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漢國置業有限公司
Hon Kwok Land Investment Company, Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code: 160)

2019-20 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL RESULTS

For the year ended 31 March 2020, the Group's consolidated revenue was HK\$638 million (2019: HK\$1,478 million) with a net loss attributable to shareholders of HK\$36 million (2019: net profit attributable to shareholders of HK\$1,159 million). Excluding the fair value losses of investment properties (net of deferred taxation) of HK\$105 million (2019: fair value gains of investment properties (net of deferred taxation) of HK\$707 million), underlying net profit attributable to shareholders would be HK\$69 million (2019: HK\$452 million). The drop in underlying profit was attributable to the decrease in profit contributions generated from the Group's property sales during the year.

The decline in revenue was in part due to the cyclical drop in property sales from the Group's development projects. For example, last year's major project, Botanica in Guangzhou was completed with most of the revenue already recognised in prior years. On top of which, the turning of net profit into net loss was due to reappraisals resulting in fair value losses in investment properties at year end. Basic loss per share was HK\$0.05 (2019: earnings per share of HK\$1.61).

As at 31 March 2020, shareholders' equity amounted to HK\$11,311 million (as at 31 March 2019: HK\$11,874 million) and net assets per share attributable to shareholders stood at HK\$15.70 (as at 31 March 2019: HK\$16.48). The decrease in shareholder's equity at year end was mainly due to the net loss attributable to shareholders, together with the translation difference caused by the depreciation of Renminbi against Hong Kong Dollars during the year.

Impact of COVID-19

Since early 2020, the outbreak of coronavirus (COVID-19) has caused disruptions to cross-border traffic and business activities, resulting in a negative impact on the Group's property related businesses and hotel operation. To support our tenants, rent-free periods were granted to individual tenants according to their circumstances. Despite the large scale emergency measures implemented by the Chinese and local governments to mitigate the adverse effect on the economy, we foresee that the business environment will remain subdued for the near future. Nonetheless, the overall financial and business positions of the Group remain strong and healthy. The Group will keep abreast of the market situation and adjust its market strategy accordingly.

DIVIDEND

The Directors recommend the payment of a final dividend of 12.5 Hong Kong cents per ordinary share for the year ended 31 March 2020 (2019: final dividend of 12.5 Hong Kong cents) to shareholders whose names appear on the Company's register of members on 4 September 2020. Subject to the approval by the shareholders at the forthcoming annual general meeting, the dividend cheques are expected to be despatched to shareholders on or before 22 September 2020.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 27 August 2020. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 24 August 2020 to 27 August 2020 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 21 August 2020.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 March 2020 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 3 September 2020 to 4 September 2020, 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 31 August 2020. In order to qualify for the proposed final dividend, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 2 September 2020.

BUSINESS REVIEW

Property Development and Investment – Mainland China

Guangzhou, PRC

The **Botanica** 寶翠園, situated in the greenery zone of Tian He District near the Botanical Garden, comprises 39 blocks of high-rise residential buildings. This development project, with a total gross floor area of approximately 229,000 sq.m., was completed in 2016 with nearly all residential units sold out and recognised as revenue in prior years. For the year ended 31 March 2020, the Group recognised revenue of HK\$132 million (2019: HK\$1,035 million) from the delivery of the remaining units of the final phase to customers.

Ganghui Dasha 港滙大廈, a 20-storey commercial/office building, is situated at the junction of Beijing Road, Nanti Er Road and Baqi Er Road, Yue Xiu District. The average occupancy rate of the building was about 85%.

45-107 Beijing Nan Road is a development site adjacent to the Group's former projects, No. 5 Residence, and Ganghui Dasha. The site is close to the Beijing Road Pedestrian Street, a famous shopping district in Guangzhou, and includes a 30-storey commercial/residential building and a 32-storey commercial/office building. The residential units of the project are planned for pre-sale in the financial year 2021/2022 whereas the office portion will be held for recurring rental income. Foundation works are now in progress. After completion, together with previous development projects, there will have four blocks of buildings forming a property complex with office, commercial and residential components along Beijing Road, representing a significant development footprint of the Group in Guangzhou.

Nanhai, Foshan, PRC

Metropolitan Oasis 雅瑤綠洲, situated in Da Li District, Nanhai with a total gross floor area of approximately 273,000 sq.m., was developed in phases. For the year ended 31 March 2020, the Group recorded revenue of HK\$193 million (2019: HK\$189 million) from the units of phase 1 and phase 2 delivered during the year. Phase 3 of the project, comprising 19 blocks of high rise apartments of approximately 550 units, is scheduled for completion in 2020. Some units of phase 3 have been launched to the market for pre-sale. As at 31 March 2020, the contracted property sales but not yet booked amounted to RMB884 million.

Shenzhen, PRC

Hon Kwok City Commercial Centre 漢國城市商業中心, the Group's investment property, with a total gross floor area of approximately 128,000 sq.m., is situated at the junction of Shen Nan Zhong Road and Fu Ming Road, in the core area of Futian District of Shenzhen. This signature 75-storey high commercial/office tower above ground with 5-level basement, offers high-quality Grade A office and retail space. The building development was completed in 2018 and delivered for leasing/occupation in the second half of 2019. As at 31 March 2020, the occupancy rate of the retail portion was 64%, while the offices were 24% leased. Overall occupancy rate grew steadily and reached around 30%.

City Square 城市天地廣場, situated at Jia Bin Road, Luo Hu District, is a 5-storey commercial podium. The leasing of the retail shops at ground level and the entire first floor of the podium are satisfactory. With the outbreak of COVID-19, the rental performance of hotel industry was directly hit during the first quarter of 2020, **The Bauhinia Hotel (Shenzhen)** 寶軒酒店(深圳), a 162-room hotel at upper three floors of the above podium, experienced a drastic drop in occupancy and room rates, whilst, the average occupancy rate of **City Suites** 寶軒公寓, a 64-unit serviced apartment on top of the podium was stable and remained over 90%.

Enterprise Square 僑城坊, in which the Group owns a 20% interest, is situated at Qiaoxiang Road North, Nanshan District, covering a site area of approximately 49,000 sq.m. and a total gross floor area of approximately 224,500 sq.m. It was developed into a commercial complex comprised of office towers, a residential apartment tower and a commercial mall offering dining and entertainment facilities to the tenants. Development for the entire project was completed in 2018. Part of office towers and the residential apartment tower have been launched to the market for sale. For the year ended 31 March 2020, property sales realised revenue of RMB1,497 million (2019: RMB1,884 million) from the units delivered during the year. As at 31 March 2020, the property sales contracted but revenue not yet booked amounted to RMB147 million. Net profit attributable to the Group in respect of Enterprise Square, including a decrease in fair value of the commercial mall and an office tower which are classified as investment properties, amounted to HK\$110 million (2019: HK\$317 million) for the year ended 31 March 2020.

Chongqing, PRC

Chongqing Hon Kwok Centre 重慶漢國中心, situated at Bei Bu Xin Qu, is a 21-storey twin-tower office building atop of a 4-storey retail/commercial podium achieved average occupancy rate of 94%.

Chongqing Jinshan Shangye Zhongxin 重慶金山商業中心, a twin-tower project, is also situated at Bei Bu Xin Qu and adjacent to the above **Chongqing Hon Kwok Centre** 重慶漢國中心. It comprises a 41-storey office tower and a 42-storey hotel and office composite tower each with its respective 4-storey retail/commercial podium. The occupancy rate of the office tower increased steadily up to 82% as at 31 March 2020, while the occupancy rate of the hotel/office tower went up to 62%.

Property Investment – Hong Kong

The Group's newly completed data centre, with a total gross floor area of approximately 228,000 sq.ft., is situated at Kin Chuen Street, Kwai Chung, New Territories. This building, which is 14-storey high above ground with a 2-level basement, was developed into a data centre. Construction works had been completed in mid 2020. The move is a milestone for the Group, expanding its capability to develop special-purpose properties with highly building requirements for enterprise customers. Following the issue of the occupation permit in the coming month, the entire building is being leased out to a leading global data centre operator at satisfactory rental rates under a long term lease. It will generate a steady stream of recurrent income starting from financial year 2020/2021 onwards.

The average occupancy rate of **The Bauhinia Hotel (Central)** 寶軒酒店(中環), a 42-room boutique hotel situated at four podium floors of the hotel/apartment building at Connaught Road Central and Des Voeux Road Central was about 85% whilst that of **The Bauhinia** 寶軒, a 171-room serviced apartment atop of the above hotel, was about 83%. The retail shops at street level of the aforesaid building are fully let.

The average occupancy rate of **The Bauhinia Hotel (TST)** 寶軒酒店(尖沙咀), a 98-room boutique hotel occupying a total of 20 floors of a 23-storey commercial/office building at Observatory Court, Tsim Sha Tsui, was about 62%. The remaining floors of the above building are for leasing as restaurant/commercial use.

The impact of local social unrest and the COVID-19 pandemic weighed heavily on the hotel industry in Hong Kong. The occupancy and room rates dropped drastically in early 2020. To cope with the difficulties, our Group's hotel business imposed cost control and offered attractive packages to customers, occupancy rates of our hotels remained at 40% as at 31 March 2020, slightly better than the market average.

The average occupancy rate of **Hon Kwok Jordan Centre** 漢國佐敦中心, a 23-storey commercial/office building situated at Hillwood Road, Tsim Sha Tsui was about 88%, delivering a stable rental income.

Property and carpark management

For the year ended 31 March 2020, the property and carpark management division reported revenue of HK\$31.9 million compared with HK\$32.4 million in 2019. Under the adverse impact from the local social unrest in 2019, coupled with the outbreak of COVID-19 pandemic in early 2020, operating profit dropped significantly. The local government, in support of car park operators, provided 50% rental concessions for six months to tenants operating the fee-paying public car parks. This helped to reduce our operating costs. As at 31 March 2020, the Group managed 11 car parks (31 March 2019: 11 car parks) with 2,100 parking spaces (31 March 2019: 2,000 parking spaces).

OUTLOOK

The outbreak of the COVID-19 pandemic in early 2020 posed extreme uncertainties and challenges on the entire world. Containment measures adopted to slow the spreading of virus had caused disruptions of supply chains and normal business operations, leading to a sharp decline in the global economy. Governments of impacted countries have implemented accommodative measures to soften the economic fallout. For example, the US Federal cut interest rates abruptly to boost the household and business sentiment and to forestall further deepening of economic downturn. Nevertheless, the adverse effect of COVID-19 is likely to persist in the years ahead.

In 2019, the Mainland real estate market grew moderately amid the on-going US-China trade disputes and geopolitical tensions. Under the government's city-specific housing policies and tight control over financing activities, housing prices stabilized. While the signing of the Phase-One trade agreement with the US in January 2020 has slightly lifted market sentiment, the outbreak of COVID-19 pandemic inflicted a sudden turnaround in the reviving economy, resulting in a severe contraction in the first quarter of 2020. In light of the solid demand in Mainland property market, together with the belief that the Chinese government will endeavour to implement policy measures to develop a stable and healthy real estate market, we still see positive growth in the long term.

In Hong Kong, the coronavirus outbreak, impact from the social unrest, and external economic volatility weighed heavily on the economy, affecting all business sectors, resulting in a deep downturn in economic activity through the first quarter of 2020. In particular, the retailing, catering and hotel operations were most affected sectors due to the decline in inbound tourism. Our Group's hotel occupancy rates are historically low. To alleviate the negative impact of the pandemic and forestall further deterioration in the labour market, the local government introduced relief measures by means of an Anti-epidemic Fund to support business sectors. Looking forward, as the consequential impact of pandemic has yet to be fully reflected, Hong Kong's economy is likely to encounter more challenges in the foreseeable future.

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

James Sai-Wing Wong
Chairman

Hong Kong, 26 June 2020

CONSOLIDATED RESULTS

The consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2020 together with comparative figures for the previous year are as follows:

Consolidated Statement of Profit or Loss

	Notes	For the year ended 31 March	
		2020 HK\$'000	2019 HK\$'000
Revenue	3	638,477	1,478,353
Cost of sales		<u>(263,294)</u>	<u>(744,358)</u>
Gross profit		375,183	733,995
Other income	3	30,542	17,924
Fair value gains/(losses) on investment properties, net		(217,302)	929,811
Loss on disposal of investment properties		-	(804)
Administrative expenses		(103,561)	(92,868)
Other operating expenses, net		(28,734)	(25,539)
Finance costs	4	(189,479)	(118,480)
Share of profit of an associate		<u>109,766</u>	<u>317,087</u>
Profit/(loss) before tax	5	(23,585)	1,761,126
Income tax credit/(expense)	6	<u>10,323</u>	<u>(460,564)</u>
Profit/(loss) for the year		<u>(13,262)</u>	<u>1,300,562</u>
Attributable to:			
Owners of the Company		(35,946)	1,158,507
Non-controlling interests		<u>22,684</u>	<u>142,055</u>
		<u>(13,262)</u>	<u>1,300,562</u>
Earnings/(loss) per share attributable to ordinary equity holders of the Company	7		
Basic and diluted		<u>(HK\$0.05)</u>	<u>HK\$1.61</u>

Consolidated Statement of Comprehensive Income

	For the year ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
Profit/(loss) for the year	<u>(13,262)</u>	<u>1,300,562</u>
Other comprehensive loss		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of an associate	(22,673)	(14,527)
Exchange differences on translation of foreign operations	<u>(439,207)</u>	<u>(541,825)</u>
Other comprehensive loss for the year, net of tax	<u>(461,880)</u>	<u>(556,352)</u>
Total comprehensive income/(loss) for the year	<u>(475,142)</u>	<u>744,210</u>
Attributable to:		
Owners of the Company	(472,771)	628,184
Non-controlling interests	<u>(2,371)</u>	<u>116,026</u>
	<u>(475,142)</u>	<u>744,210</u>

Consolidated Statement of Financial Position

	31 March 2020	31 March 2019
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	275,961	266,766
Investment properties	14,327,900	14,296,837
Investment in a joint venture	199	199
Investment in an associate	775,363	789,271
	<hr/>	<hr/>
Total non-current assets	15,379,423	15,353,073
CURRENT ASSETS		
Tax recoverable	278	5,895
Properties held for sale under development and completed properties held for sale	2,061,479	2,051,599
Trade receivables	20,777	21,561
Contract costs	30,789	5,547
Prepayments, deposits and other receivables	200,118	136,159
Cash and bank balances	2,168,054	1,963,000
	<hr/>	<hr/>
Total current assets	4,481,495	4,183,761
CURRENT LIABILITIES		
Trade payables, other payables and accrued liabilities	236,119	415,741
Due to an associate	-	15,950
Interest-bearing bank borrowings	1,854,126	1,107,931
Lease liabilities	17,024	-
Contract liabilities	652,885	286,193
Customer deposits	53,423	47,582
Tax payable	163,221	122,549
	<hr/>	<hr/>
Total current liabilities	2,976,798	1,995,946
NET CURRENT ASSETS	1,504,697	2,187,815
	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES	16,884,120	17,540,888
	<hr/>	<hr/>

Consolidated Statement of Financial Position *(Continued)*

	31 March 2020 HK\$'000	31 March 2019 HK\$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	4,001,060	3,920,286
Lease liabilities	8,052	-
Deferred tax liabilities	1,371,647	1,552,045
	<hr/>	<hr/>
Total non-current liabilities	5,380,759	5,472,331
	<hr/>	<hr/>
Net assets	11,503,361	12,068,557
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the Company		
Share capital	1,519,301	1,519,301
Reserves	9,792,078	10,354,903
	<hr/>	<hr/>
	11,311,379	11,874,204
	<hr/>	<hr/>
Non-controlling interests	191,982	194,353
	<hr/>	<hr/>
Total equity	11,503,361	12,068,557
	<hr/>	<hr/>

Notes:

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

Basis of 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 Hong Kong Companies Ordinance (the “Hong Kong Companies Ordinance”). They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited financial information relating to the year ended 31 March 2020 and the financial information relating to the year ended 31 March 2019 included in this preliminary announcement of annual results for the year ended 31 March 2020 do not constitute the Company’s statutory annual consolidated financial statements for those years but, in respect of the year ended 31 March 2019, 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 2020 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 2019 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 2019. 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.

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.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to HKFRSs 2015–2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the adoption of the above new and revised standards has had no significant effect on the financial information.

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

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the comparative information for 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for elective exemptions for leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 April 2019. They continue to be measured at fair value applying HKAS 40.

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

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1 April 2019

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	Increase/ (Decrease) HK\$'000
Assets	
Increase in right-of-use assets	255,025
Decrease in property, plant and equipment	(199,196)
Increase in total assets	<u>55,829</u>
Liabilities	
Increase in lease liabilities and total liabilities	<u>55,829</u>
The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:	
	<i>HK\$'000</i>
Operating lease commitments as at 31 March 2019	61,258
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 March 2020	(288)
	<u>60,970</u>
Weighted average incremental borrowing rate as at 1 April 2019	<u>5%</u>
Lease liabilities as at 1 April 2019	<u><u>55,829</u></u>

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:

- the property development segment develops properties for sale;
- the property investment segment holds investment properties for development and the generation of rental income; and
- the property, carpark management and others segment comprises, principally, 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/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, non-lease-related finance costs, share of profit of an associate as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude investment in a joint venture, investment in an associate, 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 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.

For the year ended 31 March 2020

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	325,561	281,060	31,856	<u>638,477</u>
Segment results	186,739	(81,491)	819	106,067
<i>Reconciliation:</i>				
Interest income				22,193
Unallocated expenses				(74,697)
Finance costs (other than interest on lease liabilities)				(186,914)
Share of profit of an associate				<u>109,766</u>
Loss before tax				<u>(23,585)</u>

For the year ended 31 March 2019

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	1,224,190	221,755	32,408	<u>1,478,353</u>
Segment results	559,498	1,051,642	2,498	1,613,638
<i>Reconciliation:</i>				
Interest income				13,852
Unallocated expenses				(64,971)
Finance costs				(118,480)
Share of profit of an associate				<u>317,087</u>
Profit before tax				<u>1,761,126</u>

2. Operating Segment Information (Continued)

At 31 March 2020

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment assets	2,263,238	14,856,370	2,152,116	19,271,724
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(2,354,700)
Investment in a joint venture				199
Investment in an associate				775,363
Corporate and other unallocated assets				<u>2,168,332</u>
Total assets				<u><u>19,860,918</u></u>
Segment liabilities	1,672,145	1,043,643	606,415	3,322,203
<i>Reconciliation:</i>				
Elimination of intersegment payables				(2,354,700)
Corporate and other unallocated liabilities				<u>7,390,054</u>
Total liabilities				<u><u>8,357,557</u></u>

For the year ended 31 March 2020

	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	-	217,302	-	217,302
Gain on disposal of items of property, plant and equipment	111	-	290	401
Depreciation	2,408	6,625	26,309	35,342
Capital expenditure *	<u>527</u>	<u>710,238</u>	<u>6,121</u>	<u>716,886</u>

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

2. Operating Segment Information (Continued)

At 31 March 2019

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Property, carpark management and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	2,241,050	14,639,264	2,070,899	18,951,213
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(2,172,744)
Investment in a joint venture				199
Investment in an associate				789,271
Corporate and other unallocated assets				<u>1,968,895</u>
Total assets				<u><u>19,536,834</u></u>
Segment liabilities	1,481,445	1,009,820	446,945	2,938,210
<i>Reconciliation:</i>				
Elimination of intersegment payables				(2,172,744)
Corporate and other unallocated liabilities				<u>6,702,811</u>
Total liabilities				<u><u>7,468,277</u></u>

For the year ended 31 March 2019

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Property, carpark management and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Other segment information:				
Fair value gains on investment properties, net	-	929,811	-	929,811
Loss/(gain) on disposal of items of property, plant and equipment, net	-	10	(4)	6
Loss on disposal of investment properties	-	804	-	804
Depreciation	985	1,736	2,593	5,314
Capital expenditure *	<u>429</u>	<u>470,725</u>	<u>475</u>	<u>471,629</u>

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

2. Operating Segment Information *(Continued)*

Geographical information

(a) Revenue

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	102,261	111,689
Mainland China	536,216	<u>1,366,664</u>
	638,477	<u>1,478,353</u>

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

(b) Non-current assets

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	4,829,345	3,923,186
Mainland China	9,774,516	<u>10,640,417</u>
	14,603,861	<u>14,563,603</u>

The non-current asset information above is based on the locations of the assets and excludes investments in a joint venture and an associate.

3. Revenue and Other Income

Disaggregation of revenue

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

	For the year ended 31 March 2020			
Segment	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Property, carpark management and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Type of goods or services				
Sales of properties	325,561	-	-	325,561
Property management income	-	29,611	1,606	31,217
Total revenue from contracts with customers	325,561	29,611	1,606	356,778
Revenue from other sources				
Gross rental income	-	251,449	30,250	281,699
Total revenue from other sources	-	251,449	30,250	281,699
Revenue disclosed in the segment information	325,561	281,060	31,856	638,477
Timing of revenue recognition				
Goods transferred at a point in time	325,561	-	-	325,561
Services transferred over time	-	29,611	1,606	31,217
Total revenue from contracts with customers	325,561	29,611	1,606	356,778
	For the year ended 31 March 2019			
Segment	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Property, carpark management and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Type of goods or services				
Sales of properties	1,224,190	-	-	1,224,190
Property management income	-	29,257	1,575	30,832
Total revenue from contracts with customers	1,224,190	29,257	1,575	1,255,022
Revenue from other sources				
Gross rental income	-	192,498	30,833	223,331
Total revenue from other sources	-	192,498	30,833	223,331
Revenue disclosed in the segment information	1,224,190	221,755	32,408	1,478,353
Timing of revenue recognition				
Goods transferred at a point in time	1,224,190	-	-	1,224,190
Services transferred over time	-	29,257	1,575	30,832
Total revenue from contracts with customers	1,224,190	29,257	1,575	1,255,022

3. Revenue and Other Income (Continued)

	2020 HK\$'000	2019 HK\$'000
Other income		
Bank interest income	22,193	13,852
Others	8,349	4,072
	<u>30,542</u>	<u>17,924</u>

4. Finance Costs

	2020 HK\$'000	2019 HK\$'000
Interest on bank loans	228,200	187,706
Interest on lease liabilities	2,565	-
Less: Interest capitalised under properties under development/construction	<u>(41,286)</u>	<u>(69,226)</u>
	<u>189,479</u>	<u>118,480</u>

5. Profit/(Loss) Before Tax

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

	2020 HK\$'000	2019 HK\$'000
Cost of properties sold	108,650	628,919
Depreciation	35,342	5,314
Minimum lease payments under operating leases	-	21,658
Lease payments not included in the measurement of lease liabilities	3,327	-
Auditor's remuneration	2,700	2,540
Foreign exchange differences, net	(1)	(2)
Loss/(gain) on disposal of items of property, plant and equipment, net	(401)	6
Loss on disposal of investment properties	-	804
Employee benefit expenses (including directors' remuneration):		
Wages, salaries, allowances and benefits in kind	60,837	58,254
Pension scheme contributions	1,869	1,955
	<u>62,706</u>	<u>60,209</u>
Less: Amounts capitalised under properties under development/construction	<u>(20,870)</u>	<u>(20,080)</u>
	<u>41,836</u>	<u>40,129</u>
Gross rental income	(311,310)	(252,588)
Less: Outgoing expenses	154,644	115,439
	<u>(156,666)</u>	<u>(137,149)</u>

At 31 March 2020 and 31 March 2019, the amount of forfeited pension scheme contributions available to the Group for future utilisation was not significant.

6. Income Tax

	2020 HK\$'000	2019 <i>HK\$'000</i>
Current tax		
Hong Kong	(137)	-
Mainland China corporate income tax	(52,203)	(138,298)
Land appreciation tax in Mainland China	(49,717)	(99,059)
Overseas profits tax	(53)	-
	(102,110)	(237,357)
Deferred tax	<u>112,433</u>	<u>(223,207)</u>
Total tax credit/(charge) for the year	<u>10,323</u>	<u>(460,564)</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 (2019: earnings) per share amount is based on the loss for the year attributable to ordinary equity holders of the Company of HK\$35,946,000 (2019: profit of HK\$1,158,507,000) and the weighted average number of ordinary shares in issue during the year of 720,429,301 (2019: 720,429,301).

No adjustment has been made to the basic loss (2019: earnings) per share amounts presented for the years ended 31 March 2020 and 2019 in respect of a dilution as the Group has no potential dilutive ordinary shares in issue during the years ended 31 March 2020 and 2019.

8. Dividend

	2020 HK\$'000	2019 <i>HK\$'000</i>
Proposed final – 12.5 HK cents (2019: 12.5 HK cents) per ordinary share	<u>90,054</u>	<u>90,054</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, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	967	1,900
31 to 60 days	201	1,347
61 to 90 days	-	1,370
Over 90 days	19,609	16,944
Total	20,777	21,561

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of the consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue trade debts are closely monitored by management and are provided for in full in cases 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.

10. Trade Payables, Other Payables and Accrued Liabilities

Included in the trade payables, other payables and accrued liabilities are trade payables of HK\$12,248,000 (2019: HK\$28,088,000). An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	12,248	28,088

11. Contingent Liabilities

- (a) As at 31 March 2019, the Group has given a guarantee of HK\$24,000,000 to a bank in connection with a facility granted to an associate and such banking facility guaranteed by the Group to the associate was utilised to the extent of HK\$24,000,000 as at 31 March 2019.

The bank loan was fully repaid by the associate during the year ended 31 March 2020.

- (b) As at 31 March 2020, the Group has given guarantees of HK\$303,420,000 (2019: HK\$198,487,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date the loans are granted to the purchasers up to the date of issuance of property ownership certificates to the purchasers.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK\$5,880 million as at 31 March 2020 (2019: HK\$5,028 million), of which approximately 32% (2019: 22%) of the debts were classified as current liabilities. Included therein were debts of HK\$80 million related to bank loans with repayable on demand clause and HK\$1,494 million related to project or term loans which will be refinanced during the forthcoming financial year. Based on the repayment schedules pursuant to the related loan agreements and assuming that the aforesaid refinancing will be completed on schedule, the current portion of the total interest-bearing debts was approximately 5%. The increase in total debts was mainly due to the drawdown of bank loans for construction of development projects in the PRC and Hong Kong.

Total cash and bank balances including time deposits were approximately HK\$2,168 million as at 31 March 2020 (2019: HK\$1,963 million). Included in cash and bank balances are restricted bank deposits of HK\$62 million (2019: HK\$77 million) which can only be applied in the designated property development projects prior to their completion of construction. The Group had committed but undrawn banking facilities of a total of approximately HK\$1,412 million at year end available for its working capital purpose.

Total shareholders' funds as at 31 March 2020 were approximately HK\$11,311 million (2019: HK\$11,874 million). The decrease was mainly due to current year's loss attributable to shareholders 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\$3,712 million (2019: HK\$3,065 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK\$11,503 million (2019: HK\$12,069 million), was 32% as at 31 March 2020 (2019: 25%).

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.

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 2020, 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\$14,854 million as at 31 March 2020 were pledged to secure certain banking facilities of the Group.

Employees and remuneration policies

The Group, not including its joint venture and associate, employed approximately 330 employees as at 31 March 2020. Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually with discretionary bonuses being paid depending on individual performance. The Group also provides other benefits including medical cover, provident fund, personal accident insurance and educational subsidies to all eligible staff.

CONNECTED TRANSACTIONS

1. On 20 September 2016, Gold Famous Development Limited (“Gold Famous”), an indirect wholly-owned subsidiary of the Company, entered into a framework agreement with Kin Wing Foundations Limited (“Kin Wing Foundations”), an indirect wholly-owned subsidiary of Chinney Kin Wing Holdings Limited (“Chinney Kin Wing”) (Stock Code: 1556) and an indirect non wholly-owned subsidiary of Chinney Alliance Group Limited (“Chinney Alliance”) (Stock Code: 385), pursuant to which, Kin Wing Foundations was appointed by Gold Famous as a contractor for the foundation construction works at K.C.T.L 495, Kin Chuen Street, Kwai Chung, New Territories, Hong Kong for a contract sum of HK\$210,000,000. As Dr. James Sai-Wing Wong is the controlling shareholder of each of Chinney Investments, Limited (“Chinney Investments”) (Stock Code: 216), the Company, Chinney Alliance and Chinney Kin Wing, the transaction constituted a connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The transaction was approved by the independent shareholders of Chinney Investments, the Company, Chinney Alliance and Chinney Kin Wing at the respective general meetings held by each of the companies on 7 November 2016.

During the year ended 31 March 2020, total development cost paid to Kin Wing Foundations amounted to HK\$10,500,000.

2. On 12 June 2018, Gold Famous entered into a consultancy agreement with Shun Cheong Data Centre Solutions Company Limited (“Shun Cheong Data Centre Solutions”), an indirect wholly-owned subsidiary of Chinney Alliance, pursuant to which Shun Cheong Data Centre Solutions was appointed by Gold Famous as a consultant to provide consultancy services in respect of the construction and development of a data centre on a parcel of land owned by Gold Famous in Kwai Chung, Hong Kong (the “Data Centre Project”) at a fixed fee of HK\$16,200,000 (the “Consultancy Agreement”). As Chinney Investments is interested in approximately 68.09% of the issued shares of the Company and approximately 29.10% of the issued shares of Chinney Alliance and Dr. James Sai-Wing Wong is the chairman, executive director and a controlling shareholder of each of Chinney Investments, the Company and Chinney Alliance, the transaction constituted a connected transaction for each of Chinney Investments, the Company and Chinney Alliance under the Listing Rules and is subject to the reporting and announcement requirements.

During the year ended 31 March 2020, the consultancy fee paid to Shun Cheong Data Centre Solutions amounted to HK\$6,480,000 in respect of the transaction.

3. 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 Data Centre Project at a total contract sum not exceeding HK\$757,800,000 (the “Framework Agreement”). As Chinney Investments is interested in approximately 68.09% of the issued shares of the Company and approximately 29.10% of the issued shares of Chinney Alliance and Dr. James Sai-Wing Wong is the chairman, executive director and a controlling shareholder of each of Chinney Investments, the Company and Chinney Alliance, the related transaction constituted a connected transaction for each of Chinney Investments, the Company and Chinney Alliance under the Listing Rules. Since the entering into of the Consultancy Agreement dated 12 June 2018 also constituted a connected transaction and pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the Consultancy Agreement and the Framework Agreement should be aggregated as a series of transactions as they were entered into within a 12-month period and involved parties which are connected with one another. The applicable percentage ratios of the Framework Agreement on both stand-alone and the basis when aggregated with the Consultancy Agreement, are more than 5% and contract sum was more than HK\$10 million, the transaction is subject to the reporting, announcement and independent shareholders’ approval requirements. The transaction was approved by the independent shareholders of Chinney Investments, the Company and Chinney Alliance at the respective general meetings held by each of the companies on 24 August 2018.

During the year ended 31 March 2020, total development cost paid to Chinney Construction amounted to HK\$578,413,000 in respect of the transaction.

CORPORATE GOVERNANCE

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct for directors’ securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 March 2020.

Compliance with the Corporate Governance Code

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules for the year ended 31 March 2020, except for the following deviations:

1. CG Code provision A.1.1 stipulates that the board of directors should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

During the year ended 31 March 2020, the board of directors of the Company (the “Board”) met twice for approving the annual results of the Company for the year ended 31 March 2019 and the interim results for the period ended 30 September 2019. As business operations were under the management and supervision of the executive directors of the Company, who had from time to time held meetings to resolve all material business or management issues, only two regular board meetings were held for the year ended 31 March 2020.

2. CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Currently, Dr. James Sai-Wing Wong is the Chairman of the Company and assumes the role of the Chairman and also the chief executive officer. Given the nature of the Group’s businesses which require considerable market expertise, the Board believes that the vesting of the two roles for the time being provides the Group with stable and consistent leadership and allows for more effective planning and implementation of long term business strategies. The Board will continuously review the effectiveness of the structure to balance the power and authority of the Board and the management.

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

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

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

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

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

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

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

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

Audit Committee

Regular meetings have been held by the Audit Committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Audit Committee has reviewed with management the annual results of the Group for the year ended 31 March 2020.

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 2020 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 2020.

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 26 June 2020

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