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CHEUK NANG (HOLDINGS) LIMITED

卓能（集團）有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 131)

RESULTS FOR THE YEAR ENDED 30 JUNE 2023

CHAIRMAN'S STATEMENT

I herewith to present to shareholders the report of Cheuk Nang (Holdings) Limited (the “Company”, together with its subsidiaries, the “Group”) for the year ended 30 June 2023.

RESULTS AND DIVIDEND

The consolidated profit after income tax of our Group for the year ended 30 June 2023 is HK\$53,040,000 comparing to last year 2022: loss HK\$149,232,000. Details are set out in the consolidated statement of profit or loss.

The Directors resolved to recommend the payment of a final dividend of HK3.00 cents (2022: HK2.00 cents) per share payable to those shareholders whose names appeared in the register of members as at the close of business on 30 November 2023, which together with the interim dividend of HK1.75 cents (2022: HK1.50 cents) per share, makes a total distribution of HK4.75 cents (2022: HK3.50 cents) per share this year, which is 35.71% increase when compare to last year.

After approval by the shareholders at the Annual General Meeting, the final dividend will be paid on 14 December 2023.

REVIEW OF OPERATIONS AND PROSPECTS

Hong Kong Properties

After several turbulent years, we observe some recovery of real estate demand to commence in 2023. The phased re-opening of quarantine-free travel between mainland China and Hong Kong provided a strong boost to local business sentiment, despite continued uncertainty regarding the global economic outlook and future interest rate movement.

Some developers marketing their new developments projects using sale price which is competitive to second-hand price to attract the potential buyers. As such, some property owners in the surrounded areas recorded loss when selling in secondary residential market.

The progress of our projects in Hong Kong are as follows:-

1. *One Kowloon Peak at No. 8 Po Fung Terrace, Ting Kau, Tsuen Wan*

Residential project developed in two phases.

Phase 1 comprised of a block of 21-storey building with 49 residential units (including 6 duplex units) and 39 car parking spaces. The net floor area of the units ranged from 1,075 square feet to 2,095 square feet.

Two out of eleven buyers of Phase 1 has rescinded the Sale and Purchase Agreement recently, the total no. of units sold now is 9 and above 50% of the remaining units are rented.

Phase 2 comprised of clubhouse, 29 car parking spaces and five 3-storey garden villas. The net floor area of the villas ranged from approximately 1,497 square feet to 2,329 square feet. The clubhouse provides recreational facilities and swimming pool.

2. *Villa Cecil Phase II, 192 Victoria Road, Pokfulam*

Residential development comprised of three blocks of 4-storey low density residential building provides 29 residential units. The net floor area of the apartments ranged from approximately 876 square feet to 3,099 square feet.

The occupancy rate of Phase 2 maintained at 60%.

3. *Villa Cecil Phase III, 216 Victoria Road, Pokfulam*

Residential development comprised of two blocks of 4-storey building for rental purpose. The total marketable gross floor area is about 97,000 square feet (net floor area is about 68,973 square feet). Block 1 provides 9 residential units and Block 2 provides 32 units. The gross floor area of the apartments ranged from 760 square feet to 3,800 square feet (net floor area ranged from 586 square feet to 2,555 square feet).

The occupancy rate of the two blocks has reached 60%.

4. *Cheuk Nang Lookout, 30 Severn Road, The Peak*

A residential premises comprised of two deluxe 3-storey residential villas, namely Villa Begonia and Villa Crocus. The renovation of the two villas to enhance the quality is completed.

5. *New Villa Cecil, No. 33 Cheung Chau Sai Tai Road, Cheung Chau*

A residential project developed into 2 phases with total marketable gross floor area approximately 58,000 square feet, the net sales area is approximately 31,266 square feet.

Phase I comprised of 19 blocks of 2-storey residential villas has already received Occupation Permit. The gross floor area of the villas ranged from 1,450 square feet to 2,700 square feet (net floor area ranged from 1,106 square feet to 2,070 square feet). Phase II comprised of 4 blocks of 2-storey residential villas. The gross floor area of the villas ranged from approximately 2,000 square feet to 12,000 square feet (net floor area from 1,564 square feet to 9,260 square feet). Recreational facilities including swimming pool and landscape garden are provided.

Over 40% of the villas in Phase 1 are leased out.

The construction work of the development has been completed and Occupation Permit has been applied.

China Properties

The Chinese property market faced again significant weakness since the delay coupon payment of Country Garden. Moreover, in late August, China cut 1-year lending prime rate by 10 basis points to 3.45% while kept 5-year lending prime rate unchanged. The situation for certain Chinese property developers to do refinancing is still needed to be resolved.

In order to cope with declining economic growth momentum and support the property market, China has recently announced a series of policies with an aim to boost homebuyers' confidence and property growth as follows:

- local governments to loosen the definition of first-time home buyers such that households that have paid off mortgages and do not have a home under their names can be treated as first-time home buyers
- People's Bank of China held a meeting to promote financial support for private enterprises
- to lower rates on existing mortgages
- extend the personal income tax rebates for people who buy new homes within one year after selling old homes till the end of 2025

After the implementation of the abovementioned policies, the activities of property market become slightly more active and the transaction volume increased.

Shenzhen

Shenzhen is one of the four Tier 1 cities adopted the new policy on loosen the definition of first-time home buyers, as heart of the Greater Bay Area, the tendency for demand of real estate has become relatively steady during recent months.

Cheuk Nang Garden

Longhwa, Shenzhen

The sale campaign was resumed after the Chinese New Year and up till now, a total of 9 units were sold and the sales amount to RMB54.18 million.

Hangzhou

Hangzhou is an emerging Tier 1 city full of business, investment and jobs opportunities. Some young talent started to start their own career in Hangzhou, thus the demand for real estate will remain steady while the population mobility increased.

Cheuk Nang • Riverside

Yue Hang Qu, Hangzhou

The development comprised land area of 38,983 square metres (approximately 419,613 square feet). The total net floor area is 122,483 square metres (approximately 1,318,407 square feet) with multi-storey buildings provides 849 residential units, 22 deluxe villas by the riverside, 780 car parking spaces, clubhouse, recreational facilities and shopping centre. The size of the residential units and villas ranged from 65 square metres (700 square feet) to 270 square metres (2,906 square feet).

The construction of the development is completed and planning acceptance was approved.

Macau Properties

The Macau government promote investment in non-gaming elements and to enhance the four major industries, i.e.:

- (1) High-tech manufacturing and scientific and technological research;
- (2) Traditional Chinese medicine;
- (3) Cultural tourism, convention and exhibition;
- (4) modern finance.

These industries must coordinate with each other, promote each other and mutual support hopes to form a growth point and eventually create a certain proportion, breaking the previous situation of a single gambling industry.

Golden Cotai No. 1

Estrada de Seac Pai Van, Coloane

The company has submitted an application for land renewal through our local lawyer in Macau in April 2021. According to the lawyer's report, until now, the DSSOPT is still making a proposal to suggest the director will submit to the Chief Executive to grant the contract for change of land use and at the same time grant lease renewal for ten years. The Public Works Bureau has confirmed that the change of land use is consistent with the use stipulated in the "Macau Special Administrative Region Urban Master Plan". A definite reply from the DSSOPT is still pending.

Malaysia Properties

The Malaysian economy expanded moderately in the second quarter of 2023 weighed mainly by slower external demand. Domestic demand remained the key driver of growth, supported by private consumption and investment. Meanwhile, investment activity was underpinned by capacity expansion, progress of multi-year projects and higher fixed asset spending by the government. Continued recovery in inbound tourism partially offset the slower goods export growth. On the supply side, the services and construction sectors continued to support growth.

Phase I "Parkview"

Lot 1359, Section 57, Lorong Perak, Kuala Lumpur

The development is a ready built 41-storey residential building providing 417 residential units and 163 car parking spaces. Most units have been sold by our Parkview joint venture partner. The remaining 27 unsold units are operated as serviced apartments. The demand for hotel and short-term accommodation has decreased drastically after the outbreak of covid-19.

The occupancy of the serviced apartments currently is 50% and upgrading the property to improve the occupancy is in progress.

Phase II “Cecil Central Residence”

Lot 11385 and 11386, Section 57, Lorong Perak, Kuala Lumpur

The development currently comprised of 4 blocks of residential condominium with total approved gross floor area is 1,708,648 square feet. The main podium is completed up to Level 5.

INVESTMENT IN BONDS AND STOCK

The investment in Bond market as at 30 June 2023 was HK\$69,114,000. During the year, a total of HK\$88,583,000 was redeemed and HK\$18,126,000 was purchased.

The market price of our investment in the Hong Kong stocks as at 30 June 2023 was HK\$48,216,000. During the year, a total of HK\$1,007,000 stock was purchased and no stock was sold.

OUTLOOK

Despite the difficulties and uncertainties, the outlook for the Hong Kong economy is relatively positive. As a small and open economy, Hong Kong must prepare itself to adapt to the evolving global falling economies. Amid rising protectionism and trade barriers, the Government is keen to foster closer commercial, trade and investment relations with developing Asian economies with the support of China.

Internally, Hong Kong faced a problem of full employment and lack of talent. The Government has introduced new policies for recruiting foreign talent or workers by simplifying the requirements and the procedures. The effectiveness of this policy is yet to be observed.

DIRECTORS AND STAFF

We would like to express our deep gratitude to our directors and employees for their contributions during the year.

As at the date of this announcement, the Executive Directors are Dr. Chao Sze Tsung Cecil (Chairman), Ms. Chao Gigi (Vice Chairman) and Ms. Ho Sau Fun, Connie; the Non-Executive Directors are Mr. Chao Howard and Mr. Lee Ding Yue Joseph; the Independent Non-Executive Directors are Mr. Ting Woo Shou, Kenneth, Mr. Lam Ka Wai, Graham and Mr. Sun Dai Hoe, Harold.

By order of the Board
CECIL CHAO
Executive Chairman

Hong Kong, 26 September 2023

RESULTS

The Group's audited consolidated statement of profit or loss for the year ended 30 June 2023 is listed as follows:

Consolidated Statement of Profit or Loss

For the year ended 30 June 2023

| | Notes | 2023 HK\$'000 | 2022 HK\$'000 |
|--|-------|------------------------|-------------------|
| Revenue | 4 | 45,156 | 56,738 |
| Direct costs | | <u>(17,404)</u> | <u>(47,993)</u> |
| Gross profit | | 27,752 | 8,745 |
| Other income | 6 | 15,949 | 35,888 |
| Changes in fair value of investment properties | | 145,091 | 95,036 |
| Changes in fair value of financial assets at fair value through profit or loss ("FVTPL") | | 2,353 | 816 |
| Net expected credit loss ("ECL") of financial assets at fair value through other comprehensive income ("FVTOCI") | | (14,210) | (4,379) |
| Administrative expenses | | (69,637) | (63,107) |
| Finance costs | 7 | <u>(18,105)</u> | <u>(15,754)</u> |
| Profit before income tax | 8 | 89,193 | 57,245 |
| Income tax expense | 9 | <u>(36,153)</u> | <u>(206,477)</u> |
| Profit/(Loss) for the year | | <u>53,040</u> | <u>(149,232)</u> |
| Profit/(Loss) for the year attributable to: | | | |
| Owners of the Company | | 21,202 | (149,187) |
| Non-controlling interests | | <u>31,838</u> | <u>(45)</u> |
| | | <u>53,040</u> | <u>(149,232)</u> |
| Earnings/(Loss) per share for profit/(loss) attributable to the owners of the Company during the year | | | |
| Basic | 11 | <u>HK\$0.03</u> | <u>HK\$(0.23)</u> |
| Diluted | 11 | <u>HK\$0.03</u> | <u>HK\$(0.23)</u> |

Consolidated Statement of Financial Position

As at 30 June 2023

| | <i>Notes</i> | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Investment properties | | 6,870,006 | 6,739,921 |
| Property, plant and equipment | | 44,240 | 44,537 |
| Other non-current asset | | 950 | 950 |
| Other financial assets | | 65,472 | 148,408 |
| Deferred tax assets | | 17,813 | 17,952 |
| | | <u>6,998,481</u> | <u>6,951,768</u> |
| Current assets | | | |
| Properties under development for sale | | 1,540,561 | 1,562,250 |
| Completed properties for sale | | 359,440 | 389,719 |
| Other financial assets | | 3,642 | 7,316 |
| Financial assets at fair value through profit or loss | | 48,216 | 44,856 |
| Trade and other receivables | 12 | 27,248 | 26,346 |
| Bank balances and cash | | 323,525 | 367,383 |
| | | <u>2,302,632</u> | <u>2,397,870</u> |
| Current liabilities | | | |
| Other payables | 13 | 152,768 | 131,095 |
| Contract liabilities | | 138,682 | 155,512 |
| Amounts due to non-controlling shareholders | 14 | 239,990 | 239,990 |
| Amount due to a related company | 14 | 1,627 | 1,469 |
| Interest-bearing borrowings | | 233,733 | 878,627 |
| Advance from a director | | 172,716 | 143,206 |
| Lease liabilities | | 2,167 | 2,219 |
| Tax payable | | 20,090 | 18,411 |
| | | <u>961,773</u> | <u>1,570,529</u> |
| Net current assets | | <u>1,340,859</u> | <u>827,341</u> |
| Total assets less current liabilities | | <u>8,339,340</u> | <u>7,779,109</u> |

| | 2023 | 2022 |
|---|-------------------------|------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Non-current liabilities | | |
| Interest-bearing borrowings | 630,000 | – |
| Lease liabilities | 789 | 2,956 |
| Deferred tax liabilities | 926,091 | 907,610 |
| | <u>1,556,880</u> | <u>910,566</u> |
| Net assets | <u>6,782,460</u> | <u>6,868,543</u> |
| EQUITY | | |
| Share capital | 2,468,985 | 2,468,985 |
| Reserves | 4,104,573 | 4,222,494 |
| | <u>6,573,558</u> | <u>6,691,479</u> |
| Equity attributable to the owners of the Company | 6,573,558 | 6,691,479 |
| Non-controlling interests | 208,902 | 177,064 |
| | <u>6,782,460</u> | <u>6,868,543</u> |
| Total equity | <u>6,782,460</u> | <u>6,868,543</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2023

1. GENERAL INFORMATION

Cheuk Nang (Holdings) Limited (the “Company”) is a limited liability company incorporated and domiciled in Hong Kong. The address of its registered office is disclosed in the Corporate Information section of the annual report and, its principal place of business is Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited.

The Company and its subsidiaries (the “Group”) are controlled by Yan Yin Company Limited (“Yan Yin”), a limited liability company incorporated and domiciled in Hong Kong. At the reporting date, the directors consider the ultimate parent company of the Group is also Yan Yin.

The Group is principally engaged in property development and investment and provision of property management and related services.

The consolidated financial statements for the year ended 30 June 2023 were approved for issue by the board of directors on 26 September 2023.

2. ADOPTION OF NEW AND AMENDED HKFRSs

Amended HKFRSs that are effective for annual periods beginning or after 1 July 2022

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group’s operations and effective for the Group’s consolidated financial statements for the annual period beginning on 1 July 2022:

| | |
|----------------------------------|--|
| Amendments to HKAS 12 | International Tax Reform – Pillar Two Model Rules |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to HKFRSs | Annual Improvements to HKFRS Standards 2018 – 2020 |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Accounting Guideline 5 (Revised) | Merger Accounting for Common Control Combinations |

The adoption of the amended HKFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

| | |
|---|---|
| HKFRS 17 | Insurance Contracts and related amendments ¹ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴ |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback ² |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ² |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants ² |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ¹ |
| Amendments to HKAS 7 and HKFRS 7 | Disclosure of Accounting Policies ² |
| Amendments to HKAS 8 | Disclosure of Accounting Estimates ¹ |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹ |
| Amendments to HKAS 21 | Lack of exchangeability ³ |

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ Effective for annual periods beginning on or after 1 January 2025

⁴ Effective date not yet determined

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 7 and HKFRS 7 "Supplier Finance Arrangement"

The amendment adds disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements. The amendments are effective for reporting periods beginning on or after 1 January 2024.

Besides, the amendments also introduce additional disclosure requirements to help users of financial statements understand an entity's exposure to income taxes arising from the Pillar Two Model Rules, which are effective for annual period beginning on or after 1 January 2023.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value of properties

The best evidence of fair value is current prices in an active market for similar property in similar location and condition and subject to lease and other contracts. In making its judgement, the Group considers information from a variety of sources including:

- (i) the floor areas of the properties with respect to the consideration from the independent and identified buyer;
- (ii) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (iii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iv) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and using discount rate that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group's properties have been valued individually, on market value basis, which conforms to The Hong Kong Institute of Survey Valuation Standards. In estimating the fair value of the properties, the management of the Group has considered the highest and best use of the properties. The carrying amount of the investment properties and land and buildings as at 30 June 2023 are approximately HK\$6,870,006,000 and HK\$38,866,000 respectively (2022: HK\$6,739,921,000 and HK\$36,840,000 respectively).

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

3.1 Estimation uncertainty *(Continued)*

Allowance for properties under development and completed properties for sale

In determining whether allowances should be made for the Group's properties under development for sale, the Group takes into consideration the current market environment and the estimated market value (i.e. the estimated selling price less estimated costs of selling expenses less estimated costs to completion of the properties). An allowance is made if the estimated market value is less than the carrying amount. If the actual market value on properties under development for sale is less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material provision for impairment losses may result. The carrying amount of the properties under development for sale as at 30 June 2023 is approximately HK\$1,540,561,000 (2022: HK\$1,562,250,000). No impairment loss on properties under development for sale have been written down to net realisable value during the year ended 30 June 2023 (2022: Nil).

Management exercises its judgment in making allowance for completed properties for sale with reference to the existing market environment and the estimated market value of the properties, i.e. the estimated selling price less estimated costs of selling expenses. A specific allowance for completed properties for sale is made if the estimate market value of the property is lower than its carrying amount. If the actual market values of the completed properties for sale are less than expected, as a result of change in market condition, material provision for impairment losses may result. The carrying amount of the completed properties as at 30 June 2023 is approximately HK\$359,440,000 (2022: HK\$389,719,000). No completed properties for sale have been written down to net realisable value during the year ended 30 June 2023 (2022: Nil).

3.2 Critical Accounting Judgements

Accounting for income tax

The Group is subject to income taxes in Hong Kong, The People's Republic of China ("PRC"), Malaysia and Macau. There are transactions and calculations for which the ultimate tax determination is uncertain. Significant management judgement is required in determining the provision of income taxes. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax assets and liabilities in the period in which such determination is made.

In measuring the Group's deferred tax on investment properties measured at fair value, management of the Group have determined that the presumption that the carrying amounts of these investment properties measured using the fair value model were recovered entirely through sales was not rebutted. Deferred tax has been provided at tax rates that are expected to apply upon sales of the investment properties held by the subsidiaries of the Group in Hong Kong, Macau, Malaysia and the PRC.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

3.2 Critical Accounting Judgements *(Continued)*

Accounting for income tax (Continued)

For the properties in the PRC, the tax expenses on changes in fair value of investment properties and properties sales are recognised taking into account the Land Appreciation Tax (“LAT”) and Enterprise Income Tax (“EIT”) payable upon sales of those properties in the PRC. The LAT is determined based on management’s best estimates according to the requirements set forth in the relevant PRC tax laws and regulations and provided at ranges of progressive rates of the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditures. As at 30 June 2023, deferred tax liabilities in relation to the fair value changes of investment properties of approximately HK\$926,091,000 (2022: HK\$907,610,000) have been recognised in the Group’s consolidated statement of financial position as at 30 June 2023.

In addition, deferred tax assets of approximately HK\$45,349,000 (2022: HK\$45,349,000) in relation to tax losses have been recognised in the Group’s consolidated statement of financial position as at 30 June 2023,. The recognition of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

4. REVENUE

The Group’s principal activities are disclosed in Note 1 to these consolidated financial statements. Revenue from the Group’s principal activities recognised during the year is as follows:

| | 2023 | 2022 |
|-------------------|------------------------|-----------------|
| | <i>HK\$’000</i> | <i>HK\$’000</i> |
| Property rentals | 40,997 | 51,009 |
| Estate management | 4,159 | 5,729 |
| | 45,156 | 56,738 |

4. REVENUE (Continued)

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time in the following major product lines and geographical market:

| | Year ended 30 June 2023 | | |
|--|-------------------------|----------------------|---------------|
| | Property rentals | Estate management | Total |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Segments | | | |
| Geographical markets | | | |
| PRC | 3,154 | 2,836 | 5,990 |
| Hong Kong | 37,031 | 1,323 | 38,354 |
| Malaysia | 812 | – | 812 |
| | <u>40,997</u> | <u>4,159</u> | <u>45,156</u> |
| Timing of revenue recognition under HKFRS 15 from external customers | | | |
| At a point in time | – | 4,159 | 4,159 |
| Revenue not in the scope of HKFRS 15 | 40,997 | – | 40,997 |
| | <u>40,997</u> | <u>4,159</u> | <u>45,156</u> |
| Year ended 30 June 2022 | | | |
| | Property rentals | Estate management | Total |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Segments | | | |
| Geographical markets | | | |
| PRC | 4,393 | 4,123 | 8,516 |
| Hong Kong | 46,038 | 1,606 | 47,644 |
| Malaysia | 578 | – | 578 |
| | <u>51,009</u> | <u>5,729</u> | <u>56,738</u> |
| Timing of revenue recognition under HKFRS 15 from external customers | | | |
| At a point in time | – | 5,729 | 5,729 |
| Revenue not in the scope of HKFRS 15 | 51,009 | – | 51,009 |
| | <u>51,009</u> | <u>5,729</u> | <u>56,738</u> |

5. SEGMENT REPORTING

The executive directors of the Company, being the chief operating decision makers, have identified the Group's reportable segments. These reportable segments are monitored and strategic decisions are made on the basis of adjusted segment operating results:

2023

| | Property sales <i>HK\$'000</i> | Property rentals <i>HK\$'000</i> | Estate management <i>HK\$'000</i> | Others <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|--------------------------------------|--|---|---------------------------|--------------------------|
| Revenue | | | | | |
| From external customers | – | 40,997 | 4,159 | – | 45,156 |
| Inter-segment revenue | – | 840 | 23,074 | – | 23,914 |
| Reportable segment revenue | – | 41,837 | 27,233 | – | 69,070 |
| Reportable segment (loss)/profit | (9,937) | 140,100 | 194 | 3,527 | 133,884 |
| Other information: | | | | | |
| Depreciation of property, plant and equipment | 12 | 491 | 84 | – | 587 |
| Depreciation of right-of-use assets | – | 737 | 2,272 | – | 3,009 |
| Income tax expense | 33,662 | 2,352 | – | – | 36,014 |
| Increase in fair value of investment properties | – | 145,091 | – | – | 145,091 |
| Increase in fair value of financial assets at FVTPL | – | – | – | 2,353 | 2,353 |
| Reportable segment assets | 2,700,275 | 6,094,605 | 7,749 | 48,216 | 8,850,845 |
| Reportable segment liabilities | 252,184 | 272,839 | 5,089 | 5,911 | 536,023 |
| Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year | 124 | 9,542 | 272 | – | 9,938 |

5. SEGMENT REPORTING (Continued)

2022

| | Property sales <i>HK\$'000</i> | Property rentals <i>HK\$'000</i> | Estate management <i>HK\$'000</i> | Others <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|--------------------------------------|--|---|---------------------------|--------------------------|
| Revenue | | | | | |
| From external customers | – | 51,009 | 5,729 | – | 56,738 |
| Inter-segment revenue | – | 840 | 26,764 | – | 27,604 |
| Reportable segment revenue | – | 51,849 | 32,493 | – | 84,342 |
| Reportable segment (loss)/ profit | (41,819) | 112,247 | 2,878 | 925 | 74,231 |
| Other information: | | | | | |
| Depreciation of property, plant and equipment | 22 | 487 | 62 | – | 571 |
| Depreciation of right-of-use assets | – | 724 | 2,198 | – | 2,922 |
| Income tax expense | 205,474 | 1,003 | – | – | 206,477 |
| Increase in fair value of investment properties | – | 95,036 | – | – | 95,036 |
| Increase in fair value of financial assets at FVTPL | – | – | – | 816 | 816 |
| Reportable segment assets | 2,752,317 | 5,965,516 | 8,540 | 44,856 | 8,771,229 |
| Reportable segment liabilities | 258,490 | 261,639 | 7,779 | 5,333 | 533,241 |
| Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year | 246 | 8,188 | 296 | – | 8,730 |

5. SEGMENT REPORTING (Continued)

The totals presented for the Group's reportable segments reconcile to the Group's key financial figures as presented in the consolidated financial statements as follows:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Reportable segment revenue | 69,070 | 84,342 |
| Elimination of inter segment revenue | <u>(23,914)</u> | <u>(27,604)</u> |
| Revenue of the Group | <u><u>45,156</u></u> | <u><u>56,738</u></u> |
| Reportable segment profit | 133,884 | 74,231 |
| Unallocated corporate income | 13,022 | 34,937 |
| Unallocated corporate expenses | (39,608) | (36,169) |
| Finance costs | <u>(18,105)</u> | <u>(15,754)</u> |
| Profit before income tax of the Group | <u><u>89,193</u></u> | <u><u>57,245</u></u> |
| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
| Reportable segment assets | 8,850,845 | 8,771,229 |
| Bank balances and cash | 323,525 | 367,383 |
| Other corporate assets | 108,930 | 193,074 |
| Deferred tax assets | <u>17,813</u> | <u>17,952</u> |
| Total assets of the Group | <u><u>9,301,113</u></u> | <u><u>9,349,638</u></u> |
| Reportable segment liabilities | 536,023 | 533,241 |
| Tax payable | 20,090 | 18,411 |
| Interest-bearing borrowings | 863,733 | 867,731 |
| Other corporate liabilities | 172,716 | 154,102 |
| Deferred tax liabilities | <u>926,091</u> | <u>907,610</u> |
| Total liabilities of the Group | <u><u>2,518,653</u></u> | <u><u>2,481,095</u></u> |

5. SEGMENT REPORTING (Continued)

The Group's revenues from external customers and its non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas:

| | Revenue from external customers | | Non-current assets | |
|----------------------|---------------------------------|------------------|--------------------|------------------|
| | 2023 HK\$'000 | 2022 HK\$'000 | 2023 HK\$'000 | 2022 HK\$'000 |
| Hong Kong (domicile) | 38,354 | 47,644 | 3,327,054 | 3,367,553 |
| PRC | 5,990 | 8,516 | 1,747,187 | 1,747,112 |
| Macau | – | – | 1,445,126 | 1,306,364 |
| Malaysia | 812 | 578 | 395,829 | 364,379 |
| | <u>45,156</u> | <u>56,738</u> | <u>6,915,196</u> | <u>6,785,408</u> |

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets (other than financial instruments and deferred tax assets) is based on the physical location of the assets.

The Company is an investment holding company and the principal place of the Group's operation is Hong Kong. For the purpose of segment information disclosures under HKFRS 8, the Group regards Hong Kong as its place of domicile.

No revenue from transaction with single external customer is amounted to 10% or more for the Group's revenue for the year.

6. OTHER INCOME

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Dividend income from listed equity investments | 2,927 | 951 |
| Interest income | 11,531 | 34,357 |
| Government grants (<i>Note</i>) | 601 | – |
| Sundry income | 890 | 580 |
| | <u>15,949</u> | <u>35,888</u> |

Note:

During the year ended 30 June 2023, the Group received funding support amounting to approximately HK\$432,000 from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

7. FINANCE COSTS

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Interest charges on: | | |
| Bank loans and overdrafts | 26,845 | 10,817 |
| Advance from a director | 9,985 | 7,511 |
| Bond | 129 | 808 |
| Other incidental borrowing costs | 2,197 | 3,366 |
| Finance charges on lease liabilities | 44 | 63 |
| | <u>39,200</u> | <u>22,565</u> |
| Total finance costs | 39,200 | 22,565 |
| Less: Interest capitalised into | | |
| – Properties under development for sale (<i>Note</i>) | (21,095) | (6,811) |
| | <u>18,105</u> | <u>15,754</u> |

Note: The borrowing costs have been capitalised to properties under development at a rate from 2.021% to 3.948% (2022: from 0.849% to 1.051%).

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting) the following:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Staff costs (include directors' emoluments) | | |
| Salaries, wages and other benefits | 24,385 | 25,893 |
| Contribution to defined contribution plans (<i>Note (a)</i>) | <u>776</u> | <u>791</u> |
| | <u>25,161</u> | <u>26,684</u> |
| | | |
| Auditors' remuneration | | |
| Current year | 722 | 692 |
| Depreciation of property, plant and equipment | 587 | 571 |
| Depreciation of right-of-use assets | 3,009 | 2,922 |
| Direct outgoings in respect of investment properties that generate rental income | 14,081 | 11,533 |
| Direct outgoings in respect of investment properties that did not generate rental income | 987 | 963 |
| Net exchange loss | 17,747 | 15,446 |
| Lease charges: | | |
| Short term leases | 185 | 195 |
| Loss/(Gain) on redemption of financial assets at FVTOCI | <u>2,830</u> | <u>(245)</u> |

Note:

- (a) As at 30 June 2023 and 2022, there was a sum of approximately HK\$21,000 in the forfeited account of the Group under the MPF Scheme. During the year ended 30 June 2023 and 2022, the Group did not utilise any amount in the forfeited account to reduce the existing level of contributions.

9. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided in the consolidated financial statements as the respective group companies did not have assessable profit in Hong Kong for the year ended 30 June 2023 and 2022 or the assessable profit was set-off against tax loss brought forward from previous years.

Under The New Law and Implementation Regulations, the tax rate of PRC subsidiaries is 25% (2022: 25%).

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---------------------------------|-------------------------|-------------------------|
| Current tax | | |
| PRC EIT | 6 | 2,769 |
| PRC LAT | <u>17,890</u> | <u>204,046</u> |
| | <u>17,896</u> | <u>206,815</u> |
| Deferred tax | | |
| Current year | <u>18,257</u> | <u>(338)</u> |
| Total income tax expense | <u><u>36,153</u></u> | <u><u>206,477</u></u> |

Reconciliation between tax expense and accounting profit at applicable tax rates:

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Profit before income tax | <u><u>89,193</u></u> | <u><u>57,245</u></u> |
| Tax at Hong Kong profits tax rate of 16.5% (2022: 16.5%) | 14,717 | 9,445 |
| Tax effect of non-deductible expenses | 22,663 | 5,347 |
| Tax effect of non-taxable revenue | (40,021) | (16,522) |
| Tax effect of differences in overseas tax rates | (5,143) | 4,732 |
| Tax effect of unused tax losses not recognised | 28,867 | 1,972 |
| Tax effect of utilisation of unrecognised tax losses | (2,820) | (2,543) |
| LAT | <u>17,890</u> | <u>204,046</u> |
| Income tax expense | <u><u>36,153</u></u> | <u><u>206,477</u></u> |

10. DIVIDENDS

(a) Dividends attributable to the year

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Interim dividend of HK1.75 cents (2022: HK1.50 cents) per ordinary share | 11,421 | 9,790 |
| Proposed final dividend of HK3.00 cents (2022: HK2.00 cents) per ordinary share (<i>Note</i>) | <u>19,580</u> | <u>13,054</u> |
| | <u><u>31,001</u></u> | <u><u>22,844</u></u> |

Note:

The final dividend proposed after the reporting date has not been recognised as a liability at the reporting date.

(i) Dividends attributable to the previous financial year, approved and paid during the year

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Final dividend in respect of the previous financial year, of HK2.00 cents (2021: HK3.00 cents) per ordinary share | <u>13,054</u> | <u>19,580</u> |

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|------------|-------------------------|-------------------------|
| Dividends: | | |
| Cash | <u>13,054</u> | <u>19,580</u> |

11. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share is based on the following data:

Earnings/(Loss)

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Profit/(Loss) attributable to the owners of the Company for the purpose of calculating basic and diluted earnings/(loss) per share | <u>21,202</u> | <u>(149,187)</u> |

Number of shares

| | 2023 | 2022 |
|--|--------------------|--------------------|
| Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share | <u>652,676,781</u> | <u>652,676,781</u> |

Dilutive earnings/(loss) per share for 2023 and 2022 are the same as basic earnings/(loss) per share as there was no potential ordinary share outstanding as at 30 June 2023 and 2022.

12. TRADE AND OTHER RECEIVABLES

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|-------------------------------|-------------------------|-------------------------|
| Trade receivables | | |
| From third parties | <u>2,437</u> | <u>3,080</u> |
| Other receivables | | |
| Prepaid expenses | 6,969 | 7,302 |
| Costs for obtaining contracts | 6,773 | 6,368 |
| Utilities deposits | 2,440 | 2,501 |
| Other deposits | 693 | 693 |
| Other | <u>7,936</u> | <u>6,402</u> |
| | <u>24,811</u> | <u>23,266</u> |
| | <u>27,248</u> | <u>26,346</u> |

12. TRADE AND OTHER RECEIVABLES (Continued)

The trade receivables of the Group represent rental and management fee in arrears. The Group maintains a credit policy to minimise any credit risk associated with trade receivables. As at the end of the reporting period the ageing analysis of the trade receivables (which is included in trade and other receivables), based on the debit note or invoice date, is as follows:

| | 2023 | 2022 |
|--------------|-----------------|-------------|
| | HK\$'000 | HK\$'000 |
| 0-30 days | 1,552 | 2,052 |
| 31-60 days | 136 | 346 |
| 61-90 days | 159 | 104 |
| Over 90 days | 590 | 578 |
| | <hr/> | <hr/> |
| | 2,437 | 3,080 |
| | <hr/> <hr/> | <hr/> <hr/> |

Trade receivables are due upon presentation of invoices.

The Group has no significant concentrations of credit risk, and sufficient rental deposits are held to cover potential exposure to credit risk.

Other receivables included deposits paid to constructors to perform repair and maintenance works for the Group's investment properties and properties under development. The credit risk of deposits paid is considered to be low, therefore the impact on ECL is considered immaterial.

13. OTHER PAYABLES

| | 2023 <i>HK\$'000</i> | 2022 <i>HK\$'000</i> |
|----------------------------|-------------------------|-------------------------|
| Tenant deposits | 8,637 | 8,950 |
| Other payable and accruals | <u>144,131</u> | <u>122,145</u> |
| | <u><u>152,768</u></u> | <u><u>131,095</u></u> |

The carrying values of other payables are considered to be a reasonable approximation of their fair value.

Other payable and accruals mainly included value-added tax and other tax payable for sales of properties in PRC amounted to HK\$93,557,000 (2022: HK\$93,557,000).

A provision of compensation loss amounted to HK\$11,000,000 was recognised in other payable and accruals.

14. AMOUNTS DUE TO A RELATED COMPANY/NON-CONTROLLING SHAREHOLDERS

The amounts due are unsecured, interest-free and repayable on demand. The carrying amounts of the amounts due approximate their fair values.

A director of the Company is also the beneficial owner of the related company.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Financial Highlights

Revenue for the year ended 30 June 2023 (the “Year”) amounted to HK\$45,156,000 (2022: HK\$56,738,000), a 20.4% decrease as compared with last year. There was no properties sold during the Year (2022: HK\$Nil).

For property leasing, the Year recorded a decrease of 19.6% in rental income as compared with the corresponding year in 2022, amounting HK\$40,997,000 (2022: HK\$51,009,000).

Gross profit for the Year amounted to HK\$27,752,000, as compare to a gross profit of HK\$8,745,000 with the corresponding year.

Other income recorded a decrease of 55.6% to HK\$15,949,000 when compared with last year. The other income for the Year were mainly attributed to dividend income and interest income. Positive change in fair value of financial assets at fair value through profit or loss amounted to HK\$2,353,000 (2022: HK\$816,000). Positive change in fair value of investment properties amounted to HK\$145,091,000 (2022: HK\$95,036,000). Expected credit loss of financial assets at fair value through other comprehensive income amounted to HK\$14,210,000 (2022: HK\$4,379,000) which related to debentures default in interest payment and downgrading on credit rating. Administrative expenses increased by 10.3% to HK\$69,637,000 as compared with last year. Finance costs increased by 14.9% to HK\$18,105,000 as compared with last year. The increase was mainly due to increase in interest rate during year. Income tax expenses decreased to HK\$36,153,000 (2022: HK\$206,477,000) which was mainly due to decrease in land appreciation tax in China as no sale of properties in Shenzhen during year.

Profit attributable to owners of the Company for the Year was HK\$21,202,000 (2022: loss HK\$149,187,000). Basic earnings per share was HK\$0.03 (2022: loss per share HK\$0.23) and fully diluted earnings per share was HK\$0.03 (2022: loss per share HK\$0.23).

A final dividend of HK3.0 cents (2022: HK2.0 cents) was proposed together with the interim dividend of HK1.75 cents (2022: HK1.5 cents) a total of HK4.75 cents (2022: HK3.5 cents) for the year ended 30 June 2023.

Total Equity Attributable To The Owners Of The Company

As at 30 June 2023, the Group's total equity attributable to the owners of the Company amounted to approximately HK\$6,573,558,000 (2022: HK\$6,691,479,000), a decrease of HK\$117,921,000 or 1.8% when compared with 30 June 2022. With the total number of ordinary shares in issue of 652,676,781 as at 30 June 2023 (2022: 652,676,781 shares), the total equity attributable to the owners of the Company per share was HK\$10.07, representing a decrease of 1.8% compared to HK\$10.25 as at 30 June 2022.

Other than the existing projects and those disclosed in the annual report, the Group did not have any confirmed future plans for material investment or acquiring capital assets.

Investment In Financial Assets At Fair Value Through Profit Or Loss And Other Comprehensive Income

As at 30 June 2023, the fair value of investment in listed securities and perpetual note and debentures amounted to HK\$48,216,000 and HK\$69,114,000 respectively were classified as the financial assets at fair value through profit or loss and at fair value through other comprehensive income. During the Year, the portfolio on listed securities was increased by purchase of HK\$1,007,000 (2022: Nil), gain on fair value of HK\$2,353,000 (2022: HK\$816,000). For perpetual note and debenture, a total of HK\$88,583,000 (2022: HK\$2,087,000) was redeemed and an expected credit loss of HK\$14,210,000 (2022: HK\$4,379,000) was provided. The investment in financial assets as at 30 June 2023 represented 1.3% (2022: 2.1%) of the total assets, which formed part of the Group's cash management activities.

Equity

The number of issued ordinary shares as at 30 June 2023 and 30 June 2022 were 652,676,781 and 652,676,781 respectively.

Debts And Gearing

As at 30 June 2023, the Group's bank and other borrowings amounted to HK\$1,036,449,000 (2022: HK\$1,021,833,000). Cash and bank balances amounted to HK\$323,525,000 (2022: HK\$367,383,000) and net borrowing of HK\$712,924,000 (2022: HK\$654,450,000).

Total debts to equity ratio was 15.8% (2022: 15.3%) and net debts to equity ratio was 10.8% (2022: 9.8%). The increase in the total debt to equity ratio and net debts to equity were mainly due to decrease in bank balances during the year.

As at 30 June 2023, the Group's bank and other borrowings were denominated in Hong Kong dollars. Of the Group's total bank and other borrowings HK\$1,036,449,000 (2022: HK\$1,021,833,000), 39.2% and 60.8% were repayable within 1 year and 1 to 2 years (2022: 100% repayable within 1 year) respectively by reference to the repayment on demand clause based on scheduled repayments of the loan agreement. The Group's bank and other borrowings carried interest rates by reference to Hong Kong Interbank Offer Rate ("HIBOR.")

Pledge Of Assets

As at 30 June 2023, the Group's investment properties, properties held for sales and land and building with carrying values of approximately HK\$2,737,895,000 (2022: HK\$3,274,328,000), HK\$Nil (2022: HK\$1,539,000) and HK\$38,866,000 (2022: HK\$36,840,000) respectively were pledged to secure general banking facilities of the Group.

Finance Costs

Financial costs included interest expenses on bank and other loans, arrangement, facility and commitment fee expenses. Interest capitalized for the Year was HK\$21,095,000 as compared to HK\$6,811,000 for the last year. Interest expenses for the Year amounted to HK\$18,105,000, representing 14.9% increase over the interest expenses of HK\$15,754,000 recorded for the last year. The increase in interest expense was mainly due to the combined effect of increase in bank loans interest and other borrowing cost during the Year. The average interest rate over the year under review was 1.8% (2022: 1.6%) which was expressed as a percentage of total interest expenses over the average total borrowing.

Property Valuation

A property valuation has been carried out by Messrs. Roma Appraisals Limited and K.T. Liu Surveyors Limited in respect of the Group's investment properties and certain property, plant and equipment as at 30 June 2023 and that valuation was used in preparing 2023 financial statements. The Group's investment properties and investment properties under development were valued at HK\$5,017,524,000 and HK\$1,852,482,000 respectively making the total HK\$6,870,006,000 (2022: investment properties and investment properties under development were valued at HK\$5,052,688,000 and HK\$1,687,233,000 making the total HK\$6,739,921,000). The increase in fair value of approximately HK\$145,091,000 (2022: HK\$95,036,000) was credited to the income statement for the Year. The Group land and building held for a director's quarter carried at fair value were valued at HK\$38,866,000 (2022: HK\$36,840,000). The increase in fair value of HK\$2,763,000 (2022: HK\$1,364,000) for the Year were recorded in property revaluation reserves. Properties under development for sale of the Group were stated at lower of cost or net realizable value in the financial statements.

RISK MANAGEMENT

The Group has established adequate risk management procedures that enable it to identify, measure, monitor and control the various types of risk it faces. This is supplemented by active management involvement and effective internal controls in the best interests of the Group.

REMUNERATION POLICIES AND SHARE OPTION SCHEME

As at 30 June 2023, the Group employed a total of 54 (as at 30 June 2022: 75) staff.

Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration packages comprised salary, year end double pay and year end discretionary bonus based on market conditions and individual performance. The Executive Directors continued to review employees' contributions and to provide them with necessary incentives and flexibility for their better commitment and performance. No share option scheme was adopted for the Year.

FINANCIAL KEY PERFORMANCE INDICATOR

Profit Attributable To Owners Of The Company and Earnings Per Share

The Company uses the profit attributable to owners of the company and earnings per share as the Group's as the financial key performance indicator. The Company's aim to increase the Group's profit attributable to owners of the company and earnings per share. We compare the profit against the previous period as a measure of the performance. Detail refer to Financial Highlight section.

INTERNAL CONTROL

The Group has appointed external professional firm to perform periodic review on the internal control of the Group. Current year review has completed and some minor weakness have been identified. The Group will carry out necessary procedures to improve these control weaknesses.

ENVIRONMENTAL POLICIES AND COMPLIANCE

Our environmental policy is to meet all the environmental legislations which relate to our operation.

A review on the performance on our environmental policy has been carried out.

KEY RELATIONSHIPS

Relationships with vendors

We have established relationships with numbers of suppliers for the construction and renovation work in Hong Kong, PRC and Malaysia. Other than one supplier relating to our construction work which recently has financial problem, the work originally carried by the contractor has been reassigned to other contractor. Other than this, there is no major events affecting our relationships with our suppliers.

Relationships with customers

Our sale and leasing team maintain good relationship with our customers especially our tenants.

Relationships with employees

During the Period, we are not aware of any major event affecting our relationships with our employees.

Business Review

Hong Kong Properties

1. One Kowloon Peak at No. 8 Po Fung Terrace, Ting Kau, Tsuen Wan

Two out of eleven buyers of Phase 1 has rescinded the Sale and Purchase Agreement recently, the total no. of units sold now is 9 and above 50% of the remaining units are rented.

2. Villa Cecil Phase II, 192 Victoria Road, Pokfulam

The occupancy rate of Phase 2 maintained at 60%.

3. Villa Cecil Phase III, 216 Victoria Road, Pokfulam

The occupancy rate of the two blocks has reached 60%.

4. Cheuk Nang Lookout, 30 Severn Road, The Peak

The renovation of the two villas to enhance the quality is completed.

5. New Villa Cecil, No. 33 Cheung Chau Sai Tai Road, Cheung Chau

Over 40% of the villas in Phase 1 are leased out.

The construction work of the development has been completed and Occupation Permit has been applied.

China Properties

Cheuk Nang Garden

Longhwa, Shenzhen

The sale campaign was resumed after the Chinese New Year and up till now, a total of 9 units were sold and the sales amount to RMB54.18 million.

Cheuk Nang • Riverside

Yue Hang Qu, Hangzhou

The construction of the development is completed and planning acceptance was approved.

Macau Properties

Golden Cotai No. 1

Estrada de Seac Pai Van, Coloane

The company has submitted an application for land renewal through our local lawyer in Macau in April 2021. According to the lawyer's report, until now, the DSSOPT is still making a proposal to suggest the director will submit to the Chief Executive to grant the contract for change of land use and at the same time grant lease renewal for ten years. The Public Works Bureau has confirmed that the change of land use is consistent with the use stipulated in the "Macau Special Administrative Region Urban Master Plan". A definite reply from the DSSOPT is still pending.

Malaysia Properties

Phase I "Parkview"

Lot 1359, Section 57, Lorong Perak, Kuala Lumpur

The occupancy of the serviced apartments currently is 50% and upgrading the property to improve the occupancy is in progress.

Phase II "Cecil Central Residence"

Lot 11385 and 11386, Section 57, Lorong Perak, Kuala Lumpur

The main podium is completed up to Level 5.

OUTLOOK

Despite the difficulties and uncertainties, the outlook for the Hong Kong economy is relatively positive. As a small and open economy, Hong Kong must prepare itself to adapt to the evolving global falling economies. Amid rising protectionism and trade barriers, the Government is keen to foster closer commercial, trade and investment relations with developing Asian economies with the support of China.

Internally, Hong Kong faced a problem of full employment and lack of talent. The Government has introduced new policies for recruiting foreign talent or workers by simplifying the requirements and the procedures. The effectiveness of this policy is yet to be observed.

FINAL DIVIDEND

The Directors resolved to recommend the payment of a final dividend of HK3.00 cents (2022: HK2.00 cents) per share payable to those shareholders whose names appeared in the register of members as at the close of business on 30 November 2023, which together with the interim dividend of HK1.75 cents (2022: HK1.50 cents) per share, makes a total distribution of HK4.75 cents (2022: HK3.50 cents) per share this year.

After approval by the shareholders at the Annual General Meeting, the final dividend will be paid on 14 December 2023.

CLOSURE OF REGISTER

The register of members of the Company will be closed during the following periods:–

- (i) from Thursday, 16 November 2023 to Wednesday, 22 November 2023 (both days inclusive) during which period no transfers of shares would be effected. In order to qualify to attend and vote at the 2023 Annual General Meeting, all transfer of shares together with the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 15 November 2023.
- (ii) From Tuesday, 28 November 2023 to Thursday, 30 November 2023 (both days inclusive) during which period no transfers of shares would be effected. In order to qualify for the final dividend, all transfer of shares together with the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 27 November 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS (THE "MODEL CODE")

The Company has adopted codes of conduct regarding securities transactions by Directors (the "Securities Code") and relevant employees on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 of the Listing Rules throughout the year ended 30 June 2023. The Company had also made specific enquiries of all Directors and the Company was not aware of any non-compliance with the required standard of dealings set out in the Model Code.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the provisions of the Corporate Governance Code (“CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except the following:–

- (i) the non-executive directors were not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Bye-Laws of the Company. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the CG Code;
- (ii) the role and responsibilities of Chairman and the Chief Executive Officer are not separated as we are still looking for suitable person to act as Chief Executive Officer.

BOARD AUDIT COMMITTEE

The results for the year ended 30 June 2023 have been reviewed by the Audit Committee of the Company. The Group’s consolidated financial statements have been audited by the Company’s auditor, Grant Thornton Hong Kong Limited and they have issued an unqualified opinion.

INFORMATION REQUIRED UNDER SECTION 436 OF THE COMPANIES ORDINANCE

The financial information relating to the Company for the years ended 30 June 2022 and 2023 included in the Announcement is derived from, but does not constitute the Company’s statutory annual consolidated financial statements for these two years.

The Company has delivered the financial statements for the year ended 30 June 2022 to the Registrar of Companies of Hong Kong as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 30 June 2023 to the Registrar of Companies of Hong Kong within the prescribed time limit.

The Company's auditor has reported on the financial statements of the Group for both the years ended 30 June 2023 and 2022. The auditor's reports were 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 Companies Ordinance.

By order of the Board
HO SAU FUN CONNIE
Company Secretary

Hong Kong, 26 September 2023

As at the date of this announcement, the Executive Directors are Dr. Chao Sze Tsung Cecil (Chairman), Ms. Chao Gigi (Vice Chairman) and Ms. Ho Sau Fun, Connie; the Non-Executive Director are Mr. Chao Howard and Mr. Lee Ding Yue Joseph; the Independent Non-Executive Directors are Mr. Ting Woo Shou, Kenneth, Mr. Lam Ka Wai, Graham and Mr. Sun Dai Hoe Harold.