



Chinney Investments, Limited

Stock Code: 216



Interim Report 2024/25

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Cover Photos (from top to bottom):

- *Beijing Nan Road comprehensive development project*
- *Digital Realty Kin Chuen (HKG11)*
- *Bauhinia (Central)*

CORPORATE INFORMATION

DIRECTORS

James Sing-Wai Wong (*Chairman*)
Yuen-Keung Chan (*Vice Chairman and
Managing Director*)
Donald Yin-Shing Lam
Emily Yen Wong
Richard Chi-Ho Lo*
Winfred Wai-Lap Fan*
Randall Todd Turney*
Stephen Henry Chu*

* *Independent non-executive directors*

AUDIT COMMITTEE

Winfred Wai-Lap Fan (*Chairman*)
Richard Chi-Ho Lo
Randall Todd Turney

REMUNERATION COMMITTEE

Winfred Wai-Lap Fan (*Chairman*)
Richard Chi-Ho Lo
Randall Todd Turney
James Sing-Wai Wong
Yuen-Keung Chan

NOMINATION COMMITTEE

Richard Chi-Ho Lo (*Chairman*)
Winfred Wai-Lap Fan
Randall Todd Turney
James Sing-Wai Wong
Emily Yen Wong

COMPANY SECRETARY

Ka-Yee Wan

PRINCIPAL BANKERS

Bank of Communications (Hong Kong) Limited
The Bank of East Asia, Limited
Chong Hing Bank Limited
Dah Sing Bank, Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
Shanghai Commercial Bank Limited

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
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STOCK CODE

SEHK 216

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CHAIRMAN'S STATEMENT

Dear Shareholders

In this interim report, we will present an overview of Chinney Group's financial results, followed by a brief review of the business, and concluding with my outlook for the rest of the financial year.

FINANCIAL RESULTS

The revenue for the six months ended 30 September 2024 was HK\$323 million (2023: HK\$651 million) with a net loss attributable to shareholders of HK\$69 million (2023: HK\$2 million). Excluding the effect of fair value losses on investment properties (net of deferred taxation) of HK\$68 million (2023: gains of HK\$8 million), the underlying net loss attributable to shareholders would be HK\$1 million (2023: HK\$10 million).

These results reflect the persisting depressed market sentiment. Despite our efforts to reduce costs and diversify our geography as well as businesses, they were not enough to overcome the massive drop in the market valuations of our investment properties.

The main attribution to the drop in revenue is due to the timing difference in recognition of revenue. We deferred recognising property sales from pre-sold units in our residential project at Beijing Nan Road, Guangzhou as we awaited regulatory approvals necessary to move to completion. As of this writing, we have successfully obtained the Certificate of Completion for this project and expect to record and recognise revenue for contracted sales that will significantly improve our results for the second half of this financial year.

Basic loss per share was HK\$0.126 (2023: HK\$0.004). As at 30 September 2024, the shareholders' equity amounted to HK\$7,766 million (as at 31 March 2024: HK\$7,539 million) and net assets per share attributable to shareholders was HK\$14.08 (as at 31 March 2024: HK\$13.67). The increase in shareholders' equity was primarily the result of the exchange rate appreciation of our Renminbi-denominated assets.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2024 (2023: Nil).

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW

Our business is chiefly divided into three segments: property development where properties are built and sold, property investment where properties are held for rental income, and engineering and trading businesses. In persistently adverse market conditions, our company is delivering adequate results from these three segments.

The numbers are covered extensively in the Management Discussion and Analysis (MD&A), so I will provide some highlights and my views in the outlook.

(1) Property Development

In China, our primary project for sale is the Beijing Road project in Guangzhou. Because sales proceeds were deferred from this period, revenues came primarily from car park income and the sale of remaining property units from legacy residential projects. With the Certificate of Completion now in place, we proceed to recognise and report sales revenues with significant improvements in our numbers for the second half of the financial year.

The sales environment and consumer preference have also changed in China. Buyers prefer to purchase completed residential units which they can have certainty, unlike in the past where they were willing to buy off the plan before completion. This has slowed sales of our residential inventory. At the same time, we could not recognise the revenue of approximately HK\$370 million of units sold during this period until we received the necessary approvals for delivering the units, including securing the Certificate of Completion. We are pleased to report that the Certificate of Completion was issued after the close of this period. After recognising sales in the second half of this year, we also expect sales activity to improve as it gives consumers confidence that their unit is ready for delivery.

In Hong Kong, construction on our joint venture project is on schedule. Substructure work started this period. As our sloping site requires substantial foundation works, we anticipate marketing the property after 2027.

As we space out the revenue recognition of our residential projects, this will help ensure that our liquidity is sufficient and sustainable over a period of time.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

(2) Property Investment

Our Group holds a well-diversified portfolio of investment properties in Hong Kong, major cities on the mainland, as well as in Japan.

While the investment and development environment in our primary market China remains unfavourable, management has concentrated on growing our investment portfolio in other regions to capture greater recurring income. This strategy is on track, with promising results.

The leasing market for our China properties remained subdued due to oversupply in the market with weak market sentiment and even more supply coming online. We are working on a number of new programs to boost occupancy and preserve rental rates. Nonetheless, given that our properties are well-located in their regional markets, we expect their occupancy levels to stay resilient. To help enhance value in our investment properties and increase the occupancy, the management is experimenting with different placemaking ideas to attract users to our products. For example, an ecologically themed property refresh at our Chongqing project came online last month with encouraging early results. The architecturally eye-catching retail space at our Beijing Road project is leasing out at suitable rates. And various initiatives are under consideration will hopefully fill out the space in our Shenzhen property.

The Hong Kong market remained subdued due to the slow return of tourism and the hospitality industry. Nevertheless, we have continued to produce satisfactory results from our data centre and office buildings. We look forward to a revenue and profit boost when our Bauhinia Central property's remodelling completes in the next three to six months and contribute to revenue. We are also conducting a portfolio review to better align our asset holdings to our future strategy.

Our Japan hospitality portfolio located in Tokyo, Osaka, and Okinawa is producing good returns. We anticipate that our strong occupancy and increasing property values will manifest in upcoming periods.

CHAIRMAN'S STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

(3) Property Investment – Valuation

Our Group's investment property portfolio is measured on a fair value basis that is marked-to-market periodically. During this period, our valuations reflected the weak China and Hong Kong markets and showed losses net of deferred taxation. By contrast, our Japan portfolio showed gains due to higher occupancy and better outlook.

We look forward to improving our property valuation account as the Bauhinia Central comes back online shortly.

(4) Construction, engineering, and Trading

Our Group's Construction, engineering, and trading businesses produced satisfactory results in a difficult operating environment. In particular, Chinney Kin Wing Holdings Limited ("Chinney Kin Wing") (Stock Code: 1556) even managed to grow revenues by 7.9% resulting in a higher net profit. Our aviation and plastics trading divisions have also shown strong interim results.

But all is not well in this segment. Economic headwinds will limit our ability to grow. And substantial management effort is being expended to keep returning similarly strong future results.

OUTLOOK

A complicated macroeconomic landscape persists in 2024. High interest rates, two wars, and the continuing economic slump in mainland China suppressed sentiment throughout the global economy.

Nonetheless, we started to see US Federal Reserve cutting rates in September and subsequently in November 2024, which hints the start of a lower-rate cycle. This is helpful as it can alleviate some of the financing costs for companies. We expect this trend to continue in the near term. The benefits of US rate cuts are balanced off with the China deflationary pressures as consumer spending remains subdued.

CHAIRMAN'S STATEMENT *(Continued)*

OUTLOOK *(Continued)*

There are other challenging geopolitical situations that can further affect the economic outlook and result in business environment being difficult. In the US, the sweeping victory of former President Donald Trump and his Republican Party signals an upcoming period of global volatility. As he follows through with his program of tariffs and anti-China friendshoring, we will see more fallout from decoupling.

On the Mainland, the real estate market remains depressed. Various government stimulus measures have shown clear but limited results. Our Guangzhou property sales, for example, saw a 40% boost following the removal of all home purchase restrictions in the city. However, the momentum was not sustained. The confidence level of consumers remain low and they are waiting for signals that the economy is growing again before they are willing to spend freely again.

Hong Kong's economy exhibited moderate growth in the second quarter with GDP increasing by 3.3% year-on-year and unemployment staying at a low 3%. However, local consumption and expenditures also declined drastically due to changes in the spending patterns of locals and tourists. This posed challenges to the retail and catering industries. In addition, the local real estate market remained tentative, squeezed between high-interest rates of the US and economic uncertainty in China.

On the plus side, the Government's Policy Address from mid of October outlined a range of initiatives that targeted economic development. Coupled with the measures already set out such as relaxing mortgage restrictions and the talent admission schemes, we anticipate that the property market will continue to improve. And we remain bullish on Hong Kong in the long-term.

Our strategy of geographic diversification to smooth out earnings amid ongoing local challenges appears to be working. So far, we have captured business opportunities in the Japanese hospitality boom market. And we are actively looking for real estate and proptech prospects in the region and in the China Greater Bay Area in particular. We are also exploring various collaboration scenarios to raise outside capital to both improve our capital base and also to share risk as we take on larger projects to gain economies of scale.

It has not been an easy six months and I would like to thank our colleagues and my fellow directors for their contributions and commitment to our companies.

James Sing-Wai Wong
Chairman

Hong Kong, 27 November 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1. Property

(1) Property Development

During the six months ended 30 September 2024, the property development segment revenue came in at HK\$53 million (2023: HK\$386 million) with operating profit of HK\$32 million (2023: HK\$181 million). Revenue was generated from the continuing sale of the remaining property units and car parking spaces in Metropolitan Oasis of HK\$40 million and the car parking spaces in Botanica of HK\$13 million. The drop in revenue was due to the deferral in recognition of property sales of approximately HK\$370 million due to the delay in completion of the residential project at Beijing Nan Road, Guangzhou.

(i) *Property Development – Mainland China*

The Group's property development projects located in Mainland China consist of (i) The Riverside, a wholly-owned residential project on Beijing Nan Road in the Yue Xiu District of Guangzhou under Hon Kwok Land Investment Company, Limited (Stock Code: 160) ("Hon Kwok", together with its subsidiaries, "Hon Kwok Group"); (ii) the Metropolitan Oasis, a wholly-owned residential project in Nanhai, Foshan under Hon Kwok Group; and (iii) the Enterprise Square in the Nanshan District of Shenzhen in which Hon Kwok Group owns a 20% interest.

The Group's residential project at Beijing Nan Road, The Riverside, was newly completed with Certificate of Completion issued early this month. Pre-sales of the property units were launched in the fourth quarter of 2023 and received satisfactory market response. Up to 27 November 2024, the date of the interim results announcement of the Company, 35 residential units were pre-sold contributing unrecognised contracted sales of approximately HK\$370 million. It is expected that pre-sold units will be delivered to customer and accounted for as sales revenue in the second half of the financial year 2024/2025 and onwards.

During the period under review, all residential units in Metropolitan Oasis have been sold whereas the remaining approximately 250 car parking spaces were left in inventory for continuing sale.

Enterprise Square, of which Hon Kwok Group owns a 20% interest, is a mixed-use commercial complex comprising an office tower and shopping mall for lease, and residential apartment units for sale. During the six months ended 30 September 2024, the project recognised revenue of HK\$102 million (2023: HK\$188 million). Net profit attributable to Hon Kwok Group in respect of its interest in Enterprise Square amounted to HK\$29 million (2023: HK\$15 million), which included the fair value losses of the investment properties of HK\$4 million (2023: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

(1) Property Development *(Continued)*

(ii) Property Development – Hong Kong

Hon Kwok Group holds 50% interest in a development project at South Bay Road, Repulse Bay. This project will be developed into luxury residences with panoramic sea view. The construction works are progressing well according to development schedule.

(2) Property Investment

During the six months ended 30 September 2024, revenue from the Group's investment properties was HK\$246 million (2023: HK\$234 million), with operating profit of HK\$79 million (2023: HK\$160 million). This includes changes in fair market valuations of losses HK\$66 million (2023: gains of HK\$20 million).

(i) Property Investment – Mainland China

Our Group's Mainland China portfolio of investment properties consist of seven key projects with an aggregate gross floor area of approximately 452,660 square meters. These include (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, (iv) Ganghui Dasha, a commercial/office building at the Yue Xiu District of Guangzhou, (v) the Chongqing Hon Kwok Centre, a twin-tower office building at the Bei Bu Xin Qu of Chongqing, (vi) the Chongqing Jinshan Shangye Zhongxin, an office tower and a hotel/office tower adjacent to Chongqing Hon Kwok Centre; and (vii) Nexxus, Jing'an, a four-storey premises in Jing'an, Shanghai. The portfolio achieved an average occupancy rate of 72% (2023: 75%).

Construction works of Hon Kwok Building have been completed with Certificate of Completion obtained. This newly developed commercial/office building is situated at Beijing Nan Road and adjacent to the residential project. Located in the prime district of Guangzhou, this premium 32-storey building offers high quality retail and office space with sustainability and green building features. Leasing of the office and commercial units was in progress and received well market responses.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

(2) Property Investment *(Continued)*

(ii) Property Investment – Hong Kong

Our Hong Kong portfolio covers office, hotel property and data centre properties, with an aggregate gross floor area of approximately 474,000 square feet: (i) the 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; (iii) The Bauhinia Hotel (TST), a hotel property at Observatory Court, Tsim Sha Tsui; and (iv) Digital Realty Kin Chuen (HKG11), the data centre at Kin Chuen Street, Kwai Chung. The property portfolio achieved an average occupancy of around 95% for the period under review (2023: 95%).

The Bauhinia (Central) renovation is substantially completed and scheduled to reopen in 2025. This luxury lifestyle serviced apartment and hotel integrates green and sustainable features including the Building Integrated Photovoltaics “BIPV” technology on building façade, will create a luxurious hospitality and delightful experience to customers.

(iii) Property Investment – Japan

Our Japan portfolio comprise of hotel properties located in Tokyo, Osaka and Okinawa. To capture the booming tourism market in Japan and low exchange rate, the Group started investing in Japan hotel properties in 2023. Investing in Japan hotel properties will not only enhance the Group’s long-term growth, but also improve the Group’s profitability by earning recurrent rental income and investment return. The property portfolio achieved satisfactory occupancy during the period.

(iv) Property Investment – Valuation

The Group’s investment property portfolio is measured on a fair value basis, marked at HK\$15,944 million as at 30 September 2024 (as at 31 March 2024: HK\$15,548 million), including the Mainland China portfolio of HK\$10,147 million, Hong Kong portfolio of HK\$5,382 million and Japan portfolio of HK\$415 million. Taking into account the additions to investment properties and the exchange rates differences, the Group recorded a decrease in fair value (net of deferred taxation) of HK\$68 million (2023: increase of HK\$8 million). The Group’s Hong Kong and Mainland property portfolio exhibited revaluation losses, whereas its Japan property portfolio showed revaluation gains.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

1. Property *(Continued)*

(3) Property, carpark management and others

Our Hong Kong based property management and carpark management business contributed revenue of HK\$24 million (2023: HK\$30 million) and operating loss of HK\$5.3 million (2023: profit of HK\$1.0 million) for the period under review. As at 30 September 2024, the Group managed 16 carparks (as at 31 March 2024: 26 carparks) with approximately 1,570 parking spaces (as at 31 March 2024: 1,810 parking spaces).

2. Property under redevelopment plan

The development project of which the Group owns 30% interests is located in Douchizhou, Zhongtang Town, Dongguan. With gross floor area of approximately 58,000 sq.m., it has been developed into a mixed-use project comprising residential units and commercial office. The project was completed and the residential units were launched for sale in market.

3. Construction and Trading

Chinney Alliance Group Limited (“Chinney Alliance”) (Stock Code: 385), a 29.1% owned associate recorded turnover of HK\$3,447 million (2023: HK\$2,539 million) and net profit attributable to shareholders of HK\$21.5 million (2023: loss of HK\$59.8 million) for the six months ended 30 June 2024.

Chinney Alliance’s foundation piling and ground investigation businesses are conducted by Chinney Kin Wing. Chinney Kin Wing contributed revenue of HK\$1,102 million (2023: HK\$1,021 million) and operating profit of HK\$65.3 million (2023: HK\$52.1 million). Increase in revenue was primarily due to improvement in revenue from the Drilling Division as a result of the satisfactory performance of several site investigation contracts undertaken. Whereas the increase in profit contribution was resulting from the implementation of stringent project cost control.

The Building Construction division, engaged in superstructure construction works in Hong Kong and Macau, contributed revenue of HK\$302 million (2023: HK\$376 million) with operating loss narrowed to HK\$1.4 million (2023: loss of HK\$21.1 million). We expect that economic growth in Macau, especially in the tourism and hospitality sectors will provide more business opportunities to the division.

Our Building related contracting services division is engaged in the contracting businesses of HVAC installation and maintenance, water, electrical, photovoltaic and fire protection system, contributed revenue of HK\$1,510 million (2023: HK\$861 million) and the operating loss narrowed to HK\$13.6 million (2023: loss of HK\$41.0 million). Revenue improved as projects progressed on schedule, however, due to increase in interest costs, profit margin declined and resulting in operating loss.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

BUSINESS REVIEW *(Continued)*

3. Construction and Trading *(Continued)*

The Plastic Trading division contributed revenue of HK\$246 million (2023: HK\$175 million) and recorded an operating profit of HK\$4.1 million (2023: loss of HK\$5.8 million). The turnaround operating results was attributable to the export surge and increased sales demand from mainland customers. Sales of JcoNAT disinfectant products maintained its steady growth and the division will continue to explore more green plastic material, and wellness products to enhance profitability.

The Aviation division, contributed revenue of HK\$286 million (2023: HK\$105 million) and the operating results turned to profit of HK\$18.8 million (2023: loss of HK\$0.2 million). As the major projects related to the third runway at the Hong Kong airport reached completion stage, the division has recognised more revenue. It continues to explore further contracts relating to weather and navigation business.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK\$7,660 million as at 30 September 2024 (as at 31 March 2024: HK\$7,643 million), of which approximately 31% (as at 31 March 2024: 34%) of the debts were classified as current liabilities. Included therein were debts of HK\$1,931 million related to term loans which will be refinanced during the forthcoming twelve months. Assuming that the aforesaid refinancing will be completed on schedule, the current portion of the total interest-bearing debts would be approximately 6%.

Total cash and bank balances including time deposits were approximately HK\$1,301 million as at 30 September 2024 (as at 31 March 2024: HK\$1,320 million). Included in cash and bank balances are restricted bank deposits of HK\$215 million (as at 31 March 2024: HK\$137 million) which can only be applied in the designated property development projects. The Group had committed but undrawn banking facilities of a total of approximately HK\$322 million at period end available for its working capital purpose.

Total shareholders' funds as at 30 September 2024 were approximately HK\$7,766 million (as at 31 March 2024: HK\$7,539 million). The increase was primarily resulting from the exchange rate appreciation of our Renminbi-denominated assets.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK\$6,359 million (as at 31 March 2024: HK\$6,323 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK\$11,773 million (as at 31 March 2024: HK\$11,342 million), was 54% as at 30 September 2024 (as at 31 March 2024: 56%).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW *(Continued)*

Funding and treasury policies

The Group adopts prudent funding and treasury policies. Surplus funds are primarily maintained in the form of cash deposits with leading banks. The Group manages its funding requirements primarily on a short-to-medium term basis and refinances the maturing borrowings at appropriate time.

Acquisition and development of properties are financed partly by internal resources and partly by bank loans. Repayments of bank loans are scheduled to match asset lives and project completion dates. Bank loans are mainly denominated in Hong Kong dollars and Renminbi and bear interest at floating rates.

Foreign currency exposure is closely monitored by management and hedged to the extent desirable. As at 30 September 2024, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

Pledge of assets

Properties with an aggregate carrying value of approximately HK\$16,728 million as at 30 September 2024 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 ventures, employed approximately 350 employees as at 30 September 2024 (as at 31 March 2024: approximately 370). 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

CONNECTED TRANSACTIONS

On 26 September 2022, Honour Well Development Limited (“Honour Well”), Hon Kwok’s indirect wholly-owned subsidiary, entered into a framework agreement with each of Chinney Construction Company, Limited (“Chinney Construction”) and Shun Cheong Building Services Limited (“Shun Cheong”), both being indirect wholly-owned subsidiaries of Chinney Alliance, pursuant to which, Chinney Construction was appointed by Honour Well as the contractor for the builder’s works at the contract sum of not exceeding HK\$96,300,000 and Shun Cheong was appointed by Honour Well as the contractor for the mechanical and electrical engineering works and façade works at the contract sum of not exceeding HK\$141,000,000 relating to the revamp project of the building located at 119-121 Connaught Road Central, Sheung Wan, Hong Kong. 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 (“Dr. Wong”) is a controlling shareholder, the then executive director and Chairman of each of the Company, Hon Kwok and Chinney Alliance, the related transactions constituted connected transactions for each of the Company, Hon Kwok and Chinney Alliance under the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The transactions were 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 28 November 2022.

Details of the transactions were set out in the joint announcement of the Company, Hon Kwok and Chinney Alliance dated 26 September 2022 and the Company’s circular dated 8 November 2022. During the six months ended 30 September 2024, HK\$20,011,500 was paid to Shun Cheong and HK\$9,094,000 was paid to Chinney Construction, respectively in respect of the transactions.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 September	
		2024	2023
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue	3	322,921	650,752
Cost of sales		<u>(128,584)</u>	<u>(283,720)</u>
Gross profit		194,337	367,032
Other income and gains, net	3	33,269	29,996
Fair value gains/(losses) on investment properties, net		(65,674)	20,159
Administrative and other operating expenses		(53,065)	(74,415)
Finance costs	4	(173,167)	(182,652)
Share of profits/(losses) of associates, net		35,540	(2,727)
Share of loss of a joint venture		<u>(1,245)</u>	<u>—</u>
Profit/(loss) before tax	5	(30,005)	157,393
Income tax expense	6	<u>(19,105)</u>	<u>(130,572)</u>
Profit/(loss) for the period		<u><u>(49,110)</u></u>	<u><u>26,821</u></u>
Attributable to:			
Owners of the Company		(69,268)	(2,231)
Non-controlling interests		<u>20,158</u>	<u>29,052</u>
		<u><u>(49,110)</u></u>	<u><u>26,821</u></u>
Loss per share attributable to ordinary equity holders of the Company			
Basic and diluted	7	<u><u>HK\$(0.126)</u></u>	<u><u>HK\$(0.004)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(Loss) for the period	(49,110)	26,821
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	18,281	(25,534)
Exchange differences on translation of foreign operations	485,694	(381,558)
Other comprehensive income/(loss) for the period, net of tax	503,975	(407,092)
Total comprehensive income/(loss) for the period	454,865	(380,271)
Attributable to:		
Owners of the Company	240,827	(261,679)
Non-controlling interests	214,038	(118,592)
	454,865	(380,271)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 30 September 2024 (Unaudited) Notes HK\$'000	At 31 March 2024 (Audited) HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	264,733	260,524
Goodwill	54,553	54,553
Investment properties	15,944,460	15,548,039
Investments in joint ventures	391,884	393,129
Investments in associates	1,319,127	1,268,855
Financial assets at fair value through other comprehensive income	101,767	99,624
Financial assets at fair value through profit or loss	23,572	23,572
Total non-current assets	18,100,096	17,648,296
CURRENT ASSETS		
Tax recoverable	34,064	27,012
Properties held for sale under development and completed properties held for sale	1,386,082	1,156,651
Trade receivables	9 27,751	16,907
Contract costs	11,734	8,129
Prepayments, deposits and other receivables	241,087	361,009
Financial assets at fair value through profit or loss	9,200	8,809
Amount due from a joint venture	37,216	27,341
Cash and bank balances	1,300,644	1,319,972
Total current assets	3,047,778	2,925,830
CURRENT LIABILITIES		
Trade payables, other payables, accrued liabilities and others	10 82,696	39,701
Interest-bearing bank and other borrowings	2,379,395	2,546,177
Lease liabilities	23,543	28,394
Contract liabilities	216,673	129,143
Customer deposits	73,729	74,891
Tax payable	20,841	26,129
Total current liabilities	2,796,877	2,844,435
NET CURRENT ASSETS	250,901	81,395
TOTAL ASSETS LESS CURRENT LIABILITIES	18,350,997	17,729,691

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

		At 30 September 2024 (Unaudited) Note HK\$'000	At 31 March 2024 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		5,234,760	5,050,224
Lease liabilities		22,540	18,193
Deferred tax liabilities		<u>1,320,939</u>	<u>1,319,729</u>
Total non-current liabilities		<u>6,578,239</u>	<u>6,388,146</u>
Net assets		<u><u>11,772,758</u></u>	<u><u>11,341,545</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	405,411	405,411
Reserves		<u>7,360,459</u>	<u>7,133,416</u>
		7,765,870	7,538,827
Non-controlling interests		<u>4,006,888</u>	<u>3,802,718</u>
Total equity		<u><u>11,772,758</u></u>	<u><u>11,341,545</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Other reserve	Asset revaluation reserve	Exchange fluctuation reserve	Retained profits	Total		
	(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 2023	405,411	440,250	91,165	(129,440)	7,186,184	7,993,570	3,935,659	11,929,229
Profit/(loss) for the period	–	–	–	–	(2,231)	(2,231)	29,052	26,821
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations	–	–	–	(259,448)	–	(259,448)	(147,644)	(407,092)
Total comprehensive loss for the period	–	–	–	(259,448)	(2,231)	(261,679)	(118,592)	(380,271)
Dividends declared 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 2023	<u>405,411</u>	<u>440,250</u>	<u>91,165</u>	<u>(388,888)</u>	<u>7,156,385</u>	<u>7,704,323</u>	<u>3,788,327</u>	<u>11,492,650</u>
At 1 April 2024	405,411	440,250	91,165	(489,948)	7,091,949	7,538,827	3,802,718	11,341,545
Profit/(loss) for the period	–	–	–	–	(69,268)	(69,268)	20,158	(49,110)
Other comprehensive income/(loss) for the period:								
Exchange differences on translation of foreign operations	–	–	–	310,095	–	310,095	193,880	503,975
Total comprehensive income/(loss) for the period	–	–	–	310,095	(69,268)	240,827	214,038	454,865
Investment in a subsidiary	–	–	–	–	–	–	4,502	4,502
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	(14,370)	(14,370)
Final dividend in respect of previous financial year	–	–	–	–	(13,784)	(13,784)	–	(13,784)
At 30 September 2024	<u>405,411</u>	<u>440,250</u>	<u>91,165</u>	<u>(179,853)</u>	<u>7,008,897</u>	<u>7,765,870</u>	<u>4,006,888</u>	<u>11,772,758</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Six months ended 30 September	
		2024	2023
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before tax		(30,005)	157,393
Adjustments for:			
Finance costs	4	173,167	182,652
Share of losses/(profits) of associates, net		(35,540)	2,727
Share of loss of a joint venture		1,245	–
Interest income	3	(7,800)	(11,989)
Depreciation of property, plant and equipments	5	3,198	2,958
Depreciation of right-of-use assets	5	20,705	16,372
Fair value losses/(gains) on investment properties, net		65,674	(20,159)
Fair value loss/(gain) on a financial asset at fair value through profit or loss	5	(391)	386
		190,253	330,340
Decrease/(increase) in properties held for sale under development and completed properties held for sale		(84,685)	60,807
Decrease/(increase) in trade receivables, prepayments, deposits and other receivables		136,364	(30,798)
Increase in contract costs		(3,343)	(3,997)
Increase in trade payables, other payables, accrued liabilities and others		15,333	106,229
Increase/(decrease) in contract liabilities		82,339	(109,764)
Decrease in customer deposits		(4,172)	(5,586)
Cash generated from operations		332,089	347,231
Interest paid		(1,663)	(1,217)
Overseas taxes paid		(30,858)	(15,365)
Hong Kong tax paid		(260)	–
Net cash flows from operating activities		299,308	330,649

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

	Six months ended 30 September	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash flows from operating activities	<u>299,308</u>	<u>330,649</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	7,800	11,989
Purchases of items of property, plant and equipment	(2,973)	(1,836)
Purchases of a financial asset at fair value through other comprehensive income	–	(44,567)
Additions to investment properties	(94,122)	(230,662)
Dividends received from an associate	4,327	4,327
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired	23,943	(21,865)
Advance of loans to a joint venture	<u>(9,875)</u>	<u>(10,750)</u>
Net cash flows used in investing activities	<u>(70,900)</u>	<u>(293,364)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	153,633	1,707,380
Repayment of bank loans	(213,531)	(1,476,789)
Interest paid	(214,687)	(223,429)
Principal portion of lease payments	(18,136)	(10,005)
Capital contribution from minority shareholder	<u>4,501</u>	<u>–</u>
Net cash flows used in financing activities	<u>(288,220)</u>	<u>(2,843)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

	Six months ended 30 September	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(59,812)	34,442
Cash and cash equivalents at beginning of period	1,296,029	1,845,359
Effect of foreign exchange rates changes, net	64,427	(61,932)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,300,644	1,817,869
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,152,066	1,672,040
Non-pledged time deposits	148,578	172,442
Cash and bank balances as stated in the condensed consolidated statement of financial position	1,300,644	1,844,482
Non-pledged time deposits with original maturity of more than three months when acquired	—	(26,613)
	1,300,644	1,817,869

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 D2 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 2024.

The financial information relating to the year ended 31 March 2024 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 September 2024 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 2024 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, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss 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 2024, 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)*

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangement</i>

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

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

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 2024 (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>52,643</u>	<u>245,925</u>	<u>24,353</u>	<u>322,921</u>
Segment results	<u>31,903</u>	<u>78,777</u>	<u>(5,334)</u>	<u>105,346</u>
<i>Reconciliation:</i>				
Interest income				7,800
Corporate and other unallocated expenses				(6,333)
Fair value gain on a financial asset at fair value through profit or loss				391
Finance costs (other than interest on lease liabilities)				(171,504)
Share of profits of associates, net				35,540
Share of loss of a joint venture				<u>(1,245)</u>
Loss before tax				<u><u>(30,005)</u></u>

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

2. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	Six months ended 30 September 2023 (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>386,441</u>	<u>234,188</u>	<u>30,123</u>	<u>650,752</u>
Segment results	<u>180,669</u>	<u>160,155</u>	<u>968</u>	341,792
<i>Reconciliation:</i>				
Interest income				11,989
Corporate and other unallocated expenses				(11,840)
Fair value loss on a financial asset at fair value through profit or loss				(386)
Finance costs (other than interest on lease liabilities)				(181,435)
Share of losses of associates				<u>(2,727)</u>
Profit before tax				<u>157,393</u>

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

2. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	At 30 September 2024 (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 assets	1,736,514	16,560,606	2,737,012	21,034,132
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(3,066,516)
Investments in joint ventures				391,884
Investments in associates				1,319,127
Financial assets at fair value through profit or loss				32,772
Financial assets at fair value through other comprehensive income				101,767
Corporate and other unallocated assets				<u>1,334,708</u>
Total assets				<u><u>21,147,874</u></u>
Segment liabilities	1,209,056	2,071,998	204,643	3,485,697
<i>Reconciliation:</i>				
Elimination of intersegment payables				(3,066,516)
Corporate and other unallocated liabilities				<u>8,955,935</u>
Total liabilities				<u><u>9,375,116</u></u>

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

2. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

	At 31 March 2024 (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	1,456,754	16,152,154	2,890,795	20,499,703
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(3,066,550)
Investments in associates				1,268,855
Investments in joint ventures				393,129
Financial assets at fair value through profit or loss				32,381
Financial assets at fair value through other comprehensive income				99,624
Corporate and other unallocated assets				<u>1,346,984</u>
Total assets				<u><u>20,574,126</u></u>
Segment liabilities	1,172,341	1,914,248	270,283	3,356,872
<i>Reconciliation:</i>				
Elimination of intersegment payables				(3,066,550)
Corporate and other unallocated liabilities				<u>8,942,259</u>
Total liabilities				<u><u>9,232,581</u></u>

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

2. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Geographical segments – Revenue

	Six months ended	
	30 September	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong	105,859	101,704
Mainland China	213,016	549,048
Japan	4,046	—
	<u>322,921</u>	<u>650,752</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 2024 (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	52,643	–	–	52,643
Property management income	–	20,066	1,262	21,328
Total revenue from contracts with customers	52,643	20,066	1,262	73,971
Revenue from other sources				
Gross rental income	–	225,859	23,091	248,950
Total revenue from other sources	–	225,859	23,091	248,950
Revenue disclosed in the segment information	52,643	245,925	24,353	322,921
Timing of revenue recognition				
Goods transferred at a point in time	52,643	–	–	52,643
Services transferred over time	–	20,066	1,262	21,328
Total revenue from contracts with customers	52,643	20,066	1,262	73,971

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 2023 (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	386,441	–	–	386,441
Property management income	–	19,886	1,190	21,076
Total revenue from contracts with customers	386,441	19,886	1,190	407,517
Revenue from other sources				
Gross rental income	–	214,302	28,933	243,235
Total revenue from other sources	–	214,302	28,933	243,235
Revenue disclosed in the segment information	386,441	234,188	30,123	650,752
Timing of revenue recognition				
Goods transferred at a point in time	386,441	–	–	386,441
Services transferred over time	–	19,886	1,190	21,076
Total revenue from contracts with customers	386,441	19,886	1,190	407,517

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	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank interest income	7,800	11,989
Others	25,469	18,007
	<u>33,269</u>	<u>29,996</u>

4. FINANCE COSTS

	Six months ended 30 September	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	225,687	223,429
Interest on lease liabilities	1,663	1,217
Less: Interest capitalised under properties under development/construction	(54,183)	(41,994)
	<u>173,167</u>	<u>182,652</u>

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

5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended	
	30 September	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipments	3,198	2,958
Depreciation of right-of-use assets*	20,705	16,372
Fair value loss/(gain) on a financial asset at fair value through profit or loss	(391)	386
Employee benefit expenses (including directors' remuneration)	41,062	43,057
Less: Amounts capitalised under properties under development/construction	(18,800)	(11,500)
	22,262	31,557

* Included in the amount are the depreciation of leased carparks of HK\$14,421,000 (2023: HK\$10,495,000) which are included in "Cost of sales" in the condensed consolidated statement of profit or loss.

6. INCOME TAX

	Six months ended	
	30 September	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong	–	–
Current – Elsewhere	18,293	122,306
Deferred	812	8,266
Total tax charge for the period	19,105	130,572

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. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the Company of HK\$69,268,000 (2023: HK\$2,231,000) and the weighted average number of 551,368,153 ordinary shares in issue during both periods.

No adjustment has been made to the basic loss per share amounts presented for the periods ended 30 September 2024 and 2023 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 2024 (2023: Nil).

The final dividend of HK 2.5 cents per ordinary share for the year ended 31 March 2024 was approved by the Company's shareholders at the annual general meeting of the Company held on 30 August 2024 and paid on 4 October 2024.

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 2024 (Unaudited) HK\$'000	At 31 March 2024 (Audited) HK\$'000
Within 30 days	20,766	10,179
31 to 60 days	346	185
61 to 90 days	184	59
Over 90 days	6,455	6,484
Total	27,751	16,907

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 the 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, ACCRUED LIABILITIES AND OTHERS

Included in the trade payables, other payables, accrued liabilities and others are trade payables of HK\$7,992,000 (as at 31 March 2024: HK\$8,916,000). 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 2024 (Unaudited) HK\$'000	At 31 March 2024 (Audited) HK\$'000
Within 30 days	<u>7,992</u>	<u>8,916</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

- (a) As at 30 September 2024, the Group has given a guarantee of HK\$487,500,000 (as at 31 March 2024 (audited): HK\$487,500,000) to a bank in connection with a facility granted to a joint venture and such banking facility guaranteed by the Group to the joint venture was utilised to the extent of HK\$237,500,000 (as at 31 March 2024 (audited): HK\$237,500,000).
- (b) As at 30 September 2024, the Group has given guarantees of HK\$164,122,000 (as at 31 March 2024 (audited): HK\$27,840,000) 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 2024, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 30 September 2024 (Unaudited) HK\$'000	At 31 March 2024 (Audited) HK\$'000
Within one year	303,246	310,980
After one year but within two years	244,721	246,271
After two years but within three years	206,910	206,153
After three years but within four years	191,621	192,165
After four years but within five years	200,343	182,092
After five years	876,333	933,486
	<u>2,023,174</u>	<u>2,071,147</u>

14. CAPITAL COMMITMENTS

At 30 September 2024, the Group had authorised and contracted capital commitments in respect of property development expenditure amounting to HK\$446,490,000 (as at 31 March 2024 (audited): HK\$443,731,000).

15. RELATED PARTY TRANSACTIONS

(a) Connected Transactions

During the six months ended 30 September 2024, Hon Kwok Group paid builder's works, mechanical and electrical engineering works and façade works relating to the revamp project of the building located in Sheung Wan, Hong Kong to Chinney Construction and Shun Cheong, both are indirect wholly-owned subsidiaries of Chinney Alliance, amounted to HK\$9,094,000 and HK\$20,012,000 respectively. The above transactions were negotiated between the concerned parties by reference to the prevailing market rate. The transactions constituted connected transactions of the Company and were approved by the independent shareholders of the Company at an extraordinary general meeting held on 28 November 2022.

(b) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term employee benefits	<u>9,986</u>	<u>9,445</u>

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	31 March	30 September	31 March
	2024	2024	2024	2024
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial liabilities				
Interest-bearing bank				
and other borrowings	7,614,155	7,596,401	7,614,155	7,596,401

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, accrued liabilities and others, the current portion of interest-bearing bank and other 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 and other 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 and other borrowings as at 30 September 2024 was assessed to be insignificant.

The Group did not have any financial liabilities measured at fair value as at 30 September 2024 and 31 March 2024. As at 30 September 2024, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included interest-bearing bank and other borrowings (non-current portion) of HK\$5,234,760,000 (as at 31 March 2024 (audited): HK\$5,050,224,000) and lease liabilities (non-current portion) of HK\$22,540,000 (as at 31 March 2024 (audited): HK\$18,193,000). 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 REPORTING PERIOD

As set out in the announcement jointly published by the Company and Hon Kwok on 28 May 2024, The Bauhinia Hotels Group Japan 2 合同会社(Godo Kaisha), a solely funded and controlled company under Hon Kwok Group's 60% joint venture company, entered into the sale and purchase agreement (the "Disposal") with the Purchaser (as defined in the joint announcement) to dispose of its hotel property in Asakusa of Japan at a consideration of approximately JPY1,872.5 million (equivalent to approximately HK\$95.50 million). The Disposal was expected to take place on or before 31 July 2024.

Since the Purchaser was unable to obtain financing for settlement of the consideration, The Bauhinia Hotels Group Japan 2 合同会社(Godo Kaisha) has, after several rounds of negotiations with the Purchaser since late July 2024, decided to terminate the transaction and both parties have entered into a termination agreement on 31 October 2024. The deposit for the Disposal of JPY50 million (equivalent to approximately HK\$2.55 million) has been retained by the Group.

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 27 November 2024.

OTHER INFORMATION

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 Issuer (the “Model Code”) as set out in Appendix C3 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 2024.

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 C1 to the Listing Rules for the six months ended 30 September 2024, except for the following deviation:

CG Code provision B.2.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The articles of association of the Company (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 B.2.2 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.

Audit Committee

The Company has established an Audit Committee comprising Mr. Winfred Wai-Lap Fan, Mr. Richard Chi-Ho Lo and Mr. Randall Todd Turney.

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 2024 have not been audited, but have been reviewed by the Audit Committee.

OTHER INFORMATION *(Continued)*

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2024, none of the directors of the Company had any interests or short positions 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.

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

As at 30 September 2024, so far as is known to the directors of the Company, the following substantial shareholders and other persons had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued shares
Dr. Wong	1 & 2	Through controlled corporations	341,439,324	61.93
	1	Directly beneficially owned	480,000	0.09
Lucky Year Finance Limited	1 & 2	Through controlled corporation	341,439,324	61.93
Chinney Holdings Limited	1 & 2	Directly beneficially owned	341,439,324	61.93

Notes:

1. All the interests stated above represent long positions.
2. Dr. Wong, Lucky Year Finance Limited and Chinney Holdings Limited are deemed to be interested in the same parcel of 341,439,324 shares by virtue of Section 316 of the SFO.

Save as disclosed herein, as at 30 September 2024, none of the substantial shareholders or other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

OTHER INFORMATION *(Continued)*

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 2024.

DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

- (a) 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 controlling shareholder 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.

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

- (b) 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 controlling shareholder 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.

- (c) In February 2023, Hon Kwok Treasury Limited, a wholly-owned subsidiary of Hon Kwok, as borrower, entered into a facility agreement relating to term and revolving loan facilities of HK\$737 million, which may be increased to HK\$1,500 million subject to the terms and conditions as stipulated therein with a syndicate of financial institutions, as lenders. The loan facilities have a term of 48 months commencing from the date of the facility agreement and to be used for (i) refinancing the existing syndicated loan; (ii) financing the costs and expenses in relation to the loan facilities; and (iii) financing or refinancing the general working capital 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, the controlling shareholder 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.

OTHER INFORMATION *(Continued)*

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

- (d) In September 2023, Gold Famous Development Limited (“Gold Famous”), a wholly-owned subsidiary of Hon Kwok, as borrower, entered into a facility agreement relating to term loan facilities of HK\$1,525 million with a syndicate of financial institutions, as lenders. The loan facilities will be used for (i) refinancing the existing facilities of Gold Famous; and (ii) financing the general corporate requirements of Hon Kwok Group. The loan facilities have a term of 48 months after the date of its first utilisation.

Pursuant to the facility agreement, it shall be an event of default if (i) the Company (1) ceases to be the single largest beneficial shareholder of Hon Kwok; or (2) does not or ceases to hold not less than 30% effective shareholding interests of Hon Kwok; or (3) does not or ceases to maintain management control of Hon Kwok; or (ii) Dr. Wong, the controlling shareholder of both Hon Kwok and the Company, or his family members collectively, do not or cease to hold the major beneficial ultimate shareholding interests in the Company.

If an event of default under the facility agreement occurs, the agent acting for the lenders may, and shall if so directed 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.

- (e) In September 2024, Chinney Treasury Limited, a wholly-owned subsidiary of the Company, as borrower, entered into a facility agreement relating to HK\$537,500,000 term loan facilities with a syndicate of banks, as lenders. The loan facilities have a term of 48 months commencing from the date of the facility agreement and will be used for refinancing the existing loan facilities.

Pursuant to the facility agreement, it shall be an event of default if Dr. Wong, the controlling shareholder of the Company, and/or his family members collectively, (a) cease(s) to maintain management control over the Company or (b) cease(s) to remain as the major beneficial ultimate shareholder(s) of the Company.

If an event of default under the facility agreement occurs, the agent acting for the lenders may, and shall if so directed by a majority of the lenders, by notice to Chinney Treasury Limited, cancel all or any part of the commitment(s); and/or declare all or part of the loan(s), together with accrued interest, and all other amounts accrued or outstanding under the loan facilities be immediately due and payable; and/or declare all or part of the loan(s) be payable on demand.

DISCLOSURE OF DIRECTORS’ INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in the information of director(s) of the Company since the Company’s last published annual report is as follows:

Mr. Richard Chi-Ho Lo, the independent non-executive director of the Company, resigned as an independent non-executive director of Shi Shi Services Limited (Stock Code: 8181) which is listed on GEM of the Stock Exchange, with effect from 2 December 2024.