



Hon Kwok Land Investment Company, Limited

Stock Code: 160

Interim Report 2021/22



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CORPORATE INFORMATION

DIRECTORS

James Sai-Wing Wong (*Chairman*)
James Sing-Wai Wong
Xiao-Ping Li
Philip Bing-Lun Lam
Janie Fong*
David Tak-Wai Ma*
James C. Chen*

* *Independent non-executive directors*

AUDIT COMMITTEE

James C. Chen (*Chairman*)
Janie Fong
David Tak-Wai Ma

REMUNERATION COMMITTEE

David Tak-Wai Ma (*Chairman*)
Philip Bing-Lun Lam
Janie Fong

NOMINATION COMMITTEE

Janie Fong (*Chairman*)
David Tak-Wai Ma
James C. Chen
James Sing-Wai Wong
Philip Bing-Lun Lam

COMPANY SECRETARY

Ka-Yee Wan

PRINCIPAL BANKERS

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

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
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REGISTRAR

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STOCK CODE

SEHK 160

WEBSITE

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CHAIRMAN'S STATEMENT

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.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

(i) Property Development *(Continued)*

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.

BUSINESS REVIEW *(Continued)*

(ii) Property Investment *(Continued)*

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%).

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

(ii) Property Investment *(Continued)*

Property Investment – Mainland China (Continued)

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).

CHAIRMAN'S STATEMENT *(Continued)*

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

GENERAL INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2021, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(a) Directors' interests in the ordinary shares of the Company

Name of director	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued shares
Dr. James Sai-Wing Wong ("Dr. Wong")	1 & 2	Through controlled corporations	502,262,139	69.72

(b) Directors' interests in the ordinary shares/paid-up registered capital of associated corporations

Name of director	Notes	Name of associated corporation	Capacity and nature of interest	Number of ordinary shares/ amount of paid-up registered capital held	Percentage of the associated corporation's issued shares/ paid-up registered capital
Dr. Wong	1 & 3	Chinney Investments, Limited ("Chinney Investments")	Through controlled corporations	341,439,324	61.93
	1	Chinney Investments	Beneficially owned	480,000	0.09
	1 & 4	Chinney Holdings Limited ("Chinney Holdings")	Through controlled corporation	9,900,000	99.00
	1	Chinney Holdings	Beneficially owned	100,000	1.00
	1	Lucky Year Finance Limited ("Lucky Year")	Beneficially owned	20,000	100.00
	1 & 5	Guangzhou Honkwok Fuqiang Land Development Ltd.	Through controlled corporations	RMB185,000,000	100.00
	1 & 6	Chinney Trading Company Limited ("Chinney Trading")	Through controlled corporations	7,150	55.00

GENERAL INFORMATION *(Continued)*

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

(Continued)

Notes:

1. *All the interests stated above represent long positions.*
2. *Out of the 502,262,139 shares, 490,506,139 shares are beneficially held by Chinney Investments, which is a subsidiary of Chinney Holdings. More than one-third of the equity capital of Chinney Holdings is owned by Lucky Year of which Dr. Wong is a director and has beneficial interests therein. The remaining 11,756,000 shares are held by Chinney Capital Limited ("Chinney Capital") of which Dr. Wong is a director and has beneficial interests therein.*
3. *These shares are beneficially held by Chinney Holdings. By virtue of note 2, Dr. Wong is deemed to be interested in these shares.*
4. *These shares are beneficially held by Lucky Year. By virtue of note 2, Dr. Wong is deemed to be interested in these shares.*
5. *Out of the RMB185,000,000 paid-up registered capital, RMB111,000,000 is paid up by a wholly-owned subsidiary of the Company and RMB74,000,000 is paid up by a company controlled by Dr. Wong. By virtue of note 2, Dr. Wong is deemed to be interested in this company.*
6. *Out of the 13,000 issued shares of Chinney Trading, 2,600 shares are held by a wholly-owned subsidiary of the Company and 4,550 shares are held by a company controlled by Dr. Wong. By virtue of note 2, Dr. Wong is deemed to be interested in this company.*

Save as disclosed herein, as at 30 September 2021, none of the directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be recorded in the register kept by the Company under Section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

GENERAL INFORMATION *(Continued)*

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

As at 30 September 2021, so far as is known to the directors of the Company, the following substantial shareholders and other persons had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued shares
Dr. Wong	1, 2, 3	Through controlled corporations	502,262,139	69.72
Lucky Year	1 & 2	Through controlled corporations	490,506,139	68.09
Chinney Holdings	1 & 2	Through controlled corporation	490,506,139	68.09
Chinney Investments	1 & 2	Directly beneficially owned	490,506,139	68.09

Notes:

1. All the interests stated above represent long positions.
2. Dr. Wong, Lucky Year, Chinney Holdings and Chinney Investments are deemed to be interested in the same parcel of 490,506,139 shares by virtue of Section 316 of the SFO.
3. 11,756,000 shares are held by Chinney Capital of which Dr. Wong is a director and has beneficial interests therein.

Save as disclosed herein, as at 30 September 2021, none of the substantial shareholders or other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

- (a) In February 2019, Hon Kwok Treasury Limited, a wholly-owned subsidiary of the Company, as borrower, entered into a facility agreement (the “Facility Agreement”) relating to HK\$1,500 million transferable term and revolving loan facilities (the “Loan Facilities”) with a syndicate of financial institutions (the “Lenders”). The Loan Facilities have a term of 48 months commencing from the date of the Facility Agreement and to be used for refinancing the existing syndicated loan with an outstanding balance of HK\$440 million and financing the general corporate funding requirements of the Group.

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

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

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

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

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

GENERAL INFORMATION *(Continued)*

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

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

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

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

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. Wong is the controlling shareholder of each of Chinney Investments, 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.

CONNECTED TRANSACTIONS *(Continued)*

- 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 (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. 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 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:

- 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. 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.

GENERAL INFORMATION *(Continued)*

CORPORATE GOVERNANCE *(Continued)*

Compliance with the Corporate Governance Code *(Continued)*

- 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.

- 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 did not have a nomination committee as the role and the function of such committee were performed by the full Board. On 8 December 2021, the Board has established a nomination committee (the “Nomination Committee”) with written terms of reference in compliance with CG Code provision A.5.1. The Nomination Committee comprises three independent non-executive directors, namely Ms. Janie Fong, Mr. David Tak-Wai Ma and Mr. James C. Chen and two executive directors, namely Mr. James Sing-Wai Wong and Mr. Philip Bing-Lun Lam. The Chairman of the Nomination Committee is Ms. Janie Fong. A majority of the committee members are independent non-executive directors.

CORPORATE GOVERNANCE *(Continued)*

Compliance with the Corporate Governance Code *(Continued)*

- 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

The Company has established an Audit Committee comprising Mr. James C. Chen, Ms. Janie Fong and Mr. David Tak-Wai Ma.

Regular meetings have been held by the Audit Committee 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.

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.

GENERAL INFORMATION *(Continued)*

FINANCIAL REVIEW *(Continued)*

Liquidity and financial resources *(Continued)*

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.

Contingent liabilities

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 September	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue	3	608,375	749,378
Cost of sales		<u>(258,557)</u>	<u>(421,353)</u>
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		<u>22,495</u>	<u>37,303</u>
Profit before tax	5	216,513	230,832
Income tax expense	6	<u>(94,320)</u>	<u>(138,226)</u>
Profit for the period		<u>122,193</u>	<u>92,606</u>
Attributable to:			
Owners of the Company		122,175	91,737
Non-controlling interests		<u>18</u>	<u>869</u>
		<u>122,193</u>	<u>92,606</u>
Earnings per share attributable to ordinary equity holders of the Company			
Basic and diluted	7	<u>HK\$0.17</u>	<u>HK\$0.13</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	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	116,210	208,424
Other comprehensive income for the period, net of tax	122,800	217,220
Total comprehensive income for the period	244,993	309,826
Attributable to:		
Owners of the Company	237,712	294,094
Non-controlling interests	7,281	15,732
	244,993	309,826

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2021 (Unaudited) HK\$'000	At 31 March 2021 (Audited) HK\$'000
	<i>Notes</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		<u>858,981</u>	<u>829,896</u>
 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		<u>1,664,124</u>	<u>1,908,888</u>
 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		<u>275,561</u>	<u>298,281</u>
 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>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

		At 30 September 2021 (Unaudited) <i>HK\$'000</i>	At 31 March 2021 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		3,276,234	4,327,955
Lease liabilities		33,491	13,641
Deferred tax liabilities		<u>1,439,639</u>	<u>1,442,451</u>
 Total non-current liabilities		 <u>4,749,364</u>	 <u>5,784,047</u>
 Net assets		 <u><u>12,364,733</u></u>	 <u><u>12,209,794</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	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>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share	Exchange	Retained		Non-	Total
	capital	fluctuation	profits	Total	controlling	equity
	(Unaudited)	reserve	(Unaudited)	(Unaudited)	interests	(Unaudited)
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2020	1,519,301	(429,740)	10,221,818	11,311,379	191,982	11,503,361
Profit for the period	–	–	91,737	91,737	869	92,606
Other comprehensive income for the period:						
Exchange differences on translation of foreign operations	–	202,357	–	202,357	14,863	217,220
Total comprehensive income for the period	–	202,357	91,737	294,094	15,732	309,826
Final dividend in respect of previous financial year	–	–	(90,054)	(90,054)	–	(90,054)
At 30 September 2020	1,519,301	(227,383)	10,223,501	11,515,419	207,714	11,723,133
At 1 April 2021	1,519,301	203,838	10,253,280	11,976,419	233,375	12,209,794
Profit for the period	–	–	122,175	122,175	18	122,193
Other comprehensive income for the period:						
Exchange differences on translation of foreign operations	–	115,537	–	115,537	7,263	122,800
Total comprehensive income for the period	–	115,537	122,175	237,712	7,281	244,993
Final dividend in respect of previous financial year	–	–	(90,054)	(90,054)	–	(90,054)
At 30 September 2021	1,519,301	319,375	10,285,401	12,124,077	240,656	12,364,733

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Six months ended	
		30 September	
		2021	2020
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		216,513	230,832
Adjustments for:			
Finance costs	4	78,263	85,167
Share of profit of an associate		(22,495)	(37,303)
Interest income	3	(6,128)	(6,877)
Gain on disposal of items of property, plant and equipment		(25,335)	(86)
Depreciation of property, plant and equipments	5	3,187	2,927
Depreciation of right-of-use assets	5	16,390	11,018
Fair value losses/(gains) on investment properties, net		41,099	(11,533)
		301,494	274,145
Decrease in properties held for sale under development and completed properties held for sale		110,261	59,904
Decrease in trade receivables		4,876	523
Decrease/(increase) in prepayments, deposits and other receivables		(66,142)	12,443
Decrease in contract costs		588	17,997
Increase/(decrease) in trade payables, other payables and accrued liabilities		(18,477)	126,799
Increase/(decrease) in contract liabilities		17,162	(366,667)
Increase in customer deposits		7,278	30,880
		357,040	156,024
Interest paid		(613)	(651)
Overseas taxes paid		(137,584)	(78,412)
		218,843	76,961
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		6,128	6,877
Purchases of items of property, plant and equipment		(258)	(4,196)
Proceeds from disposal of items of property, plant and equipment		26,359	219
Additions to investment properties		(20,127)	(61,930)
Dividend received from an associate		–	48,000
Increase in non-pledged time deposits with original maturity of more than three months when acquired		(30)	(46)
		12,072	(11,076)
Net cash flows from/(used in) investing activities		12,072	(11,076)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

	Six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	187,214	264,884
Repayment of bank loans	(498,153)	(393,037)
Dividends paid	(90,054)	(90,054)
Interest paid	(86,608)	(102,622)
Principal portion of lease payments	(9,373)	(8,331)
	(496,974)	(329,160)
Net cash flows used in financing activities	(496,974)	(329,160)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(266,059)	(263,275)
Cash and cash equivalents at beginning of period	1,906,128	2,165,480
Effect of foreign exchange rates changes, net	21,232	26,258
	1,661,301	1,928,463
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,661,301	1,928,463
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,664,124	1,485,960
Non-pledged time deposits	–	445,123
	1,664,124	1,931,083
Cash and bank balances as stated in the condensed consolidated statement of financial position	1,664,124	1,931,083
Non-pledged time deposits with original maturity of more than three months when acquired	(2,823)	(2,620)
	1,661,301	1,928,463

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Basis of preparation

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

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(Continued)

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	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>COVID-19 – Related Rent Concessions beyond 30 June 2021</i>

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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments

	Six months ended 30 September 2021 (Unaudited)			
	Property	Property	Property,	
	development	investment	management	Total
	HK\$'000	HK\$'000	and others	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	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>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Six months ended 30 September 2020 (Unaudited)			
	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 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>	302,175
<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>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. OPERATING SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

	At 31 March 2021 (Audited)			Total HK\$'000
	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others 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>20,393,005</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>8,183,211</u>

(b) Geographical segments – Revenue

	Six months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Hong Kong	93,467	40,391
Mainland China	<u>514,908</u>	<u>708,987</u>
	<u>608,375</u>	<u>749,378</u>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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)			Total HK\$'000
	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others 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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. REVENUE AND OTHER INCOME *(Continued)*

Disaggregation of revenue *(Continued)*

	Six months ended 30 September 2020 (Unaudited)			
	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				
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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. REVENUE AND OTHER INCOME (Continued)

Other income

	Six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	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	2020
	(Unaudited)	(Unaudited)
	HK\$'000	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>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

5. PROFIT BEFORE TAX

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

	Six months ended	
	30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	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	<u>(17,840)</u>	<u>9,767</u>
Total tax charge for the period	<u>94,320</u>	<u>138,226</u>

6. INCOME TAX *(Continued)*

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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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	<u>13,804</u>	<u>18,431</u>
Total	<u><u>14,240</u></u>	<u><u>19,116</u></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><u>8,046</u></u>	<u><u>9,526</u></u>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. SHARE CAPITAL

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

12. CONTINGENT LIABILITIES

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.

13. OPERATING LEASE ARRANGEMENTS

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

At 30 September 2021, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 30 September 2021 (Unaudited) HK\$'000	At 31 March 2021 (Audited) HK\$'000
Within one year	201,889	199,842
After one year but within two years	161,128	159,335
After two year but within three years	133,762	132,244
After three year but within four years	113,385	112,046
After four year but within five years	78,850	77,912
After five years	250,786	247,800
	<u>939,800</u>	<u>929,179</u>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. CAPITAL COMMITMENTS

At 30 September 2021, the Group had authorised and contracted capital commitments in respect of property development expenditure amounting to HK\$313,590,000 (at 31 March 2021 (audited): HK\$335,416,000).

15. RELATED PARTY TRANSACTIONS

(a) Connected transactions

During the six months ended 30 September 2020, the Group paid development cost relating to main contractor's construction works for the Data Centre Project to Chinney Construction, an indirect wholly-owned subsidiary of Chinney Alliance, amounted to HK\$31,824,000. No development cost was paid during the six months ended 30 September 2021. The above transaction was negotiated between the concerned parties by reference to the prevailing market rate. The transaction constituted a connected transaction of the Company and was approved by the independent shareholders of the Company at an extraordinary general meeting held on 24 August 2018.

(b) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term employee benefits	12,786	13,953
Post-employment benefits	495	563
	<u>13,281</u>	<u>14,516</u>

16. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

The fair values of the non-current portion of interest-bearing bank borrowings and lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 30 September 2021 was assessed to be insignificant.

Fair value hierarchy

The Group did not have any financial assets measured at fair value as at 30 September 2021 and 31 March 2021.

The Group did not have any financial liabilities measured at fair value as at 30 September 2021 and 31 March 2021. As at 30 September 2021, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included interest-bearing bank borrowings (non-current portion) of HK\$3,276,234,000 (as at 31 March 2021 (audited): HK\$4,327,955,000) and lease liabilities (non-current portion) of HK\$33,491,000 (as at 31 March 2021 (audited): HK\$13,641,000). The fair values of these financial liabilities disclosed were measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are unobservable (Level 3).

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

17. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed interim consolidated financial statements were approved and authorised for issue by the board of directors on 25 November 2021.