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建業實業有限公司 Chinney Investments, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 216)

2020-21 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL RESULTS

For the six months ended 30 September 2020, the Group's unaudited consolidated revenue was HK\$750 million (2019: HK\$375 million) with a net profit attributable to shareholders of HK\$53 million (2019: HK\$137 million). Excluding the fair value gains of investment properties (net of deferred taxation) of HK\$1 million (2019: HK\$60 million), the underlying net profit attributable to shareholders would be HK\$52 million for the six months ended 30 September 2020 (2019: HK\$77 million). The slightly drop in underlying profit was mainly attributable to the decrease in share of profits of associates during the period under review.

Basic earnings per share was HK\$0.10 (2019: HK\$0.25). As at 30 September 2020, the shareholders' equity amounted to HK\$7,886 million (as at 31 March 2020: HK\$7,722 million) and net assets per share attributable to shareholders was HK\$14.30 (as at 31 March 2020: HK\$14.01).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2020 (2019: Nil).

BUSINESS REVIEW

1. Property

The Group's property development and investment activities are mainly conducted by Hon Kwok Land Investment Company, Limited ("Hon Kwok") (Stock Code: 160) and its subsidiaries ("Hon Kwok Group"). Hon Kwok Group reported a turnover of HK\$749 million (2019: HK\$375 million) and net profit attributable to their shareholders of HK\$92 million (2019: HK\$224 million) for the six months ended 30 September 2020. The increase in revenue was mainly due to more sales were recognised from Hon Kwok Group's development projects. Whereas the drop in profit was mainly attributable to the decrease in fair value gains on investment properties upon revaluations at 30 September 2020 and the decrease in share of profit of an associate during the period under review.

Property Development

For the six months ended 30 September 2020, the property development segment revenue was HK\$609 million compared with HK\$218 million in 2019. Segment profit before taxation was HK\$204 million compared with HK\$147 million in 2019. The revenue and profit for the current period were attributable to the delivery of sold units in Metropolitan Oasis.

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

Metropolitan Oasis with a total gross floor area of approximately 273,000 square meters was developed in phases. Phase 1 and Phase 2 of the development project have been completed. Phase 3 of the project, comprising 19 blocks of high rise apartments of approximately 550 units, is scheduled for completing its internal finishing works by the end of 2020. Some units of Phase 3 were launched to the market for sale/pre-sale. For the six months ended 30 September 2020, the Group booked revenue of HK\$609 million (2019: HK\$121 million) from the units of Phase 2 and Phase 3 delivered during the period. As at 30 September 2020, the contracted property sales but not yet booked amounted to RMB602 million.

The site at 45-107 Beijing Nan Road, which is close to the Beijing Road Pedestrian Street and the Pearl River, is a development site adjacent to the Group's former projects, No. 5 Residence, and Ganghui Dasha. The project is designated for mixed-use development, including a 30-storey residential building and a 32-storey commercial/office building. The residential units of the project are for sale whereas the office portion will be held for recurring rental income. Foundation works are expected to be completed in 2021. After completion of the project, together with previous development projects, there will be four blocks of building forming a property complex along the Beijing Road, representing a landmark of the Group in Guangzhou.

Enterprise Square, of which Hon Kwok 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. Development of the entire project was completed in June 2018. Apart from an office tower and the shopping mall that are held for leasing purpose, the other office towers and the residential apartment units were launched to the market for sale in prior years. For the six months ended 30 September 2020, the project recognised revenue of RMB229 million (2019: RMB1,394 million) from the units delivered during the period. As at 30 September 2020, the contracted property sales but not yet booked amounted to RMB97 million. Net profit attributable to Hon Kwok Group in respect of its interest in Enterprise Square, including the decrease in fair value of the investment properties, amounted to HK\$37 million (2019: HK\$88 million) for the six months ended 30 September 2020.

The Botanica in the Tian He District of Guangzhou in which Hon Kwok Group owns 60% interest was completed with all residential units sold out in prior years. No revenue was recorded for the six months ended 30 September 2020 (2019: HK\$97 million).

Property Investment

For the six months ended 30 September 2020, the property investment segment revenue was HK\$128 million compared with HK\$140 million posted for the same period in 2019. Segment profit before taxation was HK\$61 million compared with HK\$170 million in 2019. Excluding the change in fair value of investment properties, segment profit before taxation was HK\$50 million compared with HK\$69 million in 2019. Since the outbreak of COVID-19 pandemic in early 2020, economic activities were broadly disrupted, in particular, the hotel operations were seriously hit under travel restrictions. To support our tenants, short-term rental concessions were offered to individual tenants. As business activities were halted over a period of time, the rental performance of the Group's portfolio of completed investment properties were slightly affected and resulted in a decline in net rental income.

Property Investment – Hong Kong

To strengthen our property portfolio to generate recurrent rental income, the Group holds a portfolio of different types of properties, including office, hotel property and data centre. The Group's completed investment property portfolio in Hong Kong with an aggregate gross floor area of approximately 502,000 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; (iv) Various units at Hilder Centre, Hung Hom and (v) Data Centre at Kin Chuen Street, Kwai Chung. Average occupancy of the properties achieved 68% for the six months ended 30 September 2020 (2019: 85%). During the period under review, rental income of the hotel properties declined owing to the negative impact of cross-border travel restrictions and precautionary measures due to COVID-19 pandemic.

The newly completed data centre at Kin Chuen Street, Kwai Chung, providing a gross floor area of approximately 228,000 square feet, obtained the Occupation Permit in June 2020. Leasing of the building to a leading global data centre operator has commenced and will start generating rental income in 2021.

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 properties, including Hon Kwok City Commercial Centre which commenced leasing in 2019, achieved an average occupancy of 63% for the six months ended 30 September 2020 (2019: 74%).

The occupancy of Hon Kwok City Commercial Centre grew steadily over the period under review. The occupancy rate of the retail portion was 69%, whereas the offices space was 42% leased. Overall occupancy rate reached 46% as at 30 September 2020.

Property Investment – Valuation

The Group's investment property portfolio was measured on a fair value basis, valued at HK\$14,819 million as at 30 September 2020 (as at 31 March 2020: HK\$14,512 million). After netting off the additions to investment properties and the exchange gain arising from appreciation in Renminbi during the period, the increase in fair value of the Group's investment properties amounted to HK\$11 million (2019: HK\$101 million) for the six months ended 30 September 2020.

Property, carpark management and others

For the six months ended 30 September 2020, the property and carpark management segment revenue was HK\$14 million compared with HK\$17 million in the same period of 2019. Under the adverse impact of COVID-19 pandemic, revenue and profit dropped significantly. However, the government offered rental concessions of 75% and other subsidies to support the carpark operators, thus operating cost was substantially reduced, resulting in segment profit before taxation of HK\$3.0 million compared with segment loss before tax of HK\$3.0 million in 2019. As at 30 September 2020, the Group managed 7 carparks (31 March 2020: 11 carparks) with approximately 1,940 parking spaces (as at 31 March 2020: 2,100 parking spaces).

2. Property under redevelopment plan

The parcel of land in Zhongtang District of Dongguan in Mainland China, where the Group's garment factory was situated prior its cessation of operation, covers a site area of approximately 19,000 square meters and a total gross floor area of approximately 58,000 square meters. The site will be redeveloped into a commercial/residential project. Construction works have been commenced during the period under review.

3. Construction and Trading

Chinney Alliance Group Limited ("Chinney Alliance") (Stock Code: 385), a 29.1% owned associate recorded turnover and net profit attributable to shareholders for the six months ended 30 June 2020 of HK\$2,177 million (2019: HK\$2,453 million) and HK\$52.3 million (2019: HK\$84.8 million).

Chinney Alliance's foundation piling and ground investigation businesses are conducted by Chinney Kin Wing Holdings Limited ("Chinney Kin Wing") (Stock Code: 1556), a 74.5% owned subsidiary listed on the Main Board of The Stock Exchange of Hong Kong Limited. Chinney Kin Wing contributed revenue of HK\$687 million (2019: HK\$518 million) and operating profit of HK\$39.9 million (2019: HK\$34.8 million). The increase in revenue and operating profit was primarily attributable to the contribution from certain sizable contracts under the foundation division. However, profit margin continued to be squeezed under the intense market competition and surging cost as more stringent contractual requirements were implemented under COVID-19 pandemic. In order to sustain business development, the division continues to strengthen its management team and diversify its business activities. For example, the division has expanded the scope of the drilling division to marine ground investigation and field testing.

The Building Construction division, mainly consists of Chinney Construction Company, Limited (“Chinney Construction”) and Chinney Timwill Construction (Macau) Company Limited, engaged in superstructure construction works in Hong Kong and Macau, contributed a revenue of HK\$305 million (2019: HK\$522 million) and an operating profit of HK\$14.9 million (2019: HK\$46.2 million). Due to the delay of new projects awarded as affected by the COVID-19 pandemic situation in early 2020, both revenue and profit were dropped in the period under review. Nevertheless, the award of major projects in the second and third quarter of the year has been improved and the business prospect is optimistic in the remaining period of the year.

The Building related contracting services division, consists of Shun Cheong Investments Limited and its subsidiaries, engaged in the contracting businesses of ventilation and air-conditioning, electrical and fire services, contributed revenue of HK\$905 million (2019: HK\$1,160 million) and operating profit of HK\$41.1 million (2019: HK\$52.5 million). As the current major projects were mainly progressing at the early stage, revenue and profit recognised were lower than the prior year.

The Plastic Trading division, consists of Jacobson van den Berg (Hong Kong) Limited, contributed revenue of HK\$182 million (2019: HK\$235 million) and recorded an operating loss of HK\$1.4 million (2019: HK\$2.0 million). Under the prevailing adverse market condition arising from the US-China trade tension, together with the impact of COVID-19 pandemic, the demand for the traditional plastic and chemical products dropped substantially. Besides, the exchange losses on weakened Renminbi during the period further eroded the profit margin. Nonetheless, the division continues to develop new distribution channels for “JcoNAT” products to enhance profitability and to expand its market position in Mainland China and Hong Kong.

OUTLOOK

The COVID-19 pandemic continues to distort our business activities. From suspensions of business to severe border crossing restrictions, Governments measures to control the outbreak have negatively affected multiple business models. These pressures come on top of already intense trade and geopolitical risks left over from the previous year. Making the current trading conditions the most challenging in a generation.

While Governments have implemented a series of accommodative easing policies to alleviate more serious adverse outcomes, and news of vaccines appear promising, stagnant market conditions are likely to persist into the near future.

On the Mainland, GDP growth stood at 3.2% in the second quarter of 2020, signifying a quick turnaround after the pandemic. To further boost the domestic demand and to support the business sector, the PRC government introduced monetary and fiscal policies while maintaining stability of residential property market. However, the leasing market weakened due to corporations deferring expansion or removal plans, and the necessity of providing temporary rental concessions to existing tenants. Nevertheless, in view of the strong housing demand in the Mainland real estate market, we remain cautiously optimistic on its prospects and expect a steady and healthy growth in the property market in the long run.

In Hong Kong, the GDP fell 3.5% from a year earlier in the third quarter of 2020, with the unemployment rate climbing to 6.4% in September 2020. The Hong Kong economy continues to reel under the triple hammers of the pandemic, international trade tensions, and the disappearance of tourists. Nevertheless, the local residential property market remained firm thanks to prevailing low interest rates and strong end-user demand. Together with the supportive measures implemented by the local government such as the raising of the mortgage cap under the new mortgage insurance, we maintain a cautiously positive outlook in the property market.

All in all, as the consequential impact of the pandemic has yet to be fully reflected, we will stay vigilant and remain cautious while grasping investment opportunities at appropriate time.

Finally, I would like to thank my fellow directors for their contributions and all staff members for their efforts during the period under review.

James Sai-Wing Wong
Chairman

Hong Kong, 26 November 2020

UNAUDITED CONSOLIDATED RESULTS

The unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2020 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 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
	<i>Notes</i>		
Revenue	3	750,077	374,724
Cost of sales		(421,597)	(110,896)
Gross profit		328,480	263,828
Other income and gains, net	3	18,433	13,064
Fair value gains on investment properties, net		11,474	101,291
Administrative and other operating expenses		(92,877)	(67,389)
Finance costs	4	(95,959)	(108,772)
Share of profits of associates		52,510	113,082
Profit before tax	5	222,061	315,104
Income tax expense	6	(138,420)	(91,647)
Profit for the period		83,641	223,457
Attributable to:			
Owners of the Company		53,494	136,793
Non-controlling interests		30,147	86,664
		83,641	223,457
Earnings per share attributable to ordinary equity holders of the Company	7		
Basic and diluted		HK\$0.10	HK\$0.25

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	83,641	223,457
Other comprehensive income/(loss)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(loss) of associates	8,089	(30,309)
Exchange differences on translation of foreign operations	209,490	(544,522)
	217,579	(574,831)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gain on revaluation reserve	-	9,901
Other comprehensive income/(loss) for the period, net of tax	217,579	(564,930)
Total comprehensive income/(loss) for the period	301,220	(341,473)
Attributable to:		
Owners of the Company	191,630	(224,183)
Non-controlling interests	109,590	(117,290)
	301,220	(341,473)

Condensed Consolidated Statement of Financial Position

		At 30 September 2020 (Unaudited) HK\$'000	At 31 March 2020 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		282,928	276,131
Investment properties		14,819,234	14,512,320
Investment in a joint venture		199	199
Investments in associates		<u>1,216,683</u>	<u>1,211,008</u>
Total non-current assets		<u>16,319,044</u>	<u>15,999,658</u>
CURRENT ASSETS			
Tax recoverable		315	278
Properties held for sale under development and completed properties held for sale		2,072,105	2,077,800
Trade receivables	9	20,254	20,777
Contract costs		12,932	30,789
Prepayments, deposits and other receivables		194,482	201,866
Cash and bank balances		<u>2,017,762</u>	<u>2,235,741</u>
Total current assets		<u>4,317,850</u>	<u>4,567,251</u>
CURRENT LIABILITIES			
Trade payables, other payables and accrued liabilities	10	391,543	246,258
Interest-bearing bank borrowings		3,018,705	2,529,852
Lease liabilities		13,740	17,024
Contract liabilities		292,384	652,885
Customer deposits		83,075	53,423
Tax payable		<u>218,229</u>	<u>163,221</u>
Total current liabilities		<u>4,017,676</u>	<u>3,662,663</u>
NET CURRENT ASSETS		<u>300,174</u>	<u>904,588</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>16,619,218</u>	<u>16,904,246</u>

Condensed Consolidated Statement of Financial Position *(Continued)*

	At 30 September 2020 (Unaudited) HK\$'000	At 31 March 2020 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	3,425,466	4,001,060
Lease liabilities	14,061	8,052
Deferred tax liabilities	1,410,478	1,370,833
	<u>4,850,005</u>	<u>5,379,945</u>
Total non-current liabilities		
	<u>4,850,005</u>	<u>5,379,945</u>
Net assets	<u>11,769,213</u>	<u>11,524,301</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	405,411	405,411
Reserves	7,480,981	7,316,919
	<u>7,886,392</u>	<u>7,722,330</u>
Non-controlling interests	<u>3,882,821</u>	<u>3,801,971</u>
Total equity	<u>11,769,213</u>	<u>11,524,301</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 2020.

The financial information relating to the year ended 31 March 2020 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 September 2020 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 2020 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 2020, 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 3
Amendments to HKFRS 9, HKAS 39
and HKFRS 7
Amendments to HKFRS 16
Amendments to HKAS 1 and HKAS 8

Definition of a Business
Interest Rate Benchmark Reform
COVID-19 – Related Rent Concessions
Definition of Material

2. Operating segment information

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

(a) Business segments

Six months ended 30 September 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 and revenue	<u>608,929</u>	<u>127,550</u>	<u>13,598</u>	<u>750,077</u>
Segment results	<u>203,860</u>	<u>61,158</u>	<u>3,034</u>	<u>268,052</u>
<i>Reconciliation:</i>				
Interest income				6,894
Corporate and other unallocated expenses				(10,087)
Finance costs (other than interest on lease liabilities)				(95,308)
Share of profits of associates				<u>52,510</u>
Profit before tax				<u>222,061</u>

Six months ended 30 September 2019 (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 and revenue	<u>218,064</u>	<u>139,581</u>	<u>17,079</u>	<u>374,724</u>
Segment results	<u>147,363</u>	<u>169,602</u>	<u>(3,019)</u>	<u>313,946</u>
<i>Reconciliation:</i>				
Interest income				9,744
Corporate and other unallocated expenses				(13,334)
Finance costs (other than interest on lease liabilities)				(108,334)
Share of profits of associates				<u>113,082</u>
Profit before tax				<u>315,104</u>

2. Operating segment information (Continued)

(a) Business segments (Continued)

At 30 September 2020 (Unaudited)

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment assets	2,349,582	15,330,366	2,235,699	19,915,647
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(2,513,711)
Investment in a joint venture				199
Investments in associates				1,216,683
Corporate and other unallocated assets				<u>2,018,076</u>
Total assets				<u>20,636,894</u>
Segment liabilities	1,607,068	1,086,086	615,360	3,308,514
<i>Reconciliation:</i>				
Elimination of intersegment payables				(2,513,711)
Corporate and other unallocated liabilities				<u>8,072,878</u>
Total liabilities				<u>8,867,681</u>

At 31 March 2020 (Audited)

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment assets	2,279,595	15,040,933	2,153,855	19,474,383
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(2,354,700)
Investment in a joint venture				199
Investments in associates				1,211,008
Corporate and other unallocated assets				<u>2,236,019</u>
Total assets				<u>20,566,909</u>
Segment liabilities	1,673,152	1,044,117	615,073	3,332,342
<i>Reconciliation:</i>				
Elimination of intersegment payables				(2,354,700)
Corporate and other unallocated liabilities				<u>8,064,966</u>
Total liabilities				<u>9,042,608</u>

2. Operating segment information *(Continued)*

(b) Geographical segments – Revenue

	Six months ended 30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong	41,090	52,589
Mainland China	708,987	322,135
	<u>750,077</u>	<u>374,724</u>

3. Revenue, Other income and gains

Disaggregation of revenue

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

	Six months ended 30 September 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	<u>608,929</u>	<u>15,207</u>	<u>920</u>	<u>625,056</u>
Revenue from other sources				
Gross rental income	-	112,343	12,678	125,021
Total revenue from other sources	<u>-</u>	<u>112,343</u>	<u>12,678</u>	<u>125,021</u>
Revenue disclosed in the segment information	<u>608,929</u>	<u>127,550</u>	<u>13,598</u>	<u>750,077</u>
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	<u>608,929</u>	<u>15,207</u>	<u>920</u>	<u>625,056</u>

3. Revenue, Other income and gains (Continued)

Disaggregation of revenue (Continued)

Six months ended 30 September 2019 (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	218,064	-	-	218,064
Property management income	-	15,774	804	16,578
Total revenue from contracts with customers	218,064	15,774	804	234,642
Revenue from other sources				
Gross rental income	-	123,807	16,275	140,082
Total revenue from other sources	-	123,807	16,275	140,082
Revenue disclosed in the segment information	218,064	139,581	17,079	374,724
Timing of revenue recognition				
Goods transferred at a point in time	218,064	-	-	218,064
Services transferred over time	-	15,774	804	16,578
Total revenue from contracts with customers	218,064	15,774	804	234,642

Other income and gains, net

	Six months ended 30 September 2020 (Unaudited) HK\$'000		2019 (Unaudited) HK\$'000
Bank interest income	6,894		9,744
Government subsidies [#]	3,468		-
Others	8,071		3,320
	18,433		13,064

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

4. Finance costs

	Six months ended 30 September 2020 (Unaudited) HK\$'000		2019 (Unaudited) HK\$'000
Interest on bank loans	113,414		129,741
Interest on lease liabilities	651		438
Less: Interest capitalised under properties under development/construction	(18,106)		(21,407)
	95,959		108,772

5. Profit before tax

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

	Six months ended 30 September 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Depreciation of property, plant and equipments	2,989	4,714
Depreciation of right-of-use assets*	11,018	13,954
Employee benefit expenses (including directors' remuneration)	37,057	33,677
Less: Amounts capitalised under properties under development/construction	(8,580)	(8,150)
	<u>28,477</u>	<u>25,527</u>

* Included in the amount are the depreciation of leased car parks of HK\$4,618,000 which are included in "Cost of sales" in the condensed consolidated statement of profit or loss.

6. Income tax

	Six months ended 30 September 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current – Elsewhere	128,545	83,847
Deferred	9,875	7,800
Total tax charge for the period	<u>138,420</u>	<u>91,647</u>

No Hong Kong profits tax has been provided as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the 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\$53,494,000 (2019: HK\$136,793,000) and the weighted average number of 551,368,153 ordinary shares in issue during both periods.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 September 2020 and 2019 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 2020 (2019: Nil).

The final dividend of HK 5.0 cents per ordinary share for the year ended 31 March 2020 was approved by the Company's shareholders at the annual general meeting of the Company held on 27 August 2020 and paid on 28 September 2020.

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 2020 (Unaudited) HK\$'000	At 31 March 2020 (Audited) HK\$'000
Within 30 days	621	967
31 to 60 days	78	201
61 to 90 days	23	-
Over 90 days	<u>19,532</u>	<u>19,609</u>
Total	<u>20,254</u>	<u>20,777</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\$10,592,000 (as at 31 March 2020: HK\$12,264,000). 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 2020 (Unaudited) HK\$'000	At 31 March 2020 (Audited) HK\$'000
Within 30 days	10,577	12,248
Over 90 days	<u>15</u>	<u>16</u>
Total	<u>10,592</u>	<u>12,264</u>

11. Contingent liabilities

As at 30 September 2020, the Group has given guarantees of HK\$361,192,000 (as at 31 March 2020 (audited): HK\$303,420,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date the loans are granted to the purchasers up to the date of issuance of property ownership certificates to the purchasers.

12. Event after the reporting period

On 27 October 2020, a direct wholly-owned subsidiary of the Company as vendor, entered into a sale and purchase agreement with an independent third party, to dispose of 35% equity interest in its direct wholly-owned subsidiary which holds a redevelopment project in Dongguan, PRC for a cash consideration of RMB35,000,000 (equivalent to HK\$40,764,000). The consideration was received and the transaction was completed in October 2020.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK\$6,472 million as at 30 September 2020 (as at 31 March 2020: HK\$6,556 million), of which approximately 47% (as at 31 March 2020: 39%) of the debts were classified as current liabilities. Included therein were debts of HK\$88 million related to bank loans with repayable on demand clause and HK\$2,415 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 8%.

Total cash and bank balances including time deposits were approximately HK\$2,018 million as at 30 September 2020 (as at 31 March 2020: HK\$2,236 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\$50 million (as at 31 March 2020: HK\$62 million) which can only be applied in the designated property development projects prior to their completion of construction. The Group had committed but undrawn banking facilities of a total of approximately HK\$1,710 million at period end available for its working capital purpose.

Total shareholders' funds as at 30 September 2020 were approximately HK\$7,886 million (as at 31 March 2020: HK\$7,722 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\$4,454 million (as at 31 March 2020: HK\$4,320 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK\$11,769 million (as at 31 March 2020: HK\$11,524 million), was 38% as at 30 September 2020 (as at 31 March 2020: 37%).

Funding and treasury policies

There are no significant changes in the Group's funding and treasury policies. As at 30 September 2020, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

Pledge of assets

Properties with an aggregate carrying value of approximately HK\$15,378 million as at 30 September 2020 and shares in certain subsidiaries were pledged to secure certain banking facilities of the Group.

Employees and remuneration policies

The Group, not including its associates and joint venture, employed approximately 330 employees as at 30 September 2020 (as at 31 March 2020: approximately 340). 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 Hon Kwok, entered into a framework agreement with Kin Wing Foundations Limited (“Kin Wing Foundations”), an indirect wholly-owned subsidiary of Chinney Kin Wing and an indirect non wholly-owned subsidiary of Chinney Alliance, pursuant to which, Kin Wing Foundations was appointed by Gold Famous as a contractor for the foundation construction works at K.C.T.L. 495, Kin Chuen Street, Kwai Chung, New Territories, Hong Kong for a contract sum of HK\$210,000,000. As Dr. James Sai-Wing Wong is the controlling shareholder of each of the Company, Hon Kwok, 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 the Company, Hon Kwok, Chinney Alliance and Chinney Kin Wing at the respective general meetings held by each of the companies on 7 November 2016.

Construction works were completed and pending for finalisation of final accounts and variation orders. During the six months ended 30 September 2020, no development cost was paid to Kin Wing Foundations.

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

The consultancy fee of HK\$16,200,000 has been fully paid before 1 April 2020.

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

During the six months ended 30 September 2020, total development cost paid to Chinney Construction amounted to HK\$31,824,000 in respect of the transaction.

CORPORATE GOVERNANCE

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct for directors’ securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 September 2020.

Compliance with the Corporate Governance Code

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules for the six months ended 30 September 2020, except for the following deviations:

1. 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 and the Managing Director 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 and the Managing Director provide the Group with a strong and consistent leadership and is of great importance to the smooth operations of the Group.

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.

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 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.

3. 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 2020 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 2020.

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 26 November 2020

At the date of this announcement, the directors of the Company are Dr. James Sai-Wing Wong (Chairman), Mr. Yuen-Keung Chan (Vice Chairman and Managing Director) and Mr. James Sing-Wai Wong as executive directors; Mr. Paul Hon-To Tong and Dr. Emily Yen Wong as non-executive directors; and Mr. James C. Chen, Mr. Richard Chi-Ho Lo and Mr. Winfred Wai-Lap Fan as independent non-executive directors.