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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)

2021-22 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL RESULTS

For the year ended 31 March 2022, the Group's consolidated revenue was HK\$1,106 million (2021: HK\$1,276 million) with a net profit attributable to shareholders of HK\$92 million (2021: HK\$122 million). The underlying net profit attributable to shareholders will be HK\$172 million (2021: HK\$133 million) after excluding the fair value losses of investment properties (net of deferred taxation) of HK\$80 million (2021: HK\$11 million). The decline in revenue was mainly due to a decrease in property sales recognised during the year. The increase in underlying profit was attributable to the growth in property rental income contribution upon lease commencement of the fully-leased data centre in Hong Kong, coupled with an improvement in overall occupancy of the Group's investment properties. Basic earnings per share was HK\$0.13 (2021: HK\$0.17).

As at 31 March 2022, shareholders' equity amounted to HK\$12,264 million (as at 31 March 2021: HK\$11,976 million) and net assets per share attributable to shareholders stood at HK\$17.02 (as at 31 March 2021: HK\$16.62). The increase in shareholders' equity at year end resulted from net profits attributable to shareholders less dividend paid, and the exchange rate 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 2022 (2021: 12.5 Hong Kong cents) to shareholders whose names appear on the Company's register of members on 2 September 2022. 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 22 September 2022.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 25 August 2022. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from 22 August 2022 to 25 August 2022 (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 (which will be relocated to 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong with effect from 15 August 2022) not later than 4:30 p.m. on 19 August 2022.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The proposed final dividend for the year ended 31 March 2022 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 1 September 2022 to 2 September 2022, 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 29 August 2022. 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 (which will be relocated to 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong with effect from 15 August 2022) not later than 4:30 p.m. on 31 August 2022.

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. earned stable rental income and reached an average occupancy rate of about 98% during the year (2021: 74%).

Our development site at **45-107 Beijing Nan Road**, Yue Xiu District, with a site area of approximately 9,500 sq.m., is in close proximity to the Beijing Road Pedestrian Street and to 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 aggregate 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, these three developments will form a large-scale mixed-use complex consisting of office, residential and retail components along Beijing Road. This modern "live-work-play" development includes a commercial complex with integrated features of shopping, dining and leisure, plus residential and office buildings offering unobstructed waterfront views of the Pearl River. Pre-sales of the residential portion is scheduled to be launched in 2023 while the office portion will be held primarily as investment property for earning recurrent rental income. Construction works are in progress with completion expected in the financial year 2023/2024.

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. The final phase of the project, comprising 19 blocks of high-rise apartments of approximately 550 units, was completed in December 2020. For the year ended 31 March 2022, the Group recorded revenue of HK\$633 million (2021: HK\$957 million) from the property units of Phase 2 and Phase 3 delivered during the year. As at 31 March 2022, the contracted property sales but not yet booked amounted to RMB478 million, which is expected to be recognised in the financial year 2022/2023 and the subsequent year.

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. This signature 75-storey high commercial/office tower above ground with a 5-level basement, offers high-quality Grade A office and retail components. The building was completed in 2018 and delivered for leasing in 2019. Throughout the year under review, it exhibited satisfactory and steady growth in occupancy rate. As at 31 March 2022, 58% of the office space (2021: 30%) and 95% of the retail space (2021: 91%) were leased, with overall occupancy rate achieved 64% (2021: 39%).

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 on the three upper floors. During the year under review, the hotel sector continued to be negatively impacted by stringent travel restrictions imposed during sporadic Covid-19 outbreaks on the Mainland. For this reason, **The Bauhinia Hotel (Shenzhen)** 寶軒酒店 (深圳), had a relatively low level of occupancy. 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 and stood at around 90%.

Enterprise Square 僑城坊, in which the Group owns a 20% interest, is situated at Qiaoxiang Road North, in Nanshan District, covering a site area of approximately 49,000 sq.m. and a total gross floor area of approximately 224,500 sq.m.. Completed in 2018, the development consists of a commercial complex comprising office towers, a residential apartment tower and a commercial mall. Majority portion of the office towers and a portion of residential apartments have been sold. Meanwhile, the commercial mall and an office tower are held as investment property for earning recurrent rental income. For the year ended 31 March 2022, property sales of residential apartment units realised revenue of RMB341 million (2021: RMB351 million) from units delivered. As at 31 March 2022, the property sales contracted but revenue not yet booked amounted to RMB100 million. Net profit attributable to the Group in respect of Enterprise Square, including changes in fair value of the office tower and commercial mall classified as investment properties, amounted to HK\$36 million (2021: HK\$67 million) for the year ended 31 March 2022.

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 complex atop 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 (2021: 88%).

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 2022, occupancy rate of the office tower was 84% (2021: 84%), while occupancy rate of the hotel/office tower was 62% (2021: 64%). Overall average occupancy rate was 75% during the year (2021: 74%).

Property Investment – Hong Kong

Digital Realty Kin Chuen (HKG11), is situated at Kin Chuen Street, Kwai Chung, New Territories. This newly completed data centre represents a significant milestone of the Group in diversifying its property portfolio strategically. With a gross floor area of approximately 228,000 sq.ft., the building is 12-storeys above ground with a 2-level basement. Designed to a high-level UTI Tier III data centre standard with BEAM Plus certification, the data centre provides the highest quality facility in Hong Kong. Delivered for occupation in 2021, the property has been fully let to a renowned international data centre operator on a long-term lease. The property generates stable and satisfactory rental income.

During the year ended 31 March 2022, 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 a hotel/serviced apartment building at Connaught Road Central and Des Voeux Road Central was about 82% (2021: 71%). **The Bauhinia** 寶軒, a 171-room serviced apartment residence atop the above hotel, had an average occupancy rate of about 75% (2021: 75%). Difficult business conditions continued for the hotel sector due to lingering impacts of the Covid-19 pandemic. In preparation for a rebound in tourism industry and to enhance our competitiveness, we are updating our brand and refurbishing the apartments. At present, planning and design works are in progress.

The Bauhinia Hotel (TST) 寶軒酒店(尖沙咀), located in Observatory Court, Tsim Sha Tsui, is a 98-room boutique hotel occupying a total of 20 floors of a 23-storey commercial/office building. The average occupancy rate was about 64% for the year ended 31 March 2022 (2021: 66%). Remaining floors of the above building are leased for commercial use. To expand our target market, we collaborated with an international serviced living operator. During the year, a portion of our hotel rooms were operated under the brand “DASH LIVING” to provide co-living services. Management continues to explore new business opportunities, as well as adopt cost control measures amid the current challenging business environment.

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. During the year ended 31 March 2022, the average occupancy rate gradually increased to 88% (2021: 69%).

Property and carpark management

For the year ended 31 March 2022, the property and carpark management division reported revenue of HK\$35 million as compared with HK\$29 million in last year. The Group’s carpark management business maintained steady growth amid the unfavourable operating environment of the Covid-19 pandemic. To support carpark operators, the government granted rental concessions to operators managing public carparks, which helped to reduce operating costs. As at 31 March 2022, the Group managed 23 car parks (31 March 2021: 17 car parks) with approximately 2,050 parking spaces (31 March 2021: 2,200 parking spaces).

Property Investment - Valuation

The Group's investment property portfolio measured on a fair value basis, is valued at HK\$15,309 million as at 31 March 2022 (as at 31 March 2021: HK\$15,057 million), comprised of a Mainland China portfolio of HK\$10,250 million and Hong Kong portfolio of HK\$5,059 million. Taking into account additions to the investment property portfolio of HK\$133 million and the effect of exchange rate differences, fair value losses of investment properties (net of deferred taxation) amounted to HK\$80 million for the year ended 31 March 2022 (2021: HK\$11 million). This was mainly attributed to downward pressure in Mainland China's property market.

OUTLOOK

During 2022, adverse impacts of the Covid-19 pandemic continued to hinder global recovery. Global supply chains were severely disrupted by stringent travel restrictions and city lockdowns. As more countries gradually open up their borders, the impact of the pandemic may be mitigated. Yet, there are significant differences among countries in their pace of recovery. Looking forward, the global economic outlook remains clouded by uncertainties, including anticipated aggressive interest rate hikes in the US, rising inflation, geopolitical conflict, oil price fluctuations, along with continuing China-US tensions. Therefore, the global political and economic landscape remains unstable.

On the Mainland, the Chinese government adhered to a state policy of maintaining stability in the real estate industry, and focused on safeguarding healthy development of the property market. Earlier this year, economic recovery was hampered by sporadic outbreaks of Covid-19 which led to localised lockdowns in some cities. To shore up a slowing property market, the Chinese government stepped up policy measures to support the economy and introduced easing measures such as reduced housing mortgage rates and relaxation in lending to boost property sales. It is anticipated that further stimulus measures will be introduced in the near term, and that the domestic market will be on track for recovery amid prevailing localised policies in top-tier cities.

In Hong Kong, an outbreak of the fifth wave of Covid-19 in the first quarter of 2022 posed challenges to the local economy. Implementation of stringent social distancing restrictions and cross border closures severely hit domestic consumption, resulting in a year-on-year decline of 4.5% in GDP in the first quarter. Fortunately, the pandemic was primarily brought under control in the second quarter, and together with the introduction of a series of government relief measures, it is believed that the local economy will progressively regain momentum. However, the Hong Kong economy is still vulnerable to external factors, in particular, the magnitude and pace of interest rate hikes in the US and ongoing China-US tensions. We remain cautiously optimistic about the economy and will remain vigilant to fluctuations in global markets.

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, 28 June 2022

CONSOLIDATED RESULTS

The consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2022 together with comparative figures for the previous year are as follows:

Consolidated Statement of Profit or Loss

	Notes	For the year ended 31 March	
		2022 HK\$'000	2021 HK\$'000
Revenue	3	1,106,278	1,276,226
Cost of sales		<u>(513,181)</u>	<u>(638,254)</u>
Gross profit		593,097	637,972
Other income	3	57,794	25,678
Fair value losses on investment properties, net		(127,429)	(38,848)
Administrative expenses		(120,993)	(124,681)
Other operating expenses, net		(54,293)	(57,823)
Finance costs	4	(158,451)	(169,956)
Share of profit of an associate		<u>35,701</u>	<u>67,008</u>
Profit before tax	5	225,426	339,350
Income tax expense	6	<u>(133,663)</u>	<u>(216,166)</u>
Profit for the year		<u>91,763</u>	<u>123,184</u>
Attributable to:			
Owners of the Company		91,693	121,516
Non-controlling interests		<u>70</u>	<u>1,668</u>
		<u>91,763</u>	<u>123,184</u>
Earnings per share attributable to ordinary equity holders of the Company	7		
Basic and diluted		<u>HK\$0.13</u>	<u>HK\$0.17</u>

Consolidated Statement of Comprehensive Income

	For the year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Profit for the year	91,763	123,184
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of an associate	13,988	35,525
Exchange differences on translation of foreign operations	286,617	637,778
Other comprehensive income for the year, net of tax	300,605	673,303
Total comprehensive income for the year	392,368	796,487
Attributable to:		
Owners of the Company	377,825	755,094
Non-controlling interests	14,543	41,393
	392,368	796,487

Consolidated Statement of Financial Position

	31 March 2022	31 March 2021
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	305,250	295,245
Investment properties	15,308,966	15,056,648
Investment in a joint venture	199	199
Investment in an associate	801,585	829,896
	<hr/>	<hr/>
Total non-current assets	16,416,000	16,181,988
CURRENT ASSETS		
Tax recoverable	436	234
Properties held for sale under development and completed properties held for sale	1,957,931	2,083,359
Trade receivables	14,319	19,116
Contract costs	17,451	16,917
Prepayments, deposits and other receivables	255,208	182,503
Cash and bank balances	1,877,175	1,908,888
	<hr/>	<hr/>
Total current assets	4,122,520	4,211,017
CURRENT LIABILITIES		
Trade payables, other payables and accrued liabilities	209,464	258,677
Interest-bearing bank borrowings	3,107,368	1,373,483
Lease liabilities	20,004	11,993
Contract liabilities	421,238	364,389
Customer deposits	86,354	92,341
Tax payable	308,765	298,281
	<hr/>	<hr/>
Total current liabilities	4,153,193	2,399,164
NET CURRENT ASSETS/(LIABILITIES)	(30,673)	1,811,853
	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES	16,385,327	17,993,841
	<hr/>	<hr/>

Consolidated Statement of Financial Position (Continued)

		31 March 2022	31 March 2021
	<i>Note</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	11	2,419,303	4,327,955
Lease liabilities		23,711	13,641
Deferred tax liabilities		1,429,206	1,442,451
		<u>3,872,220</u>	<u>5,784,047</u>
Total non-current liabilities			
		<u>3,872,220</u>	<u>5,784,047</u>
Net assets		<u>12,513,107</u>	<u>12,209,794</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		1,519,301	1,519,301
Reserves		10,744,889	10,457,118
		<u>12,264,190</u>	<u>11,976,419</u>
Non-controlling interests		<u>248,917</u>	<u>233,375</u>
Total equity		<u>12,513,107</u>	<u>12,209,794</u>

Notes:

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

Basis of presentation and preparation

In preparing the consolidated financial statements, the directors of the Company have given due consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK\$31 million as at 31 March 2022. The net current liability position was caused by reclassification of certain non-current liabilities to current due to the maturity dates of the respective bank loans.

The Group has been actively negotiating with banks for the renewal of the Group's bank borrowings when they fall due in order to secure necessary funds to meet the Group's working capital and financial requirements in the foreseeable future. Subsequent to 31 March 2022, a new bank loan has been granted by a bank in June 2022 to refinance a loan of HK\$849 million maturing in August 2022 and the finalisation of the loan agreement is in progress. The remaining loans maturing during the next financial year will be refinanced according to the repayment schedule.

In the opinion of directors of the Company, the liquidity of the Group is well managed with the refinancing of bank loans and sources of finance available. After taking into account the cash flow projection prepared by the management, the directors of the Company consider that the Group will have adequate funds available to enable it to operate as a going concern. Accordingly, the consolidated financial statements for the year ended 31 March 2022 have been prepared on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts and to provide for further liabilities which might arise. The consolidated financial statements do not include any adjustments that would result from the failure of the Group to continue in business as a going concern.

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 2022 and the financial information relating to the year ended 31 March 2021 included in this preliminary announcement of annual results for the year ended 31 March 2022 do not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 March 2021, 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 2022 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 2021 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 2021. 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.

1. **Basis of Presentation and Preparation and Changes in Accounting Policies and Disclosures**
(Continued)

Changes in accounting policies and disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9,
HKAS 39, HKFRS 7,
HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

*Covid-19-Related Rent Concessions beyond
30 June 2021 (early adopted)*

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate ("HIBOR") as at 31 March 2022. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the "economically equivalent" criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 April 2021. However, the Group has not received Covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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:

- the property development segment develops properties for sale;
- the property investment segment holds investment properties for development and the generation of rental income; and
- 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, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit 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 2022

	Property development HK\$'000	Property investment HK\$'000	Property, carpark management and others HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	632,973	434,380	38,925	<u>1,106,278</u>
Segment results	290,030	120,537	5,927	416,494
<i>Reconciliation:</i>				
Interest income				13,107
Unallocated expenses				(83,131)
Finance costs (other than interest on lease liabilities)				(156,745)
Share of profit of an associate				<u>35,701</u>
Profit before tax				<u>225,426</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
Segment revenue:				
Sales to external customers	957,124	289,681	29,421	<u>1,276,226</u>
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				<u>67,008</u>
Profit before tax				<u>339,350</u>

2. Operating Segment Information *(Continued)*

At 31 March 2022				
	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Property, carpark management and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	2,176,175	15,792,178	2,010,795	19,979,148
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(2,120,023)
Investment in a joint venture				199
Investment in an associate				801,585
Corporate and other unallocated assets				<u>1,877,611</u>
Total assets				<u><u>20,538,520</u></u>
Segment liabilities	1,421,656	1,149,904	309,234	2,880,794
<i>Reconciliation:</i>				
Elimination of intersegment payables				(2,120,023)
Corporate and other unallocated liabilities				<u>7,264,642</u>
Total liabilities				<u><u>8,025,413</u></u>

For the year ended 31 March 2022

	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>
Other segment information:				
Fair value losses on investment properties, net	-	127,429	-	127,429
Gain on disposal of items of property, plant and equipment	25,637	-	6	25,643
Depreciation	2,740	8,362	19,704	30,806
Capital expenditure *	<u>302</u>	<u>133,731</u>	<u>1,126</u>	<u>135,159</u>

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

2. Operating Segment Information (Continued)

At 31 March 2021

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Property, carpark management and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	2,357,077	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 <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Property, carpark management and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
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)*

Geographical information

(a) Revenue

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	196,781	105,417
Mainland China	909,497	<u>1,170,809</u>
	<u>1,106,278</u>	<u>1,276,226</u>

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

(b) Non-current assets

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	5,116,650	5,002,321
Mainland China	10,497,566	<u>10,349,572</u>
	<u>15,614,216</u>	<u>15,351,893</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 2022			
Segment	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>
Type of goods or services				
Sales of properties	632,973	-	-	632,973
Property management income and others	-	39,841	5,290	45,131
Total revenue from contracts with customers	632,973	39,841	5,290	678,104
Revenue from other sources				
Gross rental income	-	394,539	33,635	428,174
Total revenue from other sources	-	394,539	33,635	428,174
Revenue disclosed in the segment information	632,973	434,380	38,925	1,106,278
Timing of revenue recognition				
Goods transferred at a point in time	632,973	-	-	632,973
Services transferred over time	-	39,841	5,290	45,131
Total revenue from contracts with customers	632,973	39,841	5,290	678,104
	For the year ended 31 March 2021			
Segment	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>
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

3. Revenue and Other Income (Continued)

	2022 HK\$'000	2021 HK\$'000
Other income		
Gain on disposal of items of property, plant and equipment	25,643	463
Bank interest income	13,107	10,704
Government subsidies*	1,070	5,472
Others	17,974	9,039
	<u>57,794</u>	<u>25,678</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

	2022 HK\$'000	2021 HK\$'000
Interest on bank loans	173,070	195,136
Interest on lease liabilities	1,706	1,675
Less: Interest capitalised under properties under development/construction	<u>(16,325)</u>	<u>(26,855)</u>
	<u>158,451</u>	<u>169,956</u>

5. Profit Before Tax

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

	2022 HK\$'000	2021 HK\$'000
Cost of properties sold	310,807	468,031
Direct operating expenses (including repairs and maintenance) arising from rental-earning properties	202,374	170,223
Depreciation of property, plant and equipment and right-of-use assets	30,806	29,551
Lease payments not included in the measurement of lease liabilities	4,893	3,889
Auditor's remuneration	2,935	2,720
Foreign exchange differences, net	-	2
Gain on disposal of items of property, plant and equipment	<u>(25,643)</u>	<u>(463)</u>
Employee benefit expenses (including directors' remuneration):		
Wages, salaries, allowances and benefits in kind	66,092	63,679
Pension scheme contributions	1,972	1,797
	<u>68,064</u>	<u>65,476</u>
Less: Amounts capitalised under properties under development/construction	<u>(24,300)</u>	<u>(22,250)</u>
	<u>43,764</u>	<u>43,226</u>

At 31 March 2022 and 31 March 2021, the amount of forfeited pension scheme contributions available to the Group for future utilisation was not significant.

6. Income Tax

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
Hong Kong	(95)	-
Mainland China corporate income tax	(27,752)	(80,028)
Land appreciation tax in Mainland China	(153,518)	(159,778)
Overseas profits tax	(2)	(471)
	(181,367)	(240,277)
Deferred tax	47,704	24,111
Total tax charge for the year	(133,663)	(216,166)

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 Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$91,693,000 (2021: HK\$121,516,000) and the weighted average number of ordinary shares in issue during the year of 720,429,301 (2021: 720,429,301).

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 March 2022 and 2021 in respect of a dilution as the Group has no potential dilutive ordinary shares in issue during the years ended 31 March 2022 and 2021.

8. Dividend

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Proposed final – 12.5 HK cents (2021: 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	1,447	620
31 to 60 days	521	44
61 to 90 days	39	21
Over 90 days	<u>12,312</u>	<u>18,431</u>
Total	<u>14,319</u>	<u>19,116</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\$8,301,000 (2021: HK\$9,526,000). An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	<u>8,301</u>	<u>9,526</u>

11. Interest-Bearing Bank Borrowings

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank loans		
Current	3,107,368	1,373,483
Non-current	<u>2,419,303</u>	<u>4,327,955</u>
	<u>5,526,671</u>	<u>5,701,438</u>

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Analysed into:		
Bank loans repayable:		
Within one year	3,107,368	1,373,483
In the second year	1,010,151	2,873,049
In the third to fifth years, inclusive	1,393,352	1,407,071
Beyond five years	<u>15,800</u>	<u>47,835</u>
	<u>5,526,671</u>	<u>5,701,438</u>

Further analysis of bank loans repayment is included in "Liquidity and financial resources" under the section "FINANCIAL REVIEW".

12. Contingent Liabilities

As at 31 March 2022, the Group has given guarantees of HK\$15,146,000 (2021: HK\$219,931,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date the loans are granted to the purchasers up to the date of issuance of property ownership certificates to the purchasers.

FINANCIAL REVIEW

Liquidity and financial resources

The total interest-bearing debts of the Group amounted to approximately HK\$5,570 million as at 31 March 2022 (2021: HK\$5,727 million), of which approximately 56% (2021: 24%) of the debts were classified as current liabilities. Included therein were debts of HK\$44 million related to bank loans with repayable on demand clause and HK\$2,853 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 4%.

Total cash and bank balances including time deposits were approximately HK\$1,877 million as at 31 March 2022 (2021: HK\$1,909 million). Included in cash and bank balances are restricted bank deposits of HK\$85 million (2021: HK\$114 million) which can only be applied in the designated property development projects prior to their completion of construction. The Group had committed but undrawn banking facilities of a total of approximately HK\$1,458 million at year end available for its working capital purpose.

As at 31 March 2022, maturity of the Group's outstanding borrowings (including the lease liabilities) was as follows:

	As at 31 March 2022 HK\$' million	As at 31 March 2021 HK\$' million
<u>Due:</u>		
Within one year	3,127	1,385
In the second year	1,026	2,882
In the third to fifth years, inclusive	1,401	1,412
Beyond five years	16	48
	5,570	5,727

As at 31 March 2022, included in the outstanding borrowings due within one year were aggregated loan balances of HK\$2,853 million which would be refinanced during the forthcoming financial year and consisted of (i) a project loan of HK\$849 million secured by a property in the PRC with maturity in August 2022, (ii) a project loan of HK\$1,219 million secured by a property in Hong Kong with maturity in November 2022; and (iii) an unsecured loan of HK\$785 million with maturity in February 2023.

Subsequent to 31 March 2022, a new bank loan has been granted by a bank to refinance the project loan of HK\$849 million maturing in August 2022. The finalisation of loan agreements is in progress. The remaining loans maturing during next financial year will be refinanced according to the repayment schedule.

Total shareholders' funds as at 31 March 2022 were approximately HK\$12,264 million (2021: HK\$11,976 million). The increase was mainly due to current year's profit attributable to shareholders less dividend paid and the appreciation in value of assets less liabilities denominated in Renminbi.

The gearing ratio of the Group, as measured by the net interest-bearing debts of approximately HK\$3,693 million (2021: HK\$3,818 million) over the shareholders' funds plus non-controlling interests totalling of approximately HK\$12,513 million (2021: HK\$12,210 million), was 30% as at 31 March 2022 (2021: 31%).

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 31 March 2022, 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\$16,238 million as at 31 March 2022 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 2022. 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 (the “Land”) 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.

Details of the transaction were set out in the joint announcement of Chinney Investments, the Company, Chinney Alliance and Chinney Kin Wing dated 20 September 2016 and the Company’s circular dated 21 October 2016. Construction works were completed and pending for finalisation of variation orders and final accounts of the project.

2. On 12 July 2018, Gold Famous entered into a framework agreement with Chinney Construction Company, Limited (“Chinney Construction”), an indirect wholly-owned subsidiary of Chinney Alliance, pursuant to which Gold Famous engaged Chinney Construction to act as the main contractor to carry out construction works for the construction and development of a data centre at the Land 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. The transaction was approved by the independent shareholders of Chinney Investments, the Company and Chinney Alliance at the respective general meetings held by each of the companies on 24 August 2018.

Details of the transaction were set out in the joint announcement of Chinney Investments, the Company and Chinney Alliance dated 12 July 2018 and the Company’s circular dated 8 August 2018. Construction works were completed and pending for agreement of variation orders and final accounts of the project.

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 2022.

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 2022, except for the following deviations:

1. CG Code provision A.1.1 (which has been re-numbered as C.5.1 since 1 January 2022) 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 2022, 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 2021 and the interim results for the period ended 30 September 2021. 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 2022.

2. CG Code provision A.4.2 (which has been re-numbered as B.2.2 since 1 January 2022) 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 will not be subject to retirement by rotation; which deviates from CG Code provision A.4.2 (which has been re-numbered as B.2.2 since 1 January 2022) 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.

3. CG Code provision B.1.2 (which has been re-numbered as E.1.2 since 1 January 2022) 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 2022.

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 2022 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 2022.

By Order of the Board
James Sai-Wing Wong
Chairman

Hong Kong, 28 June 2022

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 Ms. Janie Fong, Mr. David Tak-Wai Ma and Mr. James C. Chen as independent non-executive directors.