建業實業有限公司

Chinney Investments, Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 216)

2024-25 INTERIM RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

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

Financial results

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

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

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

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

Interim dividend

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

Business review

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

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

(1) Property Development

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

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

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

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

(2) Property Investment

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

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

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

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

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

(3) Property Investment – Valuation

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

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

(4) Construction, engineering, and Trading

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

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

Outlook

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

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

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

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

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

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

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

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

James Sing-Wai Wong
Chairman

Hong Kong, 27 November 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

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

Notes:

1. Basis of preparation and changes in accounting policies and disclosures

Basis of preparation

The unaudited condensed interim consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The unaudited condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2024.

The financial information relating to the year ended 31 March 2024 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 September 2024 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance") is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 March 2024 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Changes in accounting policies and disclosures

The unaudited condensed interim consolidated financial statements have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. The accounting policies adopted in the preparation of the unaudited condensed interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2024, except as described below. The Group has applied, for the first time, the following revised Hong Kong Financial Reporting Standards ("HKFRS", which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA for the current period's financial information.

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

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

2. Operating segment information

The Group is principally engaged in property development, property investment and property related activities. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Operating segments are reported in a manner consistent with the internal reporting provided to key management personnel.

(a) Business segments

	Six months ended 30 September 2024 (Unaudited)			
	Property development *HK$'000*	**Property investment** *HK$'000*	**Property, carpark management and others** *HK$'000*	**Total** *HK$'000*
Segment revenue:				
Sales to external customers	**52,643**	**245,925**	**24,353**	**322,921**
Segment results	**31,903**	**78,777**	**(5,334)**	**105,346**
Reconciliation:				
Interest income				**7,800**
Corporate and other unallocated expenses				**(6,333)**
Fair value gain on a financial asset at fair value through profit or loss				**391**
Finance costs (other than interest on lease liabilities)				**(171,504)**
Share of profits of associates, net				**35,540**
Share of loss of a joint venture				**(1,245)**
Loss before tax				**(30,005)**

	Six months ended 30 September 2023 (Unaudited)			
	Property development *HK$'000*	Property investment *HK$'000*	Property, carpark management and others *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	386,441	234,188	30,123	650,752
Segment results	180,669	160,155	968	341,792
Reconciliation:				
Interest income				11,989
Corporate and other unallocated expenses				(11,840)
Fair value loss on a financial asset at fair value through profit or loss				(386)
Finance costs (other than interest on lease liabilities)				(181,435)
Share of losses of associates				(2,727)
Profit before tax				157,393

2. Operating segment information *(Continued)*

(a) Business segments *(Continued)*

	At 30 September 2024 (Unaudited)			
	Property development *HK$'000*	**Property investment** *HK$'000*	**Property, carpark management and others** *HK$'000*	**Total** *HK$'000*
Segment assets	**1,736,514**	**16,560,606**	**2,737,012**	**21,034,132**
Reconciliation:				
Elimination of intersegment receivables				**(3,066,516)**
Investments in joint ventures				**391,884**
Investments in associates				**1,319,127**
Financial assets at fair value through profit or loss				**32,772**
Financial assets at fair value through other comprehensive income				**101,767**
Corporate and other unallocated assets				**1,334,708**
Total assets				**21,147,874**
Segment liabilities	**1,209,056**	**2,071,998**	**204,643**	**3,485,697**
Reconciliation:				
Elimination of intersegment payables				**(3,066,516)**
Corporate and other unallocated liabilities				**8,955,935**
Total liabilities				**9,375,116**

	At 31 March 2024 (Audited)			
	Property development *HK$'000*	Property investment *HK$'000*	Property, carpark management and others *HK$'000*	Total *HK$'000*
Segment assets	1,456,754	16,152,154	2,890,795	20,499,703
Reconciliation:				
Elimination of intersegment receivables				(3,066,550)
Investments in associates				1,268,855
Investments in joint ventures				393,129
Financial assets at fair value through profit or loss				32,381
Financial assets at fair value through other comprehensive income				99,624
Corporate and other unallocated assets				1,346,984
Total assets				20,574,126
Segment liabilities	1,172,341	1,914,248	270,283	3,356,872
Reconciliation:				
Elimination of intersegment payables				(3,066,550)
Corporate and other unallocated liabilities				8,942,259
Total liabilities				9,232,581

2. Operating segment information *(Continued)*

(b) Geographical segments – Revenue

	Six months ended 30 September 2024 (Unaudited) HK$'000	2023 (Unaudited) HK$'000
Hong Kong	**105,859**	101,704
Mainland China	**213,016**	549,048
Japan	**4,046**	-
	322,921	650,752

3. Revenue, Other income and gains

Disaggregation of revenue

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

Six months ended 30 September 2024 (Unaudited)

	Property development *HK$'000*	Property investment *HK$'000*	Property, carpark management and others *HK$'000*	Total *HK$'000*
Segment				
Type of goods or services				
Sales of properties	52,643	-	-	52,643
Property management income	-	20,066	1,262	21,328
Total revenue from contracts with customers	52,643	20,066	1,262	73,971
Revenue from other sources				
Gross rental income	-	225,859	23,091	248,950
Total revenue from other sources	-	225,859	23,091	248,950
Revenue disclosed in the segment information	52,643	245,925	24,353	322,921
Timing of revenue recognition				
Goods transferred at a point in time	52,643	-	-	52,643
Services transferred over time	-	20,066	1,262	21,328
Total revenue from contracts with customers	52,643	20,066	1,262	73,971

3. Revenue, Other income and gains *(Continued)*

Disaggregation of revenue *(Continued)*

	Six months ended 30 September 2023 (Unaudited)			
	Property development *HK$'000*	Property investment *HK$'000*	Property, carpark management and others *HK$'000*	Total *HK$'000*
Segment				
Type of goods or services				
Sales of properties	386,441	-	-	386,441
Property management income	-	19,886	1,190	21,076
Total revenue from contracts with customers	386,441	19,886	1,190	407,517
Revenue from other sources				
Gross rental income	-	214,302	28,933	243,235
Total revenue from other sources	-	214,302	28,933	243,235
Revenue disclosed in the segment information	386,441	234,188	30,123	650,752
Timing of revenue recognition				
Goods transferred at a point in time	386,441	-	-	386,441
Services transferred over time	-	19,886	1,190	21,076
Total revenue from contracts with customers	386,441	19,886	1,190	407,517

Other income and gains, net

	Six months ended 30 September	
	2024 (Unaudited) *HK$'000*	2023 (Unaudited) *HK$'000*
Bank interest income	**7,800**	11,989
Others	**25,469**	18,007
	33,269	29,996

4. Finance costs

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

5. Profit/(loss) before tax

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

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

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

6. Income tax

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

No Hong Kong profits tax has been provided as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

7. Loss per share attributable to ordinary equity holders of the Company

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

No adjustment has been made to the basic loss per share amounts presented for the periods ended 30 September 2024 and 2023 in respect of a dilution as the Group has no potential dilutive ordinary shares in issue during both periods.

8. Dividend

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

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

9. Trade receivables

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice/contract date, is as follows:

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

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of the consideration in respect of the sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue trade debts are closely monitored by management and are provided for in full in case of non-recoverability. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. The carrying amounts of the trade receivables approximate to their fair values.

10. Trade payables, other payables, accrued liabilities and others

Included in the trade payables, other payables, accrued liabilities and others are trade payables of HK$7,992,000 (as at 31 March 2024: HK$8,916,000). An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	At 30 September 2024 (Unaudited) ***HK$'000***	At 31 March 2024 (Audited) *HK$'000*
Within 30 days	**7,992**	8,916

11. Contingent liabilities

(a) As at 30 September 2024, the Group has given a guarantee of HK$487,500,000 (as at 31 March 2024 (audited): HK$487,500,000) to a bank in connection with a facility granted to a joint venture and such banking facility guaranteed by the Group to the joint venture was utilised to the extent of HK$237,500,000 (as at 31 March 2024 (audited): HK$237,500,000).

(b) As at 30 September 2024, the Group has given guarantees of HK$164,122,000 (as at 31 March 2024 (audited): HK$27,840,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date the loans are granted to the purchasers up to the date of issuance of property ownership certificates to the purchasers.

12. Event after reporting period

As set out in the announcement jointly published by the Company and Hon Kwok Land Investment Company, Limited (Stock Code: 160) ("Hon Kwok", together with its subsidiaries, "Hon Kwok Group") on 28 May 2024, The Bauhinia Hotels Group Japan 2 合同会社 (Godo Kaisha), a solely funded and controlled company under Hon Kwok Group's 60% joint venture company, entered into the sale and purchase agreement (the "Disposal") with the Purchaser (as defined in the joint announcement) to dispose of its hotel property in Asakusa of Japan at a consideration of approximately JPY1,872.5 million (equivalent to approximately HK$95.50 million). The Disposal was expected to take place on or before 31 July 2024.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

1. Property

(1) Property Development

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

(i) Property Development – Mainland China

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

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

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

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

(ii) Property Development – Hong Kong

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

(2) Property Investment

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

(i) Property Investment – Mainland China

Our Group's Mainland China portfolio of investment properties consist of seven key projects with an aggregate gross floor area of approximately 452,660 square meters. These include (i) Hon Kwok City Commercial Centre, a commercial/office building at the Fu Tian District of Shenzhen, (ii) City Square/The Bauhinia Hotel (Shenzhen), a commercial podium comprising shops and hotel rooms at the Luo Hu District of Shenzhen, (iii) City Suites, serviced apartment units atop of City Square (iv) Ganghui Dasha, a commercial/office building at the Yue Xiu District of Guangzhou, (v) the Chongqing Hon Kwok Centre, a twin-tower office building at the Bei Bu Xin Qu of Chongqing, (vi) the Chongqing Jinshan Shangye Zhongxin, an office tower and a hotel/office tower adjacent to Chongqing Hon Kwok Centre; and (vii) Nexxus, Jing'an, a four-storey premises in Jing'an, Shanghai. The portfolio achieved an average occupancy rate of 72% (2023: 75%).

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

(ii) Property Investment – Hong Kong

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

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

(iii) Property Investment – Japan

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

(iv) Property Investment – Valuation

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

(3) Property, carpark management and others

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

2. Property under redevelopment plan

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

3. Construction and Trading

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

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

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

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

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

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

Financial review

Liquidity and financial resources

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

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

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

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

Funding and treasury policies

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

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

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

Pledge of assets

Properties with an aggregate carrying value of approximately HK$16,728 million as at 30 September 2024 and shares in certain subsidiaries were pledged to secure certain banking facilities of the Group.

Employees and remuneration policies

The Group, not including its associates and joint ventures, employed approximately 350 employees as at 30 September 2024 (as at 31 March 2024: approximately 370). There have been no significant changes in the remuneration policies and benefits to the employees of the Group.

CONNECTED TRANSACTIONS

On 26 September 2022, Honour Well Development Limited ("Honour Well"), Hon Kwok's indirect wholly-owned subsidiary, entered into a framework agreement with each of Chinney Construction Company, Limited ("Chinney Construction") and Shun Cheong Building Services Limited ("Shun Cheong"), both being indirect wholly-owned subsidiaries of Chinney Alliance, pursuant to which, Chinney Construction was appointed by Honour Well as the contractor for the builder's works at the contract sum of not exceeding HK$96,300,000 and Shun Cheong was appointed by Honour Well as the contractor for the mechanical and electrical engineering works and façade works at the contract sum of not exceeding HK$141,000,000 relating to the revamp project of the building located at 119-121 Connaught Road Central, Sheung Wan, Hong Kong. As the Company is interested in approximately 68.09% of the issued shares of Hon Kwok and approximately 29.10% of the issued shares of Chinney Alliance and Dr. James Sai-Wing Wong is a controlling shareholder, the then executive director and Chairman of each of the Company, Hon Kwok and Chinney Alliance, the related transactions constituted connected transactions for each of the Company, Hon Kwok and Chinney Alliance under the Listing Rules. The transactions were approved by the independent shareholders of the Company, Hon Kwok and Chinney Alliance at the respective general meetings held by each of the companies on 28 November 2022.

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

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 C3 to the Listing Rules as its own code of conduct for directors' securities transactions. Having made specific enquiry, all the directors have confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30 September 2024.

Compliance with the Corporate Governance Code

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Listing Rules for the six months ended 30 September 2024, except for the following deviation:

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

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

The Chairman and the Managing Director will not be subject to retirement by rotation; which deviates from CG Code provision B.2.2 as the Board considers that the continuity of office of the Chairman and the Managing Director provide the Group with a strong and consistent leadership and is of great importance to the smooth operations of the Group.

Audit Committee

Regular meetings have been held by the Audit Committee of the Company since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Company's interim results for the six months ended 30 September 2024 have not been audited, but have been reviewed by the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2024.

By Order of the Board
James Sing-Wai Wong
Chairman

Hong Kong, 27 November 2024

At the date of this announcement, the directors of the Company are Mr. James Sing-Wai Wong (Chairman), Mr. Yuen-Keung Chan (Vice Chairman and Managing Director) and Mr. Donald Yin-Shing Lam as executive directors; Dr. Emily Yen Wong as non-executive director; and Mr. Richard Chi-Ho Lo, Mr. Winfred Wai-Lap Fan, Mr. Randall Todd Turney and Mr. Stephen Henry Chu as independent non-executive directors.