting period. Accordingly, these financial statements have been prepared on the going concern basis which assumes, inter alia, the realisation of assets and settlement of liabilities in the normal course of business.

The unaudited financial information relating to the year ended 31 March 2024 and the financial information relating to the year ended 31 March 2023 included in this preliminary announcement of annual results for the year ended 31 March 2024 do not constitute the Company’s statutory annual consolidated financial statements for those years but, in respect of the year ended 31 March 2023, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The financial statements for the year ended 31 March 2024 have yet to be reported on by the Company’s auditor and will be delivered to the Registrar of Companies in due course. The Company has delivered the financial statements for the year ended 31 March 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on these financial statements for the year ended 31 March 2023. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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

Changes in accounting policies and disclosures

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

HKFRS 17	<i>Insurance Contract</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The adoption of these new and revised HKFRSs does not have any impact on the financial position or performance of the Group.

2. Operating Segment Information

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

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

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

Segment assets exclude investments in joint ventures, investments in associates, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, other unallocated head office and corporate assets, including tax recoverable and cash and bank balances as these assets are managed on a group basis.

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

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

2. Operating Segment Information *(Continued)*

For the year ended 31 March 2024

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	592,595	452,282	57,750	<u>1,102,627</u>
Segment results	235,340	98,637	14,510	348,487
<i>Reconciliation:</i>				
Interest income				26,249
Corporate and other unallocated expenses				(20,911)
Fair value losses on a financial asset at fair value through profit or loss				(488)
Finance costs (other than interest on lease liabilities)				(383,093)
Share of profits of associates				<u>31,138</u>
Profit before tax				<u>1,382</u>

For the year ended 31 March 2023

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	579,625	436,368	50,419	<u>1,066,412</u>
Segment results	179,528	276,787	32,164	488,479
<i>Reconciliation:</i>				
Interest income				17,983
Corporate and other unallocated expenses				(30,579)
Fair value losses on financial assets at fair value through profit or loss				(3,481)
Finance costs (other than interest on lease liabilities)				(265,289)
Share of profits of associates				<u>23,324</u>
Profit before tax				<u>230,437</u>

2. Operating Segment Information (Continued)

At 31 March 2024				
	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment assets	1,456,754	16,152,154	2,890,795	20,499,703
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(3,066,550)
Investments in joint ventures				393,129
Investments in associates				1,268,855
Financial assets at fair value through profit or loss				32,381
Financial assets at fair value through other comprehensive income				99,624
Corporate and other unallocated assets				<u>1,346,984</u>
Total assets				<u><u>20,574,126</u></u>
Segment liabilities	1,172,341	1,914,248	270,283	3,356,872
<i>Reconciliation:</i>				
Elimination of intersegment payables				(3,066,550)
Corporate and other unallocated liabilities				<u>8,942,259</u>
Total liabilities				<u><u>9,232,581</u></u>

For the year ended 31 March 2024				
	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Other segment information:				
Fair value losses on investment properties, net	-	156,699	-	156,699
Gain on disposal of items of property, plant and equipment	(67)	-	(200)	(267)
Depreciation	2,270	7,698	20,211	30,179
Capital expenditure*	<u>890</u>	<u>543,821</u>	<u>4,579</u>	<u>549,290</u>

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

2. Operating Segment Information (Continued)

At 31 March 2023				
	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
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(2,309,405)
Investments in joint ventures				393,129
Investments in associates				1,271,406
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				<u>1,853,676</u>
Total assets				<u><u>21,412,006</u></u>
Segment liabilities	1,389,817	1,178,129	266,088	2,834,034
<i>Reconciliation:</i>				
Elimination of intersegment payables				(2,309,405)
Corporate and other unallocated liabilities				<u>8,958,148</u>
Total liabilities				<u><u>9,482,777</u></u>

For the year ended 31 March 2023				
	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Other segment information:				
Fair value losses on investment properties, net	-	64,697	-	64,697
Fair value gain on transfer of development property to investment property	-	(98,973)	-	(98,973)
Loss/(gain) on disposal of items of property, plant and equipment	(95)	-	38	(57)
Depreciation	2,418	7,698	15,305	25,421
Capital expenditure*	<u>764</u>	<u>104,661</u>	<u>655</u>	<u>106,080</u>

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

2. Operating Segment Information *(Continued)*

Geographical information

(a) Revenue

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong	195,916	194,367
Mainland China	903,896	872,045
Japan	2,815	-
	<u>1,102,627</u>	<u>1,066,412</u>

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

(b) Non-current assets

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Hong Kong	6,307,219	6,198,317
Mainland China	10,939,896	11,497,765
Japan	277,786	-
Other	199	199
	<u>17,525,100</u>	<u>17,696,281</u>

The non-current asset information above is based on the locations of the assets and excludes financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

3. Revenue, Other Income and Gains, Net

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:

Segment	For the year ended 31 March 2024			
	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Type of goods or services				
Sales of properties	592,595	-	-	592,595
Property management income and others	-	36,897	13,270	50,167
Total revenue from contracts with customers	<u>592,595</u>	<u>36,897</u>	<u>13,270</u>	<u>642,762</u>
Revenue from other sources				
Gross rental income	-	415,385	44,480	459,865
Total revenue from other sources	<u>-</u>	<u>415,385</u>	<u>44,480</u>	<u>459,865</u>
Revenue disclosed in the segment information	<u>592,595</u>	<u>452,282</u>	<u>57,750</u>	<u>1,102,627</u>
Timing of revenue recognition				
Goods transferred at a point in time	592,595	-	-	592,595
Services transferred over time	-	36,897	13,270	50,167
Total revenue from contracts with customers	<u>592,595</u>	<u>36,897</u>	<u>13,270</u>	<u>642,762</u>

Segment	For the year ended 31 March 2023			
	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Type of goods or services				
Sales of properties	579,625	-	-	579,625
Property management income and others	-	38,367	14,145	52,512
Total revenue from contracts with customers	<u>579,625</u>	<u>38,367</u>	<u>14,145</u>	<u>632,137</u>
Revenue from other sources				
Gross rental income	-	398,001	36,274	434,275
Total revenue from other sources	<u>-</u>	<u>398,001</u>	<u>36,274</u>	<u>434,275</u>
Revenue disclosed in the segment information	<u>579,625</u>	<u>436,368</u>	<u>50,419</u>	<u>1,066,412</u>
Timing of revenue recognition				
Goods transferred at a point in time	579,625	-	-	579,625
Services transferred over time	-	38,367	14,145	52,512
Total revenue from contracts with customers	<u>579,625</u>	<u>38,367</u>	<u>14,145</u>	<u>632,137</u>

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

	2024 HK\$'000	2023 HK\$'000
Other income and gains, net		
Bank and other interest income	26,249	17,983
Management fee income received from an associate	3,080	5,990
Gain on disposal of items of property, plant and equipment	267	57
Others	17,551	18,487
Government subsidies*	-	3,163
	<u>47,147</u>	<u>45,680</u>

* The government subsidies mainly represent grants from the Employment Support Scheme of the Hong Kong Government, which aims to retain employment and combat Covid-19. There were no unfulfilled conditions or contingencies related to these subsidies.

4. Finance Costs

	2024 HK\$'000	2023 HK\$'000
Interest on bank and other loans	471,402	315,246
Interest on lease liabilities	2,910	1,189
Less: Interest capitalised under properties under development	<u>(88,309)</u>	<u>(49,957)</u>
	<u>386,003</u>	<u>266,478</u>

5. Profit Before Tax

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

	2024 HK\$'000	2023 HK\$'000
Cost of properties sold	299,310	308,788
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	207,462	186,977
Depreciation of property, plant and equipment and right-of-use assets	30,179	25,421
Lease payments not included in the measurement of lease liabilities	1,836	5,440
Auditor's remuneration	4,509	4,407
Foreign exchange differences, net	67	118
Gain on disposal of items of property, plant and equipment	(267)	(57)
Fair value loss on financial assets at fair value through profit or loss	488	3,481
Employee benefit expenses (including directors' remuneration):		
Wages, salaries, allowances and benefits in kind	88,539	104,926
Pension scheme contributions	<u>2,576</u>	<u>2,388</u>
	<u>91,115</u>	<u>107,314</u>
Less: Amount capitalised under properties under development	<u>(33,000)</u>	<u>(29,800)</u>
	<u>58,115</u>	<u>77,514</u>

At 31 March 2024 and 31 March 2023, the amount of forfeited pension scheme contributions available to the Group for future utilisation was not significant.

6. Income Tax

	2024 HK\$'000	2023 HK\$'000
Current tax		
Hong Kong	-	(1,479)
Elsewhere	(59,897)	(60,482)
Land appreciation tax in Mainland China	(40)	(84,261)
	(59,937)	(146,222)
Deferred tax	14,700	693
Total tax charge for the year	<u>(45,237)</u>	<u>(145,529)</u>

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

7. Earnings/(Loss) Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic loss (2023: earnings) per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of HK\$66,667,000 (2023: profit of HK\$32,975,000) and the weighted average number of ordinary shares in issue during the year of 551,368,153 (2023: 551,368,153).

No adjustment has been made to the basic loss (2023: earnings) per share amounts presented for the years ended 31 March 2024 and 2023 in respect of a dilution as the Group has no potential dilutive ordinary shares in issue during the years ended 31 March 2024 and 2023.

8. Dividend

	2024 HK\$'000	2023 HK\$'000
Proposed final – 2.5 HK cents (2023: 5 HK cents) per ordinary share	<u>13,784</u>	<u>27,568</u>

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

9. Trade Receivables

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

	2024 HK\$'000	2023 HK\$'000
Within 30 days	10,179	928
31 to 60 days	185	156
61 to 90 days	59	143
Over 90 days	6,484	9,703
Total	<u>16,907</u>	<u>10,930</u>

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of the consideration in respect of the sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

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

Included in trade payables, other payables, accrued liabilities and others are trade payables of HK\$8,915,000 (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:

	2024 HK\$'000	2023 HK\$'000
Within 30 days	8,915	7,499
Over 90 days	-	6
Total	<u>8,915</u>	<u>7,505</u>

11. Contingent Liabilities

- (a) As at 31 March 2024, the Group has given a guarantee of HK\$487,500,000 (2023: 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 (2023: HK\$237,500,000).
- (b) As at 31 March 2024, the Group has given guarantees of HK\$27,840,000 (2023: 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 the Reporting Period

On 28 May 2024, The Bauhinia Hotels Group Japan 2 合同会社 (Godo Kaisha), a solely funded and controlled company under Hon Kwok Group's 60% joint venture company, entered into the Sale and Purchase Agreement to dispose of its hotel property in Asakusa of Japan at a consideration of approximately JPY1,872.5 million (equivalent to approximately HK\$93.6 million as at the date of the Sale and Purchase Agreement) (the "Disposal"). The Disposal is expected to take place on or before 31 July 2024 and the gain on disposal upon completion attributable to Hon Kwok Group and the Group would be approximately JPY93 million (equivalent to approximately HK\$4.7 million as at the date of the Sale and Purchase Agreement) and approximately JPY64 million (equivalent to approximately HK\$3.2 million as at the date of the Sale and Purchase Agreement), respectively.

The Disposal constituted a disclosable transaction for Hon Kwok Group under the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the transaction were set out in the announcement of the Company dated 28 May 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Operating Results

The Group recorded revenue of HK\$1,103 million for the year ended 31 March 2024 (2023: HK\$1,066 million), primarily derived from the property sales of Metropolitan Oasis in Nanhai, PRC, and the rental income of investment properties mainly in Hong Kong and the Mainland China.

Net loss attributable to shareholders was HK\$66.7 million (2023: profit of HK\$33.0 million) while the underlying profit before taking into account the change in fair value of investment properties and deferred tax was HK\$34.4 million (2023: HK\$11.4 million). Basic loss per share was HK\$0.12 (2023: earnings of HK\$0.06).

As at 31 March 2024, shareholders' equity was HK\$7,539 million (2023: HK\$7,994 million) and net assets per share attributable to shareholders stood at HK\$13.67 (2023: HK\$14.50). The decline in shareholders' equity at year end was mainly caused by the depreciation of Renminbi against Hong Kong Dollars during the year.

The Group continues to focus on property development and property investment businesses, mainly conducted by Hon Kwok Land Investment Company, Limited ("Hon Kwok") (Stock Code: 160), a 68.09% owned subsidiary listed on the Main Board of the Stock Exchange, and its subsidiaries ("Hon Kwok Group") with regional focus in Shenzhen, Guangzhou, Chongqing and Hong Kong. To diversify its property portfolio, the Group acquired a commercial property in Jing'an, Shanghai in 2022 for earning rental income. Besides, the Group seized the opportunity of booming tourism in Japan and acquired five hotel properties in Japan during the year under review.

(i) Property Development segment

The Property Development segment recorded total revenue of HK\$593 million (2023: HK\$580 million), primarily from the continuing sales of the remaining residential units in Metropolitan Oasis as well as the sale of car parking spaces in Metropolitan Oasis and Botanica, contributed total segment profit of HK\$235 million for the year ended 31 March 2024 (2023: HK\$180 million).

As of 31 March 2024, the Group's contracted property sales but not yet recognized amounted to HK\$233 million, is expected to be recognized in the financial year 2024/2025 onwards.

(ii) Property Investment segment

During the year, the Group's investment properties contributed rental revenue of HK\$452 million (2023: HK\$436 million) with segment profit of HK\$99 million (2023: HK\$277 million). The leasing portfolio maintained a satisfactory occupancy and achieved a slight improvement in rental income.

(1) Property Development and Investment – Mainland China

Guangzhou, PRC

The Riverside 港匯臺 and Hon Kwok Building 漢國大廈

The development project is situated at 45-107 Beijing Nan Road, Yue Xiu District, in close proximity of the Beijing Road Pedestrian Street. With a total gross floor area of approximately 77,700 sq.m., the development project comprises of a 30-storey commercial/residential building and a 32-storey commercial/office building. It is located at the waterfront of the Pearl River having unobstructed panoramic river views. The Riverside is a premium residential property offering 144 units for sale, whereas Hon Kwok Building is an office building primarily held as investment property for earning rental income.

Construction works of the project are substantially completed and the project is targeted to complete in the third quarter of 2024. The building design of Hon Kwok Building has been incorporated with sustainability and green building features and has obtained the Leadership in Energy and Environmental Design (LEED) Gold certification in 2022. Pre-sales of the residential units commenced in the fourth quarter of 2023 and received satisfactory market response. The contract sales but not yet recognized amounted to HK\$145 million as at 31 March 2024.

This development project, together with the Group's two former projects, namely No. 5 Residence and Ganghui Dasha adjacent to it, will form a large-scale mixed-use complex along Beijing Road. This primely located composite development integrating a wide variety of shopping, dining and leisure features, will offer an enjoyable one-stop shopping and dining experiences to customers.

Ganghui Dasha 港滙大廈

Ganghui Dasha is located at Beijing Road, Yue Xiu District. This 20-storey commercial/office building with a total gross floor area of approximately 13,000 sq.m. maintained stable rental income and reached an average occupancy rate of about 83% during the year (2023: 93%).

Botanica 寶翠園

Botanica is Hon Kwok Group's 60% owned development project in Tian He District and completed in 2016. All residential units were sold in and recognized as revenue in prior years. During the year ended 31 March 2024, a portion of car parking spaces in this project were sold in market, generating revenue of HK\$146 million (2023: Nil).

Nanhai, Foshan, PRC

Metropolitan Oasis 雅瑤綠洲

Metropolitan Oasis is a residential project located in Da Li District, Nanhai. It has a total gross floor area of approximately 273,000 sq.m. comprising approximately 1,700 units in three phases. The development of the project has been completed in 2020 and has received encouraging sales responses since the project was first launched to market in 2013. Except for one apartment unit, all property units have been sold. During the year ended 31 March 2024, the project generated revenue of HK\$447 million (2023: HK\$580 million) from the property units delivered during the

year, consisting of the sales of property units of HK\$367 million and car parking spaces of HK\$80 million. As at 31 March 2024, the contracted property sales but not yet booked amounted to HK\$88 million, which is expected to be recognised in the financial year 2024/2025.

Shenzhen, PRC

Hon Kwok City Commercial Centre 漢國城市商業中心

This prime investment property, with a total gross floor area of approximately 128,000 sq.m., is situated on Fu Ming Road, Futian District, a central business district of Shenzhen. This premium 75-storey building offers high-quality Grade A office and retail components, continued to be a landmark building in Futian District. Since the launch for leasing in 2019, it received favourable market responses and has attracted renowned multinational tenants. The building integrated the concept of sustainability and green building features and obtained the Leadership in Energy and Environmental Design (LEED) Gold certification in 2019. The property showed steady growth in occupancy and achieved an average overall occupancy rate of 68% for the year (2023: 63%).

City Square 城市天地廣場 and City Suites 寶軒公寓

This 5-storey commercial podium is situated at Jia Bin Road, Luo Hu District, is occupied by the retail shops at ground level and the first floor, along with The Bauhinia Hotel (Shenzhen) 寶軒酒店 (深圳) (the 162-room hotel) on the three upper floors. Following the lifting of containment measures during the year, the hotel business recovered steadily with gradual improvement in occupancy. Whereas for City Suites, a 64-unit serviced apartment on top of the podium, the average occupancy rate remained relatively stable and stood at around 90%.

Enterprise Square 僑城坊

This development project in which Hon Kwok Group owns a 20% interest, is situated at Qiaoxiang Road North, in Nanshan District with a total gross floor area of approximately 224,500 sq.m.. Completed in 2018, this comprehensive development comprises of twelve buildings including premium residential apartments, offices buildings and a commercial mall. The unsold portion of the project includes the remaining units of the residential apartments for sale and an office tower together with the commercial mall held as investment property for earning recurrent rental income. For the year ended 31 March 2024, the project generated revenue from property sales and rental income of HK\$270 million (2023: HK\$359 million). Net profit attributable to Hon Kwok Group in respect of Enterprise Square, including changes in fair value of the office tower and commercial mall classified as investment properties, amounted to HK\$9 million (2023: HK\$27 million) for the year ended 31 March 2024.

Chongqing, PRC

Chongqing Hon Kwok Centre 重慶漢國中心

Located in Bei Bu Xin Qu, this 21-storey twin-tower office building complex atop a 4-storey retail/commercial podium offers a total gross floor area of approximately 108,000 sq.m. and is held as investment property for earning recurrent rental income. The average occupancy rate was 69% during the year under review (2023: 80%).

Chongqing Jinshan Shangye Zhongxin 重慶金山商業中心

This is another twin-tower project located in Bei Bu Xin Qu and adjacent to the above Chongqing Hon Kwok Centre. With a total gross floor area of approximately 173,000 sq.m., this investment property comprises a 41-storey office tower and a 42-storey hotel cum office composite tower, each with its respective 4-storey retail/commercial podium. Overall average occupancy rate was 84% during the year (2023: 84%).

Shanghai, PRC

Nexus Jing'an 前社NEXXUS · 靜安

Situated on Xikang Road, Shanghai, it is a 4-storey commercial premises with total gross floor area of approximately 6,660 sq.m.. The property maintained an average occupancy rate of approximately 90% during the year ended 31 March 2024.

Dongguan, PRC

The redevelopment project at Douchizhou, Zhongtang Town, Dongguan of which the Group owns a 30% interest, covers a site area of approximately 19,000 sq.m. and a gross floor area of approximately 58,000 sq.m.. The residential units have been launched to the market for sales with satisfactory responses.

(2) Property Development and Investment – Hong Kong

Digital Realty Kin Chuen (HKG11)

This data centre is situated at Kin Chuen Street, Kwai Chung, New Territories. With a gross floor area of approximately 228,000 sq.ft., the building comprises of 12-storeys above ground and a 2-level basement. It was designed to a high-level UTI Tier III standard, providing high quality facility to data-centre operators. The property is fully leased to a leading international data centre operator on a long-term lease with progressive rental increment.

The Bauhinia Hotel (Central) 寶軒酒店 (中環) and The Bauhinia 寶軒

The Bauhinia Hotel (Central) is a 42-room boutique hotel occupying the four podium floors of a hotel/serviced apartment building whereas The Bauhinia is a 171-room serviced apartment residence atop the above hotel. The building is situated at Connaught Road Central and Des Voeux Road Central, within walking distance to the MTR Hong Kong Station, and Hong Kong-Macau Ferry Terminal. With the competitiveness edge of convenient access to public transportation networks, these fully furnished hotel and serviced apartments will meet the needs of business travelers from around the world.

The renovation project is well underway and is scheduled to complete in the third quarter of 2024. The project includes rebranding The Bauhinia (Central) to a stylish and luxury lifestyle serviced apartment and hotel. It integrates green and sustainable features by the application of smart technologies and energy-efficient materials such as the Photovoltaics “BIPV” technology on building façade, and will become the largest building in Hong Kong to generate electricity from sustainable solar energy. The enhancement project aims to pursue green and sustainability accreditation. The hotel/serviced apartment is targeted to reopen by the end of 2024.

The Bauhinia Hotel (TST) 寶軒酒店 (尖沙咀)

Located in Observatory Court, Tsim Sha Tsui, Bauhinia Hotel (TST) is a 98-room boutique hotel occupying a total of 20 floors of a 23-storey commercial/office building. The average occupancy rate was about 88% for the year ended 31 March 2024 (2023: 72%). The remaining portion of the building is leased for restaurant/commercial use. Following the full border reopening in 2023 and the rebound of the tourism industry, the hotel sector showed sign of recovery in term of occupancy and daily room rate.

Hon Kwok Jordan Centre 漢國佐敦中心

With a gross floor area of approximately 62,000 sq.ft., Hon Kwok Jordan Centre is a 23-storey commercial/office building situated at Hillwood Road, Tsim Sha Tsui. During the year ended 31 March 2024, the property generated stable rental income and maintained an average occupancy rate of approximately 90% (2023: 96%).

Development project on South Bay Road, Repulse Bay

The joint venture project, in which Hon Kwok Group owns a 50% interest, is situated at South Bay Road, Repulse Bay. With a site area of approximately 1,967 sq.m., the project is being developed into luxury residences with panoramic sea views. The development is progressing on schedule and according to plan.

(3) Acquisition of hotel properties in Japan

To capture business opportunity, Hon Kwok Group has been investing in a portfolio of hotel properties in Japan through a 60% owned subsidiary. As of 31 March 2024, the Group has acquired five hotel properties in Osaka and Tokyo, at an aggregate cash consideration of approximately HK\$286 million. The properties are held as investment properties for earning recurrent rental income and the acquisitions were financed by internal resources and bank mortgage loans.

(4) Property and carpark management

For the year ended 31 March 2024, the property and carpark management division reported revenue of HK\$46 million as compared with HK\$38 million last year. The Group's carpark management division maintained satisfactory performance during the year. As at 31 March 2024, the Group managed 26 car parks (31 March 2023: 25 car parks) with approximately 1,810 parking spaces (31 March 2023: 2,090 parking spaces).

(5) Property Investment - Valuation

The Group's investment property portfolio measured on a fair value basis, was valued at HK\$15,548 million as at 31 March 2024 (as at 31 March 2023: HK\$15,721 million), comprised of Mainland China portfolio of HK\$9,881 million, Hong Kong portfolio of HK\$5,389 million and Japan portfolio of HK\$278 million. Taking into account the additions to the investment property portfolio and the effect of exchange rate differences, the Group recorded a decrease in fair value of investment properties of HK\$96 million for the year ended 31 March 2024 (2023: decrease of HK\$29 million) to reflect the fair value of investment properties.

(6) Construction and Trading

The Group's 29.1% owned associate, Chinney Alliance Group Limited ("Chinney Alliance", the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 385)), recorded revenue of HK\$5,982 million (2022: HK\$5,898 million) and net profit attributable to its shareholders of HK\$25.7 million (2022: loss of HK\$10.2 million) for the year ended 31 December 2023.

Chinney Alliance's foundation piling and ground investigation businesses are conducted by Chinney Kin Wing Holdings Limited ("Chinney Kin Wing") (Stock Code: 1556), a 74.5% owned subsidiary listed on the Main Board of the Stock Exchange. Chinney Kin Wing contributed revenue of HK\$2,119 million (2022: HK\$1,801 million) and operating profit of HK\$142.5 million (2022: HK\$116.2 million). The improvement in revenue was due to the satisfactory progress of certain sizeable foundation contracts. Despite the increase in staff cost under the competitive labour market, the management managed to achieve a stable gross profit margin.

The building construction division, engaged in superstructure construction works, contributed revenue of HK\$888 million (2022: HK\$948 million) and recorded an operating profit of HK\$11.0 million (2022: loss of HK\$21.4 million). The turning of operating loss to profit was contributed by both the Hong Kong and Macau operations. With the major non-residential projects awarded in Hong Kong in 2023, the Hong Kong operation is expected to perform well in coming years. Besides, our Macau division will continue to benefit from the robust recovery of the Macau tourism industry and the increasing demand of hospitality facilities.

The building-related contracting services division, engaged in electrical, HVAC, fire services and pump and drainage businesses, achieved revenue of HK\$2,262 million (2022: HK\$2,349 million). Operating results turned to a loss of HK\$15.0 million (2022: profit of HK\$11.5 million) due to the delay in work progress of major projects and the increase in staff costs and interest costs. Nevertheless, the management continues to review project execution plans to enhance operational efficiency and project profitability.

The aviation division contributed revenue of HK\$306 million (2022: HK\$350 million) and an operating profit of HK\$6.2 million (2022: HK\$7.4 million). The drop in both revenue and operating profit was owing to the delay in progress of the division's airport and related projects and the rise in staff costs and overheads. With the increase in tender opportunities for the airport related projects, it will enhance the division's long-term profitability.

The plastic and chemical products division generated revenue of HK\$406 million (2022: HK\$451 million) with a minimal loss of HK\$0.2 million (2022: profit of HK\$7.6 million). The decline in sales volume in plastic trading business was caused by the general softening in export performance in Mainland China and Hong Kong. Nonetheless, the sales of JcoNAT disinfectant and hygiene product remained steady under the growing demand of hygiene products. The management will explore new wellness products to expand the product portfolio.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK\$7,643 million as at 31 March 2024 (2023: HK\$7,262 million), of which approximately 34% (2023: 29%) of the debts were classified as current liabilities. Included therein were debts of HK\$43 million related to bank and other loans with repayable on demand clause and HK\$2,121 million related to project loan which will be refinanced during the forthcoming financial year. Based on the repayment schedules pursuant to the related loan agreements and assuming that the aforesaid refinancing will be completed on schedule, the current portion of the total interest-bearing debts was approximately 5%. Total cash and bank balances including time deposits were approximately HK\$1,320 million as at 31 March 2024 (2023: HK\$1,850 million). Included in cash and bank balances are restricted bank deposits of HK\$137 million (2023: Nil) which can only be applied in the designated property development projects prior to their completion of construction. The Group had committed but undrawn banking facilities of a total of approximately HK\$513 million at year end available for its working capital purpose.

Total shareholders' funds as at 31 March 2024 were approximately HK\$7,539 million (2023: HK\$7,994 million). The decrease was mainly due to current year's loss attributable to shareholders, dividend paid and the depreciation in value of assets less liabilities denominated in Renminbi.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK\$6,323 million (2023: HK\$5,412 million) over total shareholders' funds plus non-controlling interests totaling of approximately HK\$11,342 million (2023: HK\$11,929 million), was 56% as at 31 March 2024 (2023: 45%).

Funding and treasury policies

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

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

Foreign currency exposure is closely monitored by management and hedged to the extent desirable. As at 31 March 2024, 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\$16,454 million as at 31 March 2024 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 31 March 2024 (as at 31 March 2023: 370). Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually with discretionary bonuses being paid depending on individual performance. The Group also provides other benefits including medical cover, provident fund, personal accident insurance and educational subsidies to all eligible staff.

CONNECTED TRANSACTIONS

1. On 12 July 2018, Gold Famous Development Limited (“Gold Famous”), an indirect wholly-owned subsidiary of Hon Kwok, 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 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 Hon Kwok and approximately 29.10% of the issued shares of Chinney Alliance and Dr. James Sai-Wing Wong (“Dr. Wong”) is a controlling shareholder, the then executive director and Chairman of each of the Company, Hon Kwok and Chinney Alliance, the related transaction constituted a connected transaction for each of the Company, Hon Kwok and Chinney Alliance under the Listing Rules. The transaction was approved by the independent shareholders of the Company, Hon Kwok and Chinney Alliance at the respective general meetings held by each of the companies on 24 August 2018.

Details of the transaction were set out in the joint announcement of the Company, Hon Kwok and Chinney Alliance dated 12 July 2018 and the Company’s circular dated 8 August 2018. Construction works were completed and pending for agreement of variation orders and final accounts of the project. During the year ended 31 March 2024, HK\$3,796,200 was paid to Chinney Construction in respect of the transaction.

2. On 26 September 2022, Honour Well Development Limited (“Honour Well”), an indirect wholly-owned subsidiary of Hon Kwok, 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 Hon Kwok 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, Hon Kwok and Chinney Alliance, the related transactions constituted connected transactions for each of the Company, Hon Kwok and Chinney Alliance under the Listing Rules. The transactions were approved by the independent shareholders of the Company, Hon Kwok and Chinney Alliance at the respective general meetings held by each of the companies on 28 November 2022.

Details of the transactions were set out in the joint announcement of the Company, Hon Kwok and Chinney Alliance dated 26 September 2022 and the Company's circular dated 8 November 2022. During the year ended 31 March 2024, HK\$36,726,300 was paid to Shun Cheong and HK\$32,238,000 was paid to Chinney Construction, respectively in respect of the transactions.

DIVIDEND

The Directors recommend payment of a final dividend of 2.5 Hong Kong cents per ordinary share for the year ended 31 March 2024 (2023: 5 Hong Kong cents) to shareholders whose names appear on the Company's register of members on 9 September 2024. Subject to approval by shareholders at the forthcoming annual general meeting, dividend cheques are expected to be despatched to shareholders on or before 14 October 2024.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 30 August 2024. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 27 August 2024 to 30 August 2024 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 26 August 2024.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 March 2024 is subject to the approval by the shareholders at the annual general meeting. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 6 September 2024 to 9 September 2024 (both days inclusive), during which period no share transfers will be registered. The last day for dealing in the Company's shares cum entitlements to the proposed final dividend will be 3 September 2024. In order to qualify for the proposed final dividend, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 5 September 2024.

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 C3 to the Listing Rules as its own code of conduct for directors' securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 March 2024.

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 C1 to the Listing Rules for the year ended 31 March 2024, 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).

3. CG Code provision F.2.2 stipulates that, amongst others, the chairman of the board should attend the annual general meeting.

Due to other business commitments, Dr. Wong, the then Chairman of the Board was unable to attend the annual general meeting of the Company held on 31 August 2023.

Audit committee

Regular meetings have been held by the Audit Committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group’s financial reporting process and internal control. The Audit Committee has reviewed with management the annual results of the Group for the year ended 31 March 2024.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2024 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 March 2024.

By Order of the Board
James Sing-Wai Wong
Chairman

Hong Kong, 27 June 2024

At the date of this announcement, the directors of the Company are Mr. James Sing-Wai Wong (Chairman), Mr. Yuen-Keung Chan (Vice Chairman and Managing Director) and Mr. Donald Yin-Shing Lam as executive directors; Dr. Emily Yen Wong as non-executive director; and Mr. Richard Chi-Ho Lo, Mr. Winfred Wai-Lap Fan, Mr. Randall Todd Turney and Mr. Stephen Henry Chu as independent non-executive directors.