

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



漢國置業有限公司

Hon Kwok Land Investment Company, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 160)

2021-22 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL RESULTS

For the six months ended 30 September 2021, the Group's unaudited consolidated revenue was HK\$608 million (2020: HK\$749 million) with a net profit attributable to shareholders of HK\$122 million (2020: HK\$92 million). Excluding the fair value losses of investment properties (net of deferred taxation) of HK\$19 million (2020: gains of HK\$2 million), the underlying net profit attributable to shareholders would be HK\$141 million for the six months ended 30 September 2021 (2020: HK\$90 million). The drop in revenue was mainly due to fewer property units delivered to customers and recognised as revenue. At the same time, the increase in the underlying profit resulted from an improvement to the Group's property rental income contribution upon the commencement of lease term from its fully leased data centre building in Hong Kong.

Basic earnings per share was HK\$0.17 (2020: HK\$0.13). As at 30 September 2021, the shareholders' equity amounted to HK\$12,124 million (as at 31 March 2021: HK\$11,976 million) and net assets per share attributable to shareholders was HK\$16.83 (as at 31 March 2021: HK\$16.62). The increase in shareholders' equity resulted mainly from the net profit attributable to shareholders recorded during the period.

INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend for the six months ended 30 September 2021 (2020: Nil).

BUSINESS REVIEW

(i) Property Development

For the six months ended 30 September 2021, the property development segment revenue was HK\$377 million compared with HK\$609 million in 2020. Segment profit before taxation was HK\$213 million compared with HK\$229 million in 2020. The revenue and profit for the period were derived from property sales recognised from the Metropolitan Oasis in Nanhai, Foshan. The decrease in revenue was mainly due to fewer property units delivered to customers during the current period as compared with the last corresponding period.

The Group's property development projects are located in Mainland China comprising mainly (i) Metropolitan Oasis, the Group's wholly owned project in the Da Li District of Nanhai; (ii) 45-107 Beijing Nan Road, the Group's wholly owned project in the Yue Xiu District of Guangzhou and (iii) Enterprise Square in the Nanshan District of Shenzhen in which the Group owns 20% interest.

Metropolitan Oasis, with a total gross floor area of approximately 273,000 square meters, was developed in three phases. The final phase of the development project was completed in December 2020. For the six months ended 30 September 2021, the Group booked revenue of HK\$377 million (2020: HK\$609 million) from the units of Phase 2 and Phase 3 delivered during the period. As at 30 September 2021, the contracted property sales but not yet booked amounted to RMB552 million, expected to be recognised in the second half of 2021/2022 and the next financial year.

Our development site at 45-107 Beijing Nan Road, Yue Xiu District, with a site area of approximately 9,500 square meters, was designated for mixed-use development, including a residential building and a commercial/office building with an aggregated gross floor area of approximately 77,000 square meters. Upon completion of the project, together with the Group's previous development projects adjacent to the site, namely No. 5 Residence and Ganghui Dasha, there will be four blocks of building forming a large-scale complex accommodating office, residential and retail components along Beijing Road. The residential portion of the project will be developed into quality residences for sale while the office portion will be held for rental and long-term investment purposes. Foundation works were completed and the superstructure works were commenced in the third quarter of 2021.

Enterprise Square, of which the Group owns a 20% interest, situated at Qiaoxiang Road North, Nanshan District, has a total gross floor area of approximately 224,500 square meters. This mixed-use commercial complex comprises office towers, a residential apartment and a shopping mall. Apart from an office tower and the shopping mall that are held for leasing purpose, the other office towers and the residential apartments were launched into the market for sale in prior years. For the six months ended 30 September 2021, the project recognised revenue of RMB273 million (2020: RMB229 million). As at 30 September 2021, the contracted property sales but not yet booked amounted to RMB41 million. Net profit attributable to the Group in respect of its interest in Enterprise Square, including the change in fair value of the investment properties, amounted to HK\$22 million (2020: HK\$37 million) for the six months ended 30 September 2021.

(ii) Property Investment

For the six months ended 30 September 2021, the property investment segment revenue was HK\$212 million compared with HK\$127 million posted for the same period in 2020. Segment profit before taxation was HK\$86 million compared with HK\$68 million in 2020. Excluding the change in fair value of investment properties, segment profit before taxation was HK\$127 million compared with HK\$56 million in 2020. Following the commencement of lease for the entire data centre building in early 2021, the Group's rental income contribution improved substantially. Meanwhile, the rental performance of the Group's property portfolio in mainland China also improved due to the proactive leasing efforts to improve occupancy despite severe market competition.

Property Investment – Hong Kong

The property investment segment covering offices, hotel property and our industrial data centre, generated stable rental income. The Group's completed investment property portfolio in Hong Kong with an aggregate gross floor area of approximately 474,000 square feet comprises (i) Hon Kwok Jordan Centre, a commercial/office building at Hillwood Road, Tsim Sha Tsui; (ii) The Bauhinia, a hotel cum serviced apartment property at Connaught Road Central and Des Voeux Road Central;

(iii) The Bauhinia Hotel (TST), a hotel property at Observatory Court, Tsim Sha Tsui; and (iv) Data Centre at Kin Chuen Street, Kwai Chung. Average occupancy of the properties achieved 85% for the six months ended 30 September 2021 (2020: 72%). Despite the slight improvement in rental income from the hotel properties, our operations incurred losses under difficult business conditions. To enhance our competitiveness, we have started the renovation and rebranding projects on our hotel properties in anticipation of a reopening to foreign tourism next year. The commercial property market, however, showed signs of recovery, with improved occupancy and rental rates of our commercial properties.

The newly completed data centre at Kin Chuen Street, Kwai Chung, with UTI Tier III standards and BEAM Plus certification, provided a gross floor area of approximately 228,000 square feet, has commenced operation in 2021. The property is currently fully let to a renowned international data centre operator at satisfactory rental level, generating a stable rental income stream.

Property Investment – Mainland China

The Group's completed investment property portfolio in Mainland China with an aggregate gross floor area of approximately 446,000 square meters comprises (i) Hon Kwok City Commercial Centre, a commercial/office building at the Fu Tian District of Shenzhen, (ii) City Square/The Bauhinia Hotel (Shenzhen), a commercial podium comprising shops and hotel rooms at the Luo Hu District of Shenzhen, (iii) City Suites, serviced apartment units atop of City Square at the Luo Hu District of Shenzhen, (iv) Ganghui Dasha, a commercial/office building at the Yue Xiu District of Guangzhou, (v) Chongqing Hon Kwok Centre, a twin-tower office building atop of a commercial podium at the Bei Bu Xin Qu of Chongqing and (vi) Chongqing Jinshan Shangye Zhongxin, an office tower and a hotel/office tower each with a commercial podium at the Bei Bu Xin Qu of Chongqing. The property portfolio achieved an average occupancy of 67% for the six months ended 30 September 2021 (2020: 63%).

The occupancy of Hon Kwok City Commercial Centre, the Grade A office building situated in the core area of Fu Tian District, Shenzhen, grew steadily over the period under review. As at 30 September 2021, the occupancy rate of the retail portion was 92%, whereas the offices space was 42% leased, overall occupancy rate achieved 49%. As of the date of this report, overall occupancy rate was above 50%.

Property Investment – Valuation

The Group's investment property portfolio was measured on a fair value basis, valued at HK\$15,165 million as at 30 September 2021 (as at 31 March 2021: HK\$15,057 million), including the mainland China portfolio of HK\$10,156 million and Hong Kong portfolio of HK\$5,009 million. Taking into account for the additions to investment properties and the exchange differences arising from movement in Renminbi during the period, a decrease in fair value of HK\$41 million (2020: increase of HK\$12 million) was recorded. All in all, the Group's Hong Kong property portfolio exhibited a slight revaluation gain as the office market became more stable, whilst its mainland China property portfolio recorded a slight revaluation loss, reflecting a decline in market rent in the commercial property market.

(iii) Property and carpark management and others

For the six months ended 30 September 2021, the property and carpark management segment revenue was HK\$19 million compared with HK\$14 million in the same period of 2020. The carpark management business has shown business improvement as the COVID-19 pandemic was mainly under control. Furthermore, the government continued to offer rental concessions and other subsidies to support the carpark operators, thus operating cost was substantially reduced, resulting in segment profit before taxation of HK\$6.4 million compared with HK\$5.3 million in 2020. As at 30 September 2021, the Group managed 23 carparks (31 March 2021: 17 carparks) with approximately 2,160 parking spaces (as at 31 March 2021: 2,200 parking spaces).

OUTLOOK

With a mass vaccination campaign in progress around the world, we are beginning to see signs of declining global infection rates. With the pandemic gradually coming under control, we anticipate the return of tourism and travel in 2022. Many countries are starting to live with endemic disease conditions, and putting their economies back into full operations.

Major economies are expected to rebound under their governments' supportive monetary policies. However, the global economy is facing headwinds arising from inflation and the risk of interest rate rises in the coming year. We should continue to expect disruptions from the ongoing geopolitical tension between the US and China.

On the Mainland, the Central Government adhered the principle of "houses are for living in, not for speculation". It adopted a series of restrictive measures to stabilise the housing prices and credit measures to regulate the real estate lending to developers and purchasers. State policy is also orienting towards the principle of "common prosperity".

This suggests course adjustments and restructuring in the property market. Like many of our peers, the current climate calls for risk management and strengthening operational capabilities, rather than aggressive growth oriented strategies.

In Hong Kong, the market gained momentum in the first half of 2021, mainly driven by local consumption under improved market sentiment. The residential property market remained resilient and registered robust transaction volume in the primary and secondary housing market, reflecting the strong housing demand amidst the prevailing low interest environment. Looking forward, Hong Kong will benefit from ample opportunities brought about by the National 14th Five-Year Plan, which positioned Hong Kong as an international financial, transportation and trade centre. Coupled with the HKSAR Government's urban development and infrastructure plans to ease the housing shortage, we are cautiously optimistic about the growth prospect of the local economy in the long run.

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

James Sai-Wing Wong
Chairman

Hong Kong, 25 November 2021

UNAUDITED CONSOLIDATED RESULTS

The unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2021 together with comparative figures for the corresponding period in the prior year are as follows:

Condensed Consolidated Statement of Profit or Loss

		Six months ended	
		30 September	
		2021	2020
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	3	608,375	749,378
Cost of sales		(258,557)	(421,353)
Gross profit		349,818	328,025
Other income	3	42,575	18,208
Fair value gains/(losses) on investment properties, net		(41,099)	11,533
Administrative expenses		(49,812)	(43,428)
Other operating expenses, net		(29,201)	(35,642)
Finance costs	4	(78,263)	(85,167)
Share of profit of an associate		22,495	37,303
Profit before tax	5	216,513	230,832
Income tax expense	6	(94,320)	(138,226)
Profit for the period		122,193	92,606
Attributable to:			
Owners of the Company		122,175	91,737
Non-controlling interests		18	869
		122,193	92,606
Earnings per share attributable to ordinary equity holders of the Company	7		
Basic and diluted		HK\$0.17	HK\$0.13

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Profit for the period	122,193	92,606
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of an associate	6,590	8,796
Exchange differences on translation of foreign operations	<u>116,210</u>	<u>208,424</u>
Other comprehensive income for the period, net of tax	<u>122,800</u>	<u>217,220</u>
Total comprehensive income for the period	<u>244,993</u>	<u>309,826</u>
Attributable to:		
Owners of the Company	237,712	294,094
Non-controlling interests	<u>7,281</u>	<u>15,732</u>
	<u>244,993</u>	<u>309,826</u>

Condensed Consolidated Statement of Financial Position

	At 30 September 2021 (Unaudited) <i>Notes</i> <i>HK\$'000</i>	At 31 March 2021 (Audited) <i>HK\$'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	313,453	295,245
Investment properties	15,164,981	15,056,648
Investment in a joint venture	199	199
Investment in an associate	858,981	829,896
Total non-current assets	<u>16,337,614</u>	<u>16,181,988</u>
CURRENT ASSETS		
Tax recoverable	236	234
Properties held for sale under development and completed properties held for sale	1,998,957	2,083,359
Trade receivables	9 14,240	19,116
Contract costs	16,409	16,917
Prepayments, deposits and other receivables	253,215	182,503
Cash and bank balances	1,664,124	1,908,888
Total current assets	<u>3,947,181</u>	<u>4,211,017</u>
CURRENT LIABILITIES		
Trade payables, other payables and accrued liabilities	10 256,439	258,677
Interest-bearing bank borrowings	2,135,528	1,373,483
Lease liabilities	17,643	11,993
Contract liabilities	385,027	364,389
Customer deposits	100,500	92,341
Tax payable	275,561	298,281
Total current liabilities	<u>3,170,698</u>	<u>2,399,164</u>
NET CURRENT ASSETS	<u>776,483</u>	<u>1,811,853</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>17,114,097</u>	<u>17,993,841</u>
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	3,276,234	4,327,955
Lease liabilities	33,491	13,641
Deferred tax liabilities	1,439,639	1,442,451
Total non-current liabilities	<u>4,749,364</u>	<u>5,784,047</u>
Net assets	<u>12,364,733</u>	<u>12,209,794</u>

Condensed Consolidated Statement of Financial Position *(Continued)*

	At 30 September 2021 (Unaudited) HK\$'000	At 31 March 2021 (Audited) HK\$'000
EQUITY		
Equity attributable to owners of the Company		
Share capital	1,519,301	1,519,301
Reserves	<u>10,604,776</u>	<u>10,457,118</u>
	12,124,077	11,976,419
Non-controlling interests	<u>240,656</u>	<u>233,375</u>
Total equity	<u><u>12,364,733</u></u>	<u><u>12,209,794</u></u>

Notes:

1. Basis of preparation and changes in accounting policies and disclosures

Basis of preparation

The unaudited condensed interim consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The unaudited condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2021.

The financial information relating to the year ended 31 March 2021 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 September 2021 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 March 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

Changes in accounting policies and disclosures

The unaudited condensed interim consolidated financial statements have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. The accounting policies adopted in the preparation of the unaudited condensed interim consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2021, except as described below. The Group has applied, for the first time, the following revised Hong Kong Financial Reporting Standards (“HKFRS”, which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA for the current period’s financial information.

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

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

*COVID-19 – Related Rent Concessions beyond
30 June 2021*

2. Operating segment information

The Group is principally engaged in property development, property investment and property related activities. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Operating segments are reported in a manner consistent with the internal reporting provided to key management personnel.

Six months ended 30 September 2021 (Unaudited)

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	<u>377,046</u>	<u>212,102</u>	<u>19,227</u>	<u>608,375</u>
Segment results	<u>212,572</u>	<u>86,266</u>	<u>6,429</u>	<u>305,267</u>
<i>Reconciliation:</i>				
Interest income				6,128
Unallocated expenses				(39,727)
Finance costs (other than interest on lease liabilities)				(77,650)
Share of profit of an associate				<u>22,495</u>
Profit before tax				<u>216,513</u>

Six months ended 30 September 2020 (Unaudited)

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	<u>608,929</u>	<u>126,851</u>	<u>13,598</u>	<u>749,378</u>
Segment results	<u>229,055</u>	<u>67,796</u>	<u>5,324</u>	<u>302,175</u>
<i>Reconciliation:</i>				
Interest income				6,877
Unallocated expenses				(31,007)
Finance costs (other than interest on lease liabilities)				(84,516)
Share of profit of an associate				<u>37,303</u>
Profit before tax				<u>230,832</u>

2. Operating segment information (Continued)

At 30 September 2021 (Unaudited)

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment assets	2,265,618	15,673,978	2,086,548	20,026,144
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(2,264,889)
Investment in a joint venture				199
Investment in an associate				858,981
Corporate and other unallocated assets				<u>1,664,360</u>
Total assets				<u><u>20,284,795</u></u>
Segment liabilities	1,481,753	1,145,406	430,830	3,057,989
<i>Reconciliation:</i>				
Elimination of intersegment payables				(2,264,889)
Corporate and other unallocated liabilities				<u>7,126,962</u>
Total liabilities				<u><u>7,920,062</u></u>

At 31 March 2021 (Audited)

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment assets	2,357,077	15,551,688	2,044,950	19,953,715
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(2,299,927)
Investment in a joint venture				199
Investment in an associate				829,896
Corporate and other unallocated assets				<u>1,909,122</u>
Total assets				<u><u>20,393,005</u></u>
Segment liabilities	1,549,098	1,118,146	373,724	3,040,968
<i>Reconciliation:</i>				
Elimination of intersegment payables				(2,299,927)
Corporate and other unallocated liabilities				<u>7,442,170</u>
Total liabilities				<u><u>8,183,211</u></u>

3. Revenue and other income

Disaggregation of revenue

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

	Six months ended 30 September 2021 (Unaudited)			
	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment				
Type of goods or services				
Sales of properties	377,046	-	-	377,046
Property management income	-	21,601	848	22,449
Total revenue from contracts with customers	377,046	21,601	848	399,495
Revenue from other sources				
Gross rental income	-	190,501	18,379	208,880
Total revenue from other sources	-	190,501	18,379	208,880
Revenue disclosed in the segment information	377,046	212,102	19,227	608,375
Timing of revenue recognition				
Goods transferred at a point in time	377,046	-	-	377,046
Services transferred over time	-	21,601	848	22,449
Total revenue from contracts with customers	377,046	21,601	848	399,495
Six months ended 30 September 2020 (Unaudited)				
	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment				
Type of goods or services				
Sales of properties	608,929	-	-	608,929
Property management income	-	15,207	920	16,127
Total revenue from contracts with customers	608,929	15,207	920	625,056
Revenue from other sources				
Gross rental income	-	111,644	12,678	124,322
Total revenue from other sources	-	111,644	12,678	124,322
Revenue disclosed in the segment information	608,929	126,851	13,598	749,378
Timing of revenue recognition				
Goods transferred at a point in time	608,929	-	-	608,929
Services transferred over time	-	15,207	920	16,127
Total revenue from contracts with customers	608,929	15,207	920	625,056

3. Revenue and other income (Continued)

Other income

	Six months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Gain on disposal of property, plant and equipment	25,335	86
Bank interest income	6,128	6,877
Others	11,112	7,777
Government subsidies [#]	-	3,468
	<u>42,575</u>	<u>18,208</u>

[#] The government subsidies represented mainly grants from the Employment Support Scheme of the Hong Kong Government, which aimed to retain employment and combat COVID-19. There were no unfulfilled conditions or contingencies relating to these subsidies.

4. Finance costs

	Six months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Interest on bank loans	86,608	102,622
Interest on lease liabilities	613	651
Less: Interest capitalised under properties under development/construction	<u>(8,958)</u>	<u>(18,106)</u>
	<u>78,263</u>	<u>85,167</u>

5. Profit before tax

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

	Six months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Depreciation of property, plant and equipments	3,187	2,927
Depreciation on right-of-use assets*	16,390	11,018
Employee benefit expenses (including directors' remuneration)	29,463	25,687
Less: Amounts capitalised under properties under development/construction	<u>(10,080)</u>	<u>(8,580)</u>
	<u>19,383</u>	<u>17,107</u>

* Included in the amount are the depreciation of leased carparks of HK\$10,027,000 which are included in "Cost of sales" in the condensed consolidated statement of profit or loss.

6. Income tax

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Under-provision in prior periods	95	-
Current – Elsewhere	112,065	128,459
Deferred	(17,840)	9,767
	<u>94,320</u>	<u>138,226</u>
Total tax charge for the period	<u>94,320</u>	<u>138,226</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. No Hong Kong profits tax was provided as the Group had available tax losses brought forward from prior years to offset the assessable profits generated during that period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

7. Earnings per share attributable to ordinary equity holders of the Company

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$122,175,000 (2020: HK\$91,737,000) and the number of 720,429,301 ordinary shares in issue during both periods.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 September 2021 and 2020 in respect of a dilution as the Group has no potential dilutive ordinary shares in issue during both periods.

8. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2021 (2020: Nil).

The final dividend of HK 12.5 cents per ordinary share for the year ended 31 March 2021 was approved by the Company's shareholders at the annual general meeting of the Company held on 26 August 2021 and paid on 21 September 2021.

9. Trade receivables

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

	At 30 September 2021 (Unaudited) HK\$'000	At 31 March 2021 (Audited) HK\$'000
Within 30 days	396	620
31 to 60 days	20	44
61 to 90 days	20	21
Over 90 days	13,804	18,431
Total	<u>14,240</u>	<u>19,116</u>

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of the consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue trade debts are closely monitored by management and are provided for in full in case of non-recoverability. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. The carrying amounts of the trade receivables approximate to their fair values.

10. Trade payables, other payables and accrued liabilities

Included in the trade payables, other payables and accrued liabilities are trade payables of HK\$8,046,000 (as at 31 March 2021: HK\$9,526,000). An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	At 30 September 2021 (Unaudited) HK\$'000	At 31 March 2021 (Audited) HK\$'000
Within 30 days	<u>8,046</u>	<u>9,526</u>

11. Contingent liabilities

As at 30 September 2021, the Group has given guarantees of HK\$25,866,000 (as at 31 March 2021 (audited): HK\$219,931,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date the loans are granted to the purchasers up to the date of issuance of property ownership certificates to the purchasers.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK\$5,463 million as at 30 September 2021 (as at 31 March 2021: HK\$5,727 million), of which approximately 39% (as at 31 March 2021: 24%) of the debts were classified as current liabilities. Included therein were debts of HK\$55 million related to bank loans with repayable on demand clause and HK\$1,500 million related to project or term loans which will be refinanced during the forthcoming twelve months. 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 would be approximately 11%.

Total cash and bank balances including time deposits were approximately HK\$1,664 million as at 30 September 2021 (as at 31 March 2021: HK\$1,909 million) and the decrease was mainly due to the repayment of bank loans and payment of construction costs for property development projects. Included in cash and bank balances are restricted bank deposits of HK\$115 million (as at 31 March 2021: HK\$114 million) which can only be applied in the designated property development projects prior to their completion of construction. The Group had committed but undrawn banking facilities of a total of approximately HK\$936 million at period end available for its working capital purpose.

Total shareholders' funds as at 30 September 2021 were approximately HK\$12,124 million (as at 31 March 2021: HK\$11,976 million). The increase was mainly due to current period's profit attributable to shareholders less dividend paid and the appreciation in value of assets less liabilities denominated in Renminbi.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK\$3,799 million (as at 31 March 2021: HK\$3,818 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK\$12,365 million (as at 31 March 2021: HK\$12,210 million), was 31% as at 30 September 2021 (as at 31 March 2021: 31%).

Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30 September 2021, 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\$16,028 million as at 30 September 2021 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 360 employees as at 30 September 2021 (as at 31 March 2021: approximately 360). There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

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 (the “Land”) 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 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.

Details of the transaction were set out in the joint announcement of Chinney Investments, the Company, Chinney Alliance and Chinney Kin Wing dated 20 September 2016 and the Company’s circular dated 21 October 2016. Construction works were completed and pending for finalisation of variation orders and final accounts of the project. During the six months ended 30 September 2021, no development cost was paid to Kin Wing Foundations.

2. On 12 July 2018, Gold Famous entered into a framework agreement with Chinney Construction Company, Limited (“Chinney Construction”), an indirect wholly-owned subsidiary of Chinney Alliance, pursuant to which Gold Famous engaged Chinney Construction to act as the main contractor to carry out construction works for the construction and development of a data centre at the Land at a total contract sum not exceeding HK\$757,800,000 (the “Framework Agreement”). As 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. The transaction was approved by the independent shareholders of Chinney Investments, the Company and Chinney Alliance at the respective general meetings held by each of the companies on 24 August 2018.

Details of the transaction were set out in the joint announcement of Chinney Investments, the Company and Chinney Alliance dated 12 July 2018 and the Company’s circular dated 8 August 2018. Construction works were completed and pending for agreement of variation orders and final accounts of the project. During the six months ended 30 September 2021, no development cost was paid to Chinney Construction 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 during the six months ended 30 September 2021.

Compliance with the Corporate Governance Code

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules for the six months ended 30 September 2021, except for the following deviations:

1. CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer 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.

2. 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.

3. CG Code provision A.5.1 stipulates that, amongst others, 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.

4. 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 Company's interim results for the six months ended 30 September 2021 have not been audited, but have been reviewed by the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2021.

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 25 November 2021

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 Ms. Janie Fong, Mr. David Tak-Wai Ma and Mr. James C. Chen as independent non-executive directors.