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漢國置業有限公司

Hon Kwok Land Investment Company, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 160)

2020-21 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL RESULTS

For the year ended 31 March 2021, the Group's consolidated revenue was HK\$1,276 million (2020: HK\$638 million) with a net profit attributable to shareholders of HK\$122 million (2020: net loss attributable to shareholders of HK\$36 million). Excluding the fair value losses of investment properties (net of deferred taxation) of HK\$11 million (2020: HK\$105 million), underlying net profit attributable to shareholders would be HK\$133 million (2020: HK\$69 million). The increase in underlying profit was due to an increase in revenue and the related profit contributions generated from the Group's property sales during the year. Basic earnings per share increased to HK\$0.17 (2020: loss per share of HK\$0.05).

Our Metropolitan Oasis residential project in Nanhai, Guangdong Province, recorded HK\$957 million (2020: HK\$193 million) in revenues from the delivery of sold units, contributing to this year's improved performance. The Group's property rental business remained stable and recorded revenue of HK\$290 million (2020: HK\$281 million).

The turnaround from loss to profit was partly due to the increase in profit contribution resulting from higher property sales and partly due to the lower fair value losses recorded upon reappraisals of the Group's investment properties at year end as compared with the previous year.

As at 31 March 2021, shareholders' equity amounted to HK\$11,976 million (as at 31 March 2020: HK\$11,311 million) and net assets per share attributable to shareholders stood at HK\$16.62 (as at 31 March 2020: HK\$15.70). The increase in shareholder's equity at year end is the result of the net profits attributable to shareholders, together with the translation difference caused by the appreciation of Renminbi against Hong Kong Dollars during the year.

DIVIDEND

The Directors recommend the payment of a final dividend of 12.5 Hong Kong cents per ordinary share for the year ended 31 March 2021 (2020: 12.5 Hong Kong cents) to shareholders whose names appear on the Company's register of members on 3 September 2021. Subject to the approval by the shareholders at the forthcoming annual general meeting, the dividend cheques are expected to be despatched to shareholders on or before 21 September 2021.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 26 August 2021. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 23 August 2021 to 26 August 2021 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 20 August 2021.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 March 2021 is subject to the approval by the shareholders at the annual general meeting. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 2 September 2021 to 3 September 2021, during which period no share transfers will be registered. The last day for dealing in the Company's shares cum entitlements to the proposed final dividend will be 30 August 2021. In order to qualify for the proposed final dividend, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 1 September 2021.

BUSINESS REVIEW

Property Development and Investment – Mainland China

Guangzhou, PRC

Ganghui Dasha 港滙大廈 is situated at the junction of Beijing Road, Nanti Er Road and Baqi Er Road, Yue Xiu District. This 20-storey commercial/office building with a total gross floor area of approximately 13,000 sq.m., delivered an average occupancy rate of about 74% during the year (2020: 85%). As of 31 March 2021, the occupancy rate went up to 96% (as of 31 March 2020: 86%).

Our development site at **45-107 Beijing Nan Road**, Yue Xiu District, with a site area of approximately 9,500 sq.m., is close to the Beijing Road Pedestrian Street and the Pearl River. It is designated for mixed-use development, including a 30-storey commercial/residential building and a 32-storey commercial/office building with an aggregated gross floor area of approximately 77,000 sq.m.. The development site is adjacent to the Group's former projects, No. 5 Residence and Ganghui Dasha. Upon completion of the project, together with the previous development projects, there will be four blocks of buildings forming a large-scale complex along Beijing Road made up of office, residential and retail components. We anticipate that this project will be our Group's signature project in Guangzhou. Residential units of the project are planned for pre-sale in 2022 while office spaces will be held primarily for earning recurrent rental income. Construction progress is so far satisfactory. Foundation works are expected to be completed in the third quarter of 2021.

Botanica 寶翠園, the Group's 60% owned development project in Tian He District with a total gross floor area of approximately 229,000 sq.m., was completed in 2016. All residential units were sold and recognised as revenue in prior years. No revenue was recorded for the year ended 31 March 2021 (2020: HK\$132 million).

Nanhai, Foshan, PRC

Metropolitan Oasis 雅瑤綠洲, situated in Da Li District, Nanhai with a total gross floor area of approximately 273,000 sq.m., was developed in three phases. Phase 1 and Phase 2 of the project have been completed in prior years. Phase 3 of the project, comprising 19 blocks of high rise apartments of approximately 550 units, was also completed in December 2020. For the year ended 31 March 2021, the Group recorded revenue of HK\$957 million (2020: HK\$193 million) from the units of Phase 2 and Phase 3 delivered during the year. As at 31 March 2021, the contracted property sales but not yet booked amounted to RMB602 million.

Shenzhen, PRC

Hon Kwok City Commercial Centre 漢國城市商業中心, the Group's investment property, with a total gross floor area of approximately 128,000 sq.m., is situated at the junction of Shen Nan Zhong Road and Fu Ming Road, in the core area of the Futian District. Our Shenzhen signature 75-storey high commercial/office tower above ground with a 5-level basement, offers high-quality Grade A office and retail space. The building was completed in 2018 and delivered for leasing in 2019. During the year under review, it reported an average occupancy rate of 78% (2020: 64%) for the retail portion, while the office space was 37% (2020: 24%) leased. Overall average occupancy rate reached 43% during the year (2020: 30%).

City Square 城市天地廣場, situated at Jia Bin Road, Luo Hu District, is a 5-storey commercial podium occupied by retail shops at ground level and the first floor, along with a 162-room hotel namely **The Bauhinia Hotel (Shenzhen)** 寶軒酒店 (深圳) on the upper three floors. Since the outbreak of COVID-19 pandemic in early 2020, the tourism and the hotel industries have come to a standstill. The Bauhinia Hotel (Shenzhen), hence experienced a drastic drop in occupancy and room rates. After the effective containment measures implemented by the Central Government to curb the pandemic, the market was recovering steadily. Fortunately, the average occupancy rate of **City Suites** 寶軒公寓, a 64-unit serviced apartment on top of the podium remained relatively stable at around 90%.

Enterprise Square 僑城坊, in which the Group owns a 20% interest, is situated at Qiaoxiang Road North, Nanshan District, covering a site area of approximately 49,000 sq.m. and a total gross floor area of approximately 224,500 sq.m.. It was developed into a commercial complex comprised of office towers, a residential apartment tower and a commercial mall providing community facilities to the tenants. Development for the entire project was completed in 2018. Majority portion of office towers and certain units of residential apartment have been sold. For the year ended 31 March 2021, property sales realised revenue of RMB351 million (2020: RMB1,497 million) from the units delivered during the year. As at 31 March 2021, the property sales contracted but revenue not yet booked amounted to RMB109 million. Net profit attributable to the Group in respect of Enterprise Square, including the changes in fair value of the office tower and the commercial mall which are classified as investment properties, amounted to HK\$67 million (2020: HK\$110 million) for the year ended 31 March 2021.

Chongqing, PRC

Chongqing Hon Kwok Centre 重慶漢國中心, located in Bei Bu Xin Qu, is a 21-storey twin-tower office building atop of a 4-storey retail/commercial podium. With a total gross floor area of approximately 108,000 sq.m., it achieved an average occupancy rate of 88% during the year under review (2020: 94%).

Chongqing Jinshan Shangye Zhongxin 重慶金山商業中心, is another twin-tower project located in Bei Bu Xin Qu and adjacent to the above Chongqing Hon Kwok Centre. With a total gross floor area of approximately 173,000 sq.m., it comprises a 41-storey office tower and a 42-storey hotel and office composite tower each with its respective 4-storey retail/commercial podium. As at 31 March 2021, the occupancy rate of the office tower was 84% (2020: 82%), while the occupancy rate of the hotel/office tower was 64% (2020: 62%).

Property Investment – Hong Kong

Data Centre, 11 Kin Chuen Street, is situated at Kin Chuen Street, Kwai Chung, New Territories. The development of data centre project represents a significant milestone of the Group to diversify its property portfolio strategically. With a gross floor area of approximately 228,000 sq.ft., the building is 12-storey high above ground with a 2-level basement. It is designed for data centre purposes with UTI Tier III standards, and provides the facilities with high power supplies. The property has been fully let to a renowned international data centre operator on a long-term lease. The data centre will commence operation in the second half of 2021 and will generate a steady stream of recurrent income to the Group from the financial year 2020/2021 onwards.

During the year ended 31 March 2021, the average occupancy rate of **The Bauhinia Hotel (Central)** 寶軒酒店(中環), a 42-room boutique hotel situated at four podium floors of the hotel/apartment building at Connaught Road Central and Des Voeux Road Central was about 71% (2020: 85%) whilst that of **The Bauhinia** 寶軒, a 171-room serviced apartments atop of the above hotel, was about 75% (2020: 83%). The retail shops at street level are fully let.

The average occupancy rate of **The Bauhinia Hotel (TST)** 寶軒酒店(尖沙咀), a 98-room boutique hotel occupying a total of 20 floors of a 23-storey commercial/office building at Observatory Court, Tsim Sha Tsui, was about 66% for the year ended 31 March 2021 (2020: 62%). The remaining floors of the above building are for leasing as restaurant/commercial use.

This has been a difficult second year for our hotel businesses. The social disturbances of 2019 were followed by the (at the date hereof) ongoing COVID-19 pandemic. Tourism rates have fallen by over 90%, causing the occupancy and room rates to decline significantly. In response to difficult conditions, our management reduced operating costs as well as launched packages to attract local customers. We foresee a slow recovery in demand from tourism following the reopening of the border. To enhance our competitiveness as tourists return, we are embarking on renovation and rebranding projects beginning in the second half of the year.

Hon Kwok Jordan Centre 漢國佐敦中心, with a gross floor area of approximately 62,000 sq.ft., is a 23-storey commercial/office building situated at Hillwood Road, Tsim Sha Tsui, reported a drop in rental income under this year's pandemic condition. The average occupancy rate fell to 69% (2020: 88%).

Property and carpark management

For the year ended 31 March 2021, the property and carpark management division reported revenue of HK\$29 million as compared with HK\$32 million in prior year. Demand was negatively affected by the COVID-19 lockdowns, as local businesses stayed closed for weeks. To support car park operators, the government offered rental concessions to tenants operating fee-paying public car parks, which helped to reduce our operating costs, resulting in segment profit before taxation of HK\$9.7 million as compared with HK\$0.8 million in prior year. As at 31 March 2021, the Group managed 17 car parks (31 March 2020: 11 car parks) with approximately 2,200 parking spaces (31 March 2020: 2,100 parking spaces).

OUTLOOK

In the wake of 2020's grievous COVID-19 related economic disruptions, the Hong Kong Government deployed large scale fiscal stimulus measures to foster an economic recovery. Fast forward to 2021, with the gradual rollout of mass vaccination programs globally and across Hong Kong, we look forward to a gradual easing of cross-border travel restrictions---perhaps as soon as the printing and distribution of this report. While we see signs of positive economic momentum, we are also monitoring uncertainties related to the lingering effects of the pandemic. These include volatile China-US relations; a high inflationary environment brought on by so much government stimulus, maybe culminating in higher interest rates and borrowing costs; and geopolitical instability associated with the uneven global economic recovery.

Across the border, thanks to the Central Government's proactive actions to curb COVID-19, along with the implementation of accommodative policies to boost domestic consumption, the economy exhibited greater resilience and rebounded in the second half of 2020, essentially bringing China back to its pre-pandemic levels. Meanwhile in real estate markets, the Central Government continues its city-specific restrictive policies to contain surging housing prices. In August 2020, it further strengthened regulatory control over the real estate financing activities by introducing the deleveraging policies such as the "Three Red Lines" to monitor the risks related to real estate developers. We are pleased to report that our Group operates well above these danger lines.

In light of solid demand in the housing market and our belief that the Central Government will endeavour to develop a stable and healthy real estate market, we have confidence that growth will continue in the years ahead.

In Hong Kong, the economy was severely disrupted by several waves of COVID-19 pandemic shutdowns. The collapse of hotel, tourism, and retail businesses across the city dramatically demonstrates our economic dependence on cross-border visitors. While office property rental and occupancy rates fell, we note that capital values remained relatively stable, and with a few exceptions, did not see the wholesale price collapse that may be expected in these dire circumstances. We now see these downward price pressures as healthy market adjustments after the frantic price escalations of previous years.

At the same time, the residential market remained buoyant, underpinned by the pent-up end-user demand and low interest rate environment. In the absence of cross border demand, prices not only remained steady, but in some cases showed modest increases.

Taking into account the first quarter 2021 year on year GDP growth of 7.9% and the mass vaccination campaign in progress, we are positioned for the economic recovery under way. We remain cautiously optimistic about the growth prospects of the local economy and will stay vigilant for changes in market situations and possible operational challenges.

Finally, I would like to thank my fellow directors for their support and valuable advice and all staff members for their efforts during the year under review.

James Sai-Wing Wong
Chairman

Hong Kong, 24 June 2021

CONSOLIDATED RESULTS

The consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2021 together with comparative figures for the previous year are as follows:

Consolidated Statement of Profit or Loss

		For the year ended 31 March	
	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	3	1,276,226	638,477
Cost of sales		<u>(638,254)</u>	<u>(263,294)</u>
Gross profit		637,972	375,183
Other income	3	25,678	30,542
Fair value losses on investment properties, net		(38,848)	(217,302)
Administrative expenses		(124,681)	(103,561)
Other operating expenses, net		(57,823)	(28,734)
Finance costs	4	(169,956)	(189,479)
Share of profit of an associate		<u>67,008</u>	<u>109,766</u>
Profit/(loss) before tax	5	339,350	(23,585)
Income tax credit/(expense)	6	<u>(216,166)</u>	<u>10,323</u>
Profit/(loss) for the year		<u>123,184</u>	<u>(13,262)</u>
Attributable to:			
Owners of the Company		121,516	(35,946)
Non-controlling interests		<u>1,668</u>	<u>22,684</u>
		<u>123,184</u>	<u>(13,262)</u>
Earnings/(loss) per share attributable to ordinary equity holders of the Company	7		
Basic and diluted		<u>HK\$0.17</u>	<u>(HK\$0.05)</u>

Consolidated Statement of Comprehensive Income

	For the year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Profit/(loss) for the year	<u>123,184</u>	<u>(13,262)</u>
Other comprehensive income/(loss)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(loss) of an associate	35,525	(22,673)
Exchange differences on translation of foreign operations	<u>637,778</u>	<u>(439,207)</u>
Other comprehensive income/(loss) for the year, net of tax	<u>673,303</u>	<u>(461,880)</u>
Total comprehensive income/(loss) for the year	<u>796,487</u>	<u>(475,142)</u>
Attributable to:		
Owners of the Company	755,094	(472,771)
Non-controlling interests	<u>41,393</u>	<u>(2,371)</u>
	<u>796,487</u>	<u>(475,142)</u>

Consolidated Statement of Financial Position

	31 March 2021 <i>Notes</i> HK\$'000	31 March 2020 HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	295,245	275,961
Investment properties	15,056,648	14,327,900
Investment in a joint venture	199	199
Investment in an associate	829,896	775,363
Total non-current assets	16,181,988	15,379,423
CURRENT ASSETS		
Tax recoverable	234	278
Properties held for sale under development and completed properties held for sale	2,083,359	2,061,479
Trade receivables	19,116	20,777
Contract costs	16,917	30,789
Prepayments, deposits and other receivables	182,503	200,118
Cash and bank balances	1,908,888	2,168,054
Total current assets	4,211,017	4,481,495
CURRENT LIABILITIES		
Trade payables, other payables and accrued liabilities	258,677	236,119
Interest-bearing bank borrowings	1,373,483	1,854,126
Lease liabilities	11,993	17,024
Contract liabilities	364,389	652,885
Customer deposits	92,341	53,423
Tax payable	298,281	163,221
Total current liabilities	2,399,164	2,976,798
NET CURRENT ASSETS	1,811,853	1,504,697
TOTAL ASSETS LESS CURRENT LIABILITIES	17,993,841	16,884,120

Consolidated Statement of Financial Position *(Continued)*

	31 March 2021 HK\$'000	31 March 2020 HK\$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	4,327,955	4,001,060
Lease liabilities	13,641	8,052
Deferred tax liabilities	1,442,451	1,371,647
Total non-current liabilities	5,784,047	5,380,759
Net assets	12,209,794	11,503,361
EQUITY		
Equity attributable to owners of the Company		
Share capital	1,519,301	1,519,301
Reserves	10,457,118	9,792,078
	11,976,419	11,311,379
Non-controlling interests	233,375	191,982
Total equity	12,209,794	11,503,361

Notes:

1. Basis of Preparation and Changes in Accounting Policies and Disclosures

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (the "Hong Kong Companies Ordinance"). They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited financial information relating to the year ended 31 March 2021 and the financial information relating to the year ended 31 March 2020 included in this preliminary announcement of annual results for the year ended 31 March 2021 do not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 March 2020, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The financial statements for the year ended 31 March 2021 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course. The Company has delivered the 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 Hong Kong Companies Ordinance.

The Company's auditor has reported on these financial statements for the year ended 31 March 2020. 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 reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

Changes in accounting policies and disclosures

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The adoption of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs does not have significant impact on the Group's financial statements.

2. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the property development segment develops properties for sale;
- (b) the property investment segment holds investment properties for development and the generation of rental income; and
- (c) the property, carpark management and others segment comprises, principally, the sub-leasing of carparking business and the property management service business which provides management services to residential and commercial properties.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, non-lease-related finance costs, share of profit of an associate as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude investment in a joint venture, investment in an associate, other unallocated head office and corporate assets, including tax recoverable and cash and bank balances, as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities, including interest-bearing bank borrowings, tax payable and deferred tax liabilities, as these liabilities are managed on a group basis.

During the current and prior years, there were no intersegment transactions.

For the year ended 31 March 2021

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	957,124	289,681	29,421	1,276,226
Segment results	406,355	93,607	9,673	509,635
<i>Reconciliation:</i>				
Interest income				10,704
Unallocated expenses				(79,716)
Finance costs (other than interest on lease liabilities)				(168,281)
Share of profit of an associate				67,008
Profit before tax				339,350

For the year ended 31 March 2020

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	325,561	281,060	31,856	638,477
Segment results	186,739	(81,491)	819	106,067
<i>Reconciliation:</i>				
Interest income				22,193
Unallocated expenses				(74,697)
Finance costs (other than interest on lease liabilities)				(186,914)
Share of profit of an associate				109,766
Loss before tax				(23,585)

2. Operating Segment Information (Continued)

At 31 March 2021

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

For the year ended 31 March 2021

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Other segment information:				
Fair value losses on investment properties, net	-	38,848	-	38,848
Gain on disposal of items of property, plant and equipment	456	-	7	463
Depreciation	2,417	7,128	20,006	29,551
Capital expenditure *	<u>1,080</u>	<u>98,480</u>	<u>3,630</u>	<u>103,190</u>

* Capital expenditure represents additions to property, plant and equipment and investment properties.

2. Operating Segment Information (Continued)

At 31 March 2020

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment assets	2,263,238	14,856,370	2,152,116	19,271,724
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(2,354,700)
Investment in a joint venture				199
Investment in an associate				775,363
Corporate and other unallocated assets				<u>2,168,332</u>
Total assets				<u>19,860,918</u>
Segment liabilities	1,672,145	1,043,643	606,415	3,322,203
<i>Reconciliation:</i>				
Elimination of intersegment payables				(2,354,700)
Corporate and other unallocated liabilities				<u>7,390,054</u>
Total liabilities				<u>8,357,557</u>

For the year ended 31 March 2020

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Other segment information:				
Fair value losses on investment properties, net	-	217,302	-	217,302
Gain on disposal of items of property, plant and equipment	111	-	290	401
Depreciation	2,408	6,625	26,309	35,342
Capital expenditure *	<u>527</u>	<u>710,238</u>	<u>6,121</u>	<u>716,886</u>

* Capital expenditure represents additions to property, plant and equipment and investment properties.

2. Operating Segment Information *(Continued)*

Geographical information

(a) Revenue

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	105,417	102,261
Mainland China	<u>1,170,809</u>	<u>536,216</u>
	<u>1,276,226</u>	<u>638,477</u>

The revenue information above is based on the locations of operations.

(b) Non-current assets

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	5,002,321	4,829,345
Mainland China	<u>10,349,572</u>	<u>9,774,516</u>
	<u>15,351,893</u>	<u>14,603,861</u>

The non-current asset information above is based on the locations of the assets and excludes investments in a joint venture and an associate.

3. Revenue and Other Income

Disaggregation of revenue

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

For the year ended 31 March 2021				
Segment	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Type of goods or services				
Sales of properties	957,124	-	-	957,124
Property management income	-	32,738	1,658	34,396
Total revenue from contracts with customers	957,124	32,738	1,658	991,520
Revenue from other sources				
Gross rental income	-	256,943	27,763	284,706
Total revenue from other sources	-	256,943	27,763	284,706
Revenue disclosed in the segment information	957,124	289,681	29,421	1,276,226
Timing of revenue recognition				
Goods transferred at a point in time	957,124	-	-	957,124
Services transferred over time	-	32,738	1,658	34,396
Total revenue from contracts with customers	957,124	32,738	1,658	991,520
For the year ended 31 March 2020				
Segment	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Type of goods or services				
Sales of properties	325,561	-	-	325,561
Property management income	-	29,611	1,606	31,217
Total revenue from contracts with customers	325,561	29,611	1,606	356,778
Revenue from other sources				
Gross rental income	-	251,449	30,250	281,699
Total revenue from other sources	-	251,449	30,250	281,699
Revenue disclosed in the segment information	325,561	281,060	31,856	638,477
Timing of revenue recognition				
Goods transferred at a point in time	325,561	-	-	325,561
Services transferred over time	-	29,611	1,606	31,217
Total revenue from contracts with customers	325,561	29,611	1,606	356,778

3. Revenue and Other Income *(Continued)*

	2021 HK\$'000	2020 HK\$'000
Other income		
Bank interest income	10,704	22,193
Government subsidies*	5,472	-
Others	9,502	8,349
	<u>25,678</u>	<u>30,542</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

	2021 HK\$'000	2020 HK\$'000
Interest on bank loans	195,136	228,200
Interest on lease liabilities	1,675	2,565
Less: Interest capitalised under properties under development/construction	<u>(26,855)</u>	<u>(41,286)</u>
	<u>169,956</u>	<u>189,479</u>

5. Profit/(Loss) Before Tax

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

	2021 HK\$'000	2020 HK\$'000
Cost of properties sold	468,031	108,650
Direct operating expenses (including repairs and maintenance) arising from rental-earning properties	170,223	154,644
Depreciation of property, plant and equipment and right-of-use assets	29,551	35,342
Lease payments not included in the measurement of lease liabilities	3,889	3,327
Auditor's remuneration	2,720	2,700
Foreign exchange differences, net	2	(1)
Gain on disposal of items of property, plant and equipment, net	(463)	(401)
Employee benefit expenses (including directors' remuneration):		
Wages, salaries, allowances and benefits in kind	63,679	60,837
Pension scheme contributions	1,797	1,869
	<u>65,476</u>	<u>62,706</u>
Less: Amounts capitalised under properties under development/construction	<u>(22,250)</u>	<u>(20,870)</u>
	<u>43,226</u>	<u>41,836</u>

At 31 March 2021 and 31 March 2020, the amount of forfeited pension scheme contributions available to the Group for future utilisation was not significant.

6. Income Tax

	2021 HK\$'000	2020 HK\$'000
Current tax		
Hong Kong	-	(137)
Mainland China corporate income tax	(80,028)	(52,203)
Land appreciation tax in Mainland China	(159,778)	(49,717)
Overseas profits tax	(471)	(53)
	(240,277)	(102,110)
Deferred tax	24,111	112,433
Total tax credit/(charge) for the year	(216,166)	10,323

Land appreciation tax has been calculated in conformity with the prevailing rules and practices on the Group's completed projects in Mainland China at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

7. Earnings/(Loss) Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic earnings (2020: loss) per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$121,516,000 (2020: loss of HK\$35,946,000) and the weighted average number of ordinary shares in issue during the year of 720,429,301 (2020: 720,429,301).

No adjustment has been made to the basic earnings (2020: loss) per share amounts presented for the years ended 31 March 2021 and 2020 in respect of a dilution as the Group has no potential dilutive ordinary shares in issue during the years ended 31 March 2021 and 2020.

8. Dividend

	2021 HK\$'000	2020 HK\$'000
Proposed final – 12.5 HK cents (2020: 12.5 HK cents) per ordinary share	90,054	90,054

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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:

	2021 HK\$'000	2020 HK\$'000
Within 30 days	620	967
31 to 60 days	44	201
61 to 90 days	21	-
Over 90 days	<u>18,431</u>	<u>19,609</u>
Total	<u>19,116</u>	<u>20,777</u>

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of the consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue trade debts are closely monitored by management and are provided for in full in cases 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.

10. Trade Payables, Other Payables and Accrued Liabilities

Included in the trade payables, other payables and accrued liabilities are trade payables of HK\$9,526,000 (2020: HK\$12,248,000). An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021 HK\$'000	2020 HK\$'000
Within 30 days	<u>9,526</u>	<u>12,248</u>

11. Contingent Liabilities

As at 31 March 2021, the Group has given guarantees of HK\$219,931,000 (2020: 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.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK\$5,727 million as at 31 March 2021 (2020: HK\$5,880 million), of which approximately 24% (2020: 32%) of the debts were classified as current liabilities. Included therein were debts of HK\$66 million related to bank loans with repayable on demand clause and HK\$967 million related to project or term loans which will be refinanced during the forthcoming financial year. 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 was approximately 6%.

Total cash and bank balances including time deposits were approximately HK\$1,909 million as at 31 March 2021 (2020: HK\$2,168 million). Included in cash and bank balances are restricted bank deposits of HK\$114 million (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\$888 million at year end available for its working capital purpose.

Total shareholders' funds as at 31 March 2021 were approximately HK\$11,976 million (2020: HK\$11,311 million). The increase was mainly due to current year's profit attributable to shareholders and the appreciation in value of assets less liabilities denominated in Renminbi.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK\$3,818 million (2020: HK\$3,712 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK\$12,210 million (2020: HK\$11,503 million), was 31% as at 31 March 2021 (2020: 32%).

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.

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 31 March 2021, the Group had no material exposure under foreign exchange contracts or any other hedging instruments.

Pledge of assets

Properties with an aggregate carrying value of approximately HK\$15,675 million as at 31 March 2021 were pledged to secure certain banking facilities of the Group.

Employees and remuneration policies

The Group, not including its joint venture and associate, employed approximately 360 employees as at 31 March 2021. Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually with discretionary bonuses being paid depending on individual performance. The Group also provides other benefits including medical cover, provident fund, personal accident insurance and educational subsidies to all eligible staff.

CONNECTED TRANSACTIONS

1. On 20 September 2016, Gold Famous Development Limited (“Gold Famous”), an indirect wholly-owned subsidiary of the Company, entered into a framework agreement with Kin Wing Foundations Limited (“Kin Wing Foundations”), an indirect wholly-owned subsidiary of Chinney Kin Wing Holdings Limited (“Chinney Kin Wing”) (Stock Code: 1556) and an indirect non wholly-owned subsidiary of Chinney Alliance Group Limited (“Chinney Alliance”) (Stock Code: 385), pursuant to which, Kin Wing Foundations was appointed by Gold Famous as a contractor for the foundation construction works at K.C.T.L. 495, Kin Chuen Street, Kwai Chung, New Territories, Hong Kong for a contract sum of HK\$210,000,000. As Dr. James Sai-Wing Wong is the controlling shareholder of each of Chinney Investments, Limited (“Chinney Investments”) (Stock Code: 216), the Company, Chinney Alliance and Chinney Kin Wing, the transaction constituted a connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The transaction was approved by the independent shareholders of Chinney Investments, the Company, Chinney Alliance and Chinney Kin Wing at the respective general meetings held by each of the companies on 7 November 2016.

Construction works were completed and pending for finalisation of variation orders and final accounts of the project. During the year ended 31 March 2021, no development cost was paid to Kin Wing Foundations.

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

The consultancy fee of HK\$16,200,000 was fully paid.

3. On 12 July 2018, Gold Famous entered into a framework agreement with Chinney Construction Company, Limited (“Chinney Construction”), an indirect wholly-owned subsidiary of Chinney Alliance, pursuant to which Gold Famous engaged Chinney Construction to act as the main contractor to carry out construction works for the Data Centre Project at a total contract sum not exceeding HK\$757,800,000 (the “Framework Agreement”). As Chinney Investments is interested in approximately 68.09% of the issued shares of the Company and approximately 29.10% of the issued shares of Chinney Alliance and Dr. James Sai-Wing Wong is the chairman, executive director and a controlling shareholder of each of Chinney Investments, the Company and Chinney Alliance, the related transaction constituted a connected transaction for each of Chinney Investments, the Company and Chinney Alliance under the Listing Rules. 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 Chinney Investments, the Company and Chinney Alliance at the respective general meetings held by each of the companies on 24 August 2018.

During the year ended 31 March 2021, total development cost paid to Chinney Construction amounted to HK\$39,235,000 in respect of the transaction.

CORPORATE GOVERNANCE

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct for directors’ securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 March 2021.

Compliance with the Corporate Governance Code

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules for the year ended 31 March 2021, except for the following deviations:

1. CG Code provision A.1.1 stipulates that the board of directors should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

During the year ended 31 March 2021, the board of directors of the Company (the “Board”) met twice for approving the annual results of the Company for the year ended 31 March 2020 and the interim results for the period ended 30 September 2020. As business operations were under the management and supervision of the executive directors of the Company, who had from time to time held meetings to resolve all material business or management issues, only two regular board meetings were held for the year ended 31 March 2021.

2. CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Currently, Dr. James Sai-Wing Wong is the Chairman of the Company and assumes the role of the Chairman and also the chief executive officer. Given the nature of the Group’s businesses which require considerable market expertise, the Board believes that the vesting of the two roles for the time being provides the Group with stable and consistent leadership and allows for more effective planning and implementation of long term business strategies. The Board will continuously review the effectiveness of the structure to balance the power and authority of the Board and the management.

3. CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election and CG Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company (the “Articles of Association”). The Articles of Association do not require the directors to retire by rotation at least once every three years. However, in accordance with article 104 of the Articles of Association, at each annual general meeting of the Company, one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest one-third), other than the one who holds the office as executive chairman or managing director, shall retire from office by rotation. The Board will ensure the retirement of each director, other than the one who holds the office as executive chairman or managing director, by rotation at least once every three years in order to comply with the CG Code provisions.

The Chairman will not be subject to retirement by rotation; which deviates from CG Code provision A.4.2 as the Board considers that the continuity of office of the Chairman provides the Group with a strong and consistent leadership and is of great importance to the smooth operations of the Group.

All directors appointed to fill a casual vacancy is subject to re-election by shareholders at the next following annual general meeting of the Company instead of at the first general meeting after their appointment as stipulated in CG Code provision A.4.2.

4. 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.

5. CG Code provision B.1.2 stipulates that the terms of reference of the remuneration committee should include, as a minimum, those specific duties as set out in the CG Code provisions.

The Company has adopted the revised terms of reference of the Remuneration Committee on 30 March 2012 with certain deviations from the CG Code provisions. Pursuant to the revised terms of reference, the Remuneration Committee reviews and makes recommendations to the Board on the remuneration packages of directors (as opposed to directors and senior management).

Audit Committee

Regular meetings have been held by the Audit Committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Audit Committee has reviewed with management the annual results of the Group for the year ended 31 March 2021.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 March 2021.

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 24 June 2021

At the date of this announcement, the directors of the Company are Dr. James Sai-Wing Wong (Chairman), Mr. James Sing-Wai Wong, Mr. Xiao-Ping Li and Mr. Philip Bing-Lun Lam as executive directors; and Mr. Zuo Xiang, Ms. Janie Fong and Mr. David Tak-Wai Ma as independent non-executive directors.