



Chinney Investments, Limited

Stock Code: 216



Interim Report 2020/21

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CORPORATE INFORMATION

DIRECTORS

James Sai-Wing Wong (*Chairman*)
Yuen-Keung Chan (*Vice Chairman and
Managing Director*)
James Sing-Wai Wong
Paul Hon-To Tong
Emily Yen Wong
James C. Chen*
Richard Chi-Ho Lo*
Winfred Wai-Lap Fan*

* *Independent non-executive directors*

AUDIT COMMITTEE

James C. Chen (*Chairman*)
Richard Chi-Ho Lo
Winfred Wai-Lap Fan

REMUNERATION COMMITTEE

Winfred Wai-Lap Fan (*Chairman*)
James C. Chen
Yuen-Keung Chan

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

REGISTRAR

Tricor Tengis Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

23rd Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

Tel : (852) 2877 3307
Fax : (852) 2877 2035
E-mail : general@chinneyhonkwok.com

STOCK CODE

SEHK 216

WEBSITE

<http://www.chinney.com.hk>

CHAIRMAN'S STATEMENT

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.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

Property Development *(Continued)*

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).

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

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, Hunghom 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.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

Property Investment *(Continued)*

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).

BUSINESS REVIEW *(Continued)*

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 (the "Stock Exchange"). 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.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

3. Construction and Trading *(Continued)*

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.

CHAIRMAN'S STATEMENT *(Continued)*

OUTLOOK *(Continued)*

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

GENERAL INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2020, 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 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	341,439,324	61.93
	1	Beneficially owned	480,000	0.09

(b) Directors' interests in the ordinary shares 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	Hon Kwok	Through controlled corporations	502,262,139	69.72
	1 & 4	Guangzhou Honkwok Fuqiang Land Development Ltd.	Through controlled corporations	RMB185,000,000	100.00
	1 & 5	Chinney Alliance	Through controlled corporations	438,334,216	73.68
	1 & 6	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 & 7	Chinney Trading Company Limited ("Chinney Trading")	Through controlled corporations	7,150	55.00

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

(Continued)

Notes:

1. All the interests stated above represent long positions.
2. These shares are beneficially held by Chinney Holdings, which is a subsidiary of Lucky Year. Dr. Wong is a director of Lucky Year and has beneficial interests therein.
3. Out of the 502,262,139 shares, 490,506,139 shares are beneficially held by the Company. By virtue of note 2, Dr. Wong is deemed to be interested in these shares. The remaining 11,756,000 shares are held by Chinney Capital Limited of which Dr. Wong is a director and has beneficial interests therein.
4. Out of the RMB185,000,000 paid-up registered capital, RMB111,000,000 is paid up by a wholly-owned subsidiary of Hon Kwok and RMB74,000,000 is paid up by a company controlled by Dr. Wong. By virtue of note 3, Dr. Wong is deemed to be interested in this company.
5. Out of the 438,334,216 shares, 173,093,695 shares are held by a wholly-owned subsidiary of the Company and the remaining 265,240,521 shares are held by companies controlled by Dr. Wong. By virtue of note 2, Dr. Wong is deemed to be interested in these shares.
6. These shares are beneficially held by Lucky Year. By virtue of note 2, Dr. Wong is deemed to be interested in these shares.
7. Out of the 13,000 issued shares of Chinney Trading, 2,600 shares are held by a wholly-owned subsidiary of Hon Kwok and 4,550 shares are held by a company controlled by Dr. Wong. By virtue of note 3, Dr. Wong is deemed to be interested in this company.

Save as disclosed herein, as at 30 September 2020, 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.

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

As at 30 September 2020, so far as is known to the directors of the Company, the following substantial shareholders and other persons (other than directors of the Company) 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	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued shares
Chinney Holdings	Directly beneficially owned	341,439,324	61.93
Lucky Year	Through controlled corporation	341,439,324	61.93

GENERAL INFORMATION *(Continued)*

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

All the interests stated above represent long positions. Chinney Holdings and Lucky Year are deemed to be interested in the same parcel of shares by virtue of Section 316 of the SFO.

Save as disclosed herein, as at 30 September 2020, none of the substantial shareholders or other persons (other than the directors of the Company) 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 2020.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

- (a) In February 2019, Hon Kwok Treasury Limited, a wholly-owned subsidiary of Hon Kwok, 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 Hon Kwok Group.

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

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.

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

- (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 Hon Kwok, 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 the Company to continue to (i) be the major beneficial ultimate shareholder of Hon Kwok; (ii) hold not less than 30% effective shareholding of Hon Kwok; and (iii) maintain management control of Hon Kwok; and (2) Dr. Wong, the Chairman of both Hon Kwok and the Company, or his family members or his designated trust beneficiary shall continue to collectively remain as the major beneficial ultimate shareholder of the Company.

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.

- (c) In March 2020, Vast Champ Investment Limited (the “Offshore Borrower”), an indirect wholly-owned subsidiary of Hon Kwok, 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) the Company ceases to (i) be the major beneficial ultimate shareholder of Hon Kwok; or (ii) hold not less than 30% effective shareholding of Hon Kwok, or (iii) maintain management control of Hon Kwok; or (2) Dr. Wong, the Chairman of both Hon Kwok and the Company, or his family members or his designated trust beneficiary ceases to collectively remain the major beneficial ultimate shareholder of the Company.

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.

GENERAL INFORMATION *(Continued)*

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

- (d) In October 2020, Chinney Treasury Limited, a wholly-owned subsidiary of the Company, as borrower, entered into an agreement (the “HK\$800 million Facilities Agreement”) relating to HK\$800 million term and revolving loan facilities (the “HK\$800 million Loan Facilities”) with a syndicate of banks. The HK\$800 million Loan Facilities have a term of 48 months commencing from the date of the HK\$800 million Facilities Agreement and are to be used for refinancing the existing loans facilities with outstanding balance of HK\$500 million and financing the Group’s general corporate funding requirements.

Pursuant to the HK\$800 million Facilities Agreement, it shall be an event of default if Dr. Wong, the Chairman of the Company, and/or his family members collectively cease to (i) maintain management control over the Company; or (ii) remain as the major beneficial ultimate shareholder of the Company; or (iii) hold (whether directly or indirectly) at least 50% of equity interest in the Company (within the meaning of Part XV of the SFO).

If an event of default under the HK\$800 million Facilities Agreement occurs, the agent acting for the lending banks may, and shall if so requested by a majority of the lending banks, terminate the HK\$800 million Loan Facilities and/or declare all outstanding amounts together with all interest accrued under the HK\$800 million Loan Facilities 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 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. 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.

CONNECTED TRANSACTIONS *(Continued)*

- 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. 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.

- 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. 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.

GENERAL INFORMATION *(Continued)*

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 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.

CORPORATE GOVERNANCE *(Continued)*

Compliance with the Corporate Governance Code *(Continued)*

- 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.

- 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, Mr. Richard Chi-Ho Lo and Mr. Winfred Wai-Lap Fan.

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 2020 have not been audited, but have been reviewed by the Audit Committee.

GENERAL INFORMATION *(Continued)*

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.

GENERAL INFORMATION *(Continued)*

FINANCIAL REVIEW *(Continued)*

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.

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	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue	3	750,077	374,724
Cost of sales		<u>(421,597)</u>	<u>(110,896)</u>
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		<u>52,510</u>	<u>113,082</u>
Profit before tax	5	222,061	315,104
Income tax expense	6	<u>(138,420)</u>	<u>(91,647)</u>
Profit for the period		<u>83,641</u>	<u>223,457</u>
Attributable to:			
Owners of the Company		53,494	136,793
Non-controlling interests		<u>30,147</u>	<u>86,664</u>
		<u>83,641</u>	<u>223,457</u>
Earnings per share attributable to ordinary equity holders of the Company			
Basic and diluted	7	<u>HK\$0.10</u>	<u>HK\$0.25</u>

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) <i>Notes</i>	At 31 March 2020 (Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
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) <i>HK\$'000</i>	At 31 March 2020 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		3,425,466	4,001,060
Lease liabilities		14,061	8,052
Deferred tax liabilities		<u>1,410,478</u>	<u>1,370,833</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	11	405,411	405,411
Reserves		<u>7,480,981</u>	<u>7,316,919</u>
		7,886,392	7,722,330
 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>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share	Other	Asset	Exchange	Retained	Total	Non-	Total
	capital	reserve	revaluation	fluctuation	profits		controlling	equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2019	405,411	440,250	94,027	8,395	7,137,687	8,085,770	3,983,966	12,069,736
Profit for the period	-	-	-	-	136,793	136,793	86,664	223,457
Other comprehensive income/(loss) for the period:								
Exchange differences on translation of foreign operations	-	-	-	(370,877)	-	(370,877)	(203,954)	(574,831)
Gain on property revaluation	-	-	9,901	-	-	9,901	-	9,901
Total comprehensive income/(loss) for the period	-	-	9,901	(370,877)	136,793	(224,183)	(117,290)	(341,473)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	(28,740)	(28,740)
Final dividend in respect of previous financial year	-	-	-	-	(27,568)	(27,568)	-	(27,568)
At 30 September 2019	<u>405,411</u>	<u>440,250</u>	<u>103,928</u>	<u>(362,482)</u>	<u>7,246,912</u>	<u>7,834,019</u>	<u>3,837,936</u>	<u>11,671,955</u>
At 1 April 2020	405,411	440,250	103,928	(291,955)	7,064,696	7,722,330	3,801,971	11,524,301
Profit for the period	-	-	-	-	53,494	53,494	30,147	83,641
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	-	-	-	138,136	-	138,136	79,443	217,579
Total comprehensive income for the period	-	-	-	138,136	53,494	191,630	109,590	301,220
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	(28,740)	(28,740)
Final dividend in respect of previous financial year	-	-	-	-	(27,568)	(27,568)	-	(27,568)
At 30 September 2020	<u>405,411</u>	<u>440,250</u>	<u>103,928</u>	<u>(153,819)</u>	<u>7,090,622</u>	<u>7,886,392</u>	<u>3,882,821</u>	<u>11,769,213</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
<i>Notes</i>	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	222,061	315,104
Adjustments for:		
Finance costs	4 95,959	108,772
Share of profits of associates	(52,510)	(113,082)
Interest income	3 (6,894)	(9,744)
Gain on disposal of items of property, plant and equipment	(86)	(94)
Depreciation of property, plant and equipments	5 2,989	4,714
Depreciation of right-of-use assets	5 11,018	13,954
Fair value gains on investment properties, net	(11,474)	(101,291)
	261,063	218,333
Decrease in properties held for sale under development and completed properties held for sale	61,064	78,511
Decrease/(increase) in trade receivables, prepayments, deposits and other receivables	14,803	(31,433)
Decrease/(increase) in contract costs	17,997	(17,023)
Increase/(decrease) in trade payables, other payables and accrued liabilities	130,166	(219,921)
Increase/(decrease) in contract liabilities	(366,667)	242,462
Increase/(decrease) in customer deposits	28,378	(2,400)
Cash generated from operations	146,804	268,529
Interest paid	(651)	(438)
Overseas taxes paid	(78,497)	(44,347)
Net cash flows from operating activities	67,656	223,744

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

	Six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash flows from operating activities	<u>67,656</u>	<u>223,744</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	6,894	9,744
Purchases of items of property, plant and equipment	(4,222)	(331)
Proceeds from disposal of items of property, plant and equipment	219	100
Additions to investment properties	(66,989)	(244,955)
Dividends received from associates	54,924	111,386
Decrease in balance due to an associate	–	(15,950)
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired	(46)	130
Net cash flows used in investing activities	<u>(9,220)</u>	<u>(139,876)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	269,884	71,713
Repayment of bank loans	(393,537)	(173,619)
Dividend paid	(27,568)	(27,568)
Dividends paid to non-controlling shareholders	(28,740)	(28,740)
Interest paid	(115,225)	(129,743)
Principal portion of lease payments	(8,331)	(13,637)
Net cash flows used in financing activities	<u>(303,517)</u>	<u>(301,594)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

	Six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(245,081)	(217,726)
Cash and cash equivalents at beginning of period	2,233,167	2,089,607
Effect of foreign exchange rates changes, net	<u>27,056</u>	<u>(47,320)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>2,015,142</u>	<u>1,824,561</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,572,639	1,137,065
Non-pledged time deposits	<u>445,123</u>	<u>689,983</u>
Cash and bank balances as stated in the condensed consolidated statement of financial position	2,017,762	1,827,048
Non-pledged time deposits with original maturity of more than three months when acquired	<u>(2,620)</u>	<u>(2,487)</u>
	<u>2,015,142</u>	<u>1,824,561</u>

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 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.

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 *(Continued)*

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

Definition of a Business

Amendments to HKFRS 9, HKAS 39
and HKFRS 7

Interest Rate Benchmark Reform

Amendments to HKFRS 16

COVID-19 – Related Rent Concessions

Amendments to HKAS 1 and HKAS 8

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

	<u>Six months ended 30 September 2020 (Unaudited)</u>			
	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>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>	268,052
<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>

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

2. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Six months ended 30 September 2019 (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>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>	313,946
<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>

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

2. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	At 30 September 2020 (Unaudited)			
	Property development	Property investment	Property, carpark management and others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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><u>20,636,894</u></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><u>8,867,681</u></u>

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

2. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	At 31 March 2020 (Audited)			
	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Property, carpark management and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	2,279,595	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><u>20,566,909</u></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><u>9,042,608</u></u>

(b) Geographical segments – Revenue

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

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

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 <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	<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>112,343</u>	<u>12,678</u>	<u>125,021</u>
Revenue disclosed in the segment information	<u><u>608,929</u></u>	<u><u>127,550</u></u>	<u><u>13,598</u></u>	<u><u>750,077</u></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><u>608,929</u></u>	<u><u>15,207</u></u>	<u><u>920</u></u>	<u><u>625,056</u></u>

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

3. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Disaggregation of revenue *(Continued)*

	Six months ended 30 September 2019 (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	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	<u>218,064</u>	<u>139,581</u>	<u>17,079</u>	<u>374,724</u>
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	<u>218,064</u>	<u>15,774</u>	<u>804</u>	<u>234,642</u>

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

3. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Other income and gains, net

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

[#] 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	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	113,414	129,741
Interest on lease liabilities	651	438
Less: Interest capitalised under properties under development/construction	<u>(18,106)</u>	<u>(21,407)</u>
	<u>95,959</u>	<u>108,772</u>

5. PROFIT BEFORE TAX

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

	Six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	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	<u>(8,580)</u>	<u>(8,150)</u>
	<u>28,477</u>	<u>25,527</u>

* Included in the amount are the depreciation of leased carparks 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	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Elsewhere	128,545	83,847
Deferred	<u>9,875</u>	<u>7,800</u>
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 (2019: 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><u>20,254</u></u>	<u><u>20,777</u></u>

9. TRADE RECEIVABLES *(Continued)*

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) <i>HK\$'000</i>	At 31 March 2020 (Audited) <i>HK\$'000</i>
Within 30 days	10,577	12,248
Over 90 days	<u>15</u>	<u>16</u>
Total	<u><u>10,592</u></u>	<u><u>12,264</u></u>

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 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.

13. OPERATING LEASE ARRANGEMENTS

As lessor

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 2020, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 30 September 2020 (Unaudited) HK\$'000	At 31 March 2020 (Audited) HK\$'000
Within one year	220,579	174,552
After one year but within two years	211,821	147,175
After two year but within three years	187,319	134,110
After three year but within four years	167,898	124,820
After four year but within five years	154,464	118,777
After five years	697,088	601,240
	<u>1,639,169</u>	<u>1,300,674</u>

14. CAPITAL COMMITMENTS

At 30 September 2020, the Group had authorised and contracted capital commitments in respect of property development expenditure amounting to HK\$676,986,000 (as at 31 March 2020 (audited): HK\$691,324,000).

15. RELATED PARTY TRANSACTIONS

(a) Connected Transactions

- (i) During the six months ended 30 September 2019, the Group paid development expenditure relating to foundation construction works to an indirect wholly-owned subsidiary of Chinney Kin Wing amounted to HK\$5,250,000. No development cost was paid during the six months ended 30 September 2020. The above transaction was negotiated between the concerned parties by reference to 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 7 November 2016.

- (ii) On 12 June 2018, Gold Famous entered into the Consultancy Agreement with Shun Cheong Data Centre Solutions, 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 the Data Centre Project at a fixed fee of HK\$16,200,000. As the Company is interested in approximately 68.09% of the issued shares of Hon Kwok and approximately 29.10% of the issued shares of Chinney Alliance and Dr. 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. During the six months ended 30 September 2019, Hon Kwok Group paid consultancy fee to Shun Cheong Data Centre Solutions amounted to HK\$2,430,000. The consultancy fee has been fully paid before 1 April 2020.

15. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Connected Transactions *(Continued)*

- (iii) On 12 July 2018, Gold Famous entered into the Framework Agreement with Chinney Construction, 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. As the Company is interested in approximately 68.09% of the issued shares of Hon Kwok and approximately 29.10% of the issued shares of Chinney Alliance and Dr. Wong is 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 period, Hon Kwok Group paid development costs to Chinney Construction amounted to HK\$31,824,000 (2019: HK\$194,085,000).

(b) Compensation of key management personnel of the Group

	Six months ended	
	30 September	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term employee benefits	3,600	3,053

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Financial liabilities				
Interest-bearing bank borrowings	<u>6,444,171</u>	<u>6,530,912</u>	<u>6,444,171</u>	<u>6,530,912</u>

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 and 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 2020 was assessed to be insignificant.

The Group did not have any financial liabilities measured at fair value as at 30 September 2020 and 31 March 2020. As at 30 September 2020, 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\$3,425,466,000 (as at 31 March 2020 (audited): HK\$4,001,060,000) and lease liabilities (non-current portion) of HK\$14,061,000 (as at 31 March 2020 (audited): HK\$8,052,000). 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. 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.

18. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed interim consolidated financial statements were approved and authorised for issue by the board of directors on 26 November 2020.