*The following is the text of a report set out on pages I-1 to I-83, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this listing document.*

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF KRP DEVELOPMENT HOLDINGS LIMITED AND DONGXING SECURITIES (HONG KONG) COMPANY LIMITED**

**Introduction**

We report on the historical financial information of KRP Development Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-83 which comprises the consolidated statements of financial position of the Group as at 31 March 2020, 2021 and 2022 and 30 September 2022, the statements of financial position of the Company as at 31 March 2021 and 2022 and 30 September 2022, the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-83 forms an integral part of this report, which has been prepared for inclusion in the listing document of the Company dated 3 March 2023 (the "**Listing Document**") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

**Directors' responsibility for Historical Financial Information**

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial

Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's financial position as at 31 March 2021 and 2022 and 30 September 2022, and the Group's financial position as at 31 March 2020, 2021 and 2022 and 30 September 2022, and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

**Review of stub period corresponding financial information**

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 September 2021 and other explanatory information (the "**Stub Period Corresponding Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

## REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

### Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

### Dividends

We refer to note 24(e) to the Historical Financial Information which contains information about the dividends paid in respect of the Relevant Periods.

### No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

**KPMG**
*Certified Public Accountants*
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
3 March 2023

## HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

*(Expressed in Renminbi ("**RMB**"))*

| | | Years ended 31 March | | | Six months ended 30 September | |
|---|---|---|---|---|---|---|
| | *Note* | 2020 | 2021 | 2022 | 2021 | 2022 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| **Revenue** | *4* | 481,778 | 590,803 | 775,555 | 359,868 | 473,010 |
| Cost of revenue | | (132,756) | (161,477) | (188,554) | (88,717) | (118,577) |
| **Gross profit** | | 349,022 | 429,326 | 587,001 | 271,151 | 354,433 |
| Other net income/gains | *6* | 2,368 | 1,153 | 2,547 | 820 | 1,688 |
| Selling expenses | | (16,665) | (17,989) | (10,533) | (4,558) | (8,150) |
| General and administrative expenses | | (16,588) | (31,427) | (29,600) | (9,502) | (18,180) |
| **Operating profit** | | 318,137 | 381,063 | 549,415 | 257,911 | 329,791 |
| Finance income | *7(a)* | 7,198 | 9,235 | 12,764 | 5,722 | 3,507 |
| Finance costs | *7(a)* | (11,021) | (314) | (4,018) | (941) | (2,185) |
| Finance (costs)/income, net | | (3,823) | 8,921 | 8,746 | 4,781 | 1,322 |
| **Profit before taxation** | *7* | 314,314 | 389,984 | 558,161 | 262,692 | 331,113 |
| Income tax charge | *8(a)* | (185,377) | (229,481) | (314,501) | (147,427) | (187,986) |
| **Profit for the year/period** | | 128,937 | 160,503 | 243,660 | 115,265 | 143,127 |
| Earnings per share — Basic and diluted | *11* | N/A | N/A | N/A | N/A | N/A |

The accompanying notes form part of the Historical Financial Information.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*(Expressed in RMB)*

| | Years ended 31 March | | | Six months ended 30 September | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| **Profit for the year/period** | 128,937 | 160,503 | 243,660 | 115,265 | 143,127 |
| **Other comprehensive income for the year/period** | | | | | |
| Item that will not be reclassified to profit or loss: | | | | | |
| Remeasurement of provision for long service payments | — | (243) | 105 | — | — |
| Item that may be reclassified subsequently to profit or loss: | | | | | |
| Exchange differences on translation of financial statements of operations outside Mainland China | (24,407) | 28,589 | 13,674 | 6,057 | (42,104) |
| Other comprehensive income for the year/period | (24,407) | 28,346 | 13,779 | 6,057 | (42,104) |
| **Total comprehensive income for the year/period** | 104,530 | 188,849 | 257,439 | 121,322 | 101,023 |

The accompanying notes form part of the Historical Financial Information.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*(Expressed in RMB)*

| | Note | As at 31 March | | | As at 30 September |
|---|---|---|---|---|---|
| | | 2020 | 2021 | 2022 | 2022 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current assets** | | | | | |
| Property, plant and equipment | *12* | 1,934 | 1,134 | 4,284 | 4,387 |
| Investment properties | *13* | 76,250 | 76,400 | 77,300 | 77,790 |
| Deferred tax assets | *21(b)* | 56,666 | 93,997 | 148,235 | 83,242 |
| Other non-current assets | *15* | 43 | — | — | — |
| | | 134,893 | 171,531 | 229,819 | 165,419 |
| **Current assets** | | | | | |
| Inventories and other contract costs | *14* | 786,571 | 953,559 | 1,029,885 | 914,399 |
| Prepayments, deposits and other receivables | *15* | 39,159 | 52,333 | 86,599 | 97,468 |
| Amounts due from related companies | *27(d)* | 489,502 | 576,305 | 35,819 | 6,074 |
| Prepaid taxes | *21(a)* | 198 | 4 | 247 | |
| Pledged deposits | *16* | 50,000 | — | 68,731 | 21,931 |
| Cash and bank deposits | *17(a)* | 220,635 | 446,860 | 524,099 | 369,644 |
| | | 1,586,065 | 2,029,061 | 1,745,380 | 1,409,516 |
| **Current liabilities** | | | | | |
| Bank borrowings | *18* | 25,157 | 85,747 | 236,479 | 146,698 |
| Trade and other payables | *19* | 82,904 | 46,215 | 164,972 | 81,542 |
| Lease liabilities | *22* | — | — | 514 | 500 |
| Contract liabilities | *20* | 176,037 | 359,239 | 407,227 | 133,461 |
| Amounts due to related companies | *27(d)* | 466,536 | 543,328 | — | 30,155 |
| Current tax payable | *21(a)* | 271,842 | 432,688 | 396,056 | 375,612 |
| | | 1,022,476 | 1,467,217 | 1,205,248 | 767,968 |
| **Net current assets** | | 563,589 | 561,844 | 540,132 | 641,548 |
| **Total assets less current liabilities** | | 698,482 | 733,375 | 769,951 | 806,967 |

| | | As at 31 March | | | As at 30 September |
|---|---|---|---|---|---|
| | *Note* | 2020 | 2021 | 2022 | 2022 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current liabilities** | | | | | |
| Provision for long service payable | | — | 254 | 146 | 164 |
| Bank borrowings | *18* | 357,213 | 284,703 | — | — |
| Lease liabilities | *22* | — | — | 1,859 | 1,670 |
| Deferred tax liabilities | *21(b)* | 18,194 | 18,130 | 19,272 | 20,436 |
| | | 375,407 | 303,087 | 21,277 | 22,270 |
| **NET ASSETS** | | 323,075 | 430,288 | 748,674 | 784,697 |
| **CAPITAL AND RESERVES** | | | | | |
| Share capital | *24(b)* | 51,134 | 51,134 | —* | —* |
| Reserves | | 271,941 | 379,154 | 748,674 | 784,697 |
| **TOTAL EQUITY** | | 323,075 | 430,288 | 748,674 | 784,697 |

* The balance represents an amount less than RMB500.

The accompanying notes form part of the Historical Financial Information.

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

*(Expressed in RMB)*

| | *Note* | 31 March 2021 | 31 March 2022 | 30 September 2022 |
|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current assets** | | | | |
| Interest in a subsidiary | *23(a)* | —* | 375,615 | 375,615 |
| **Current assets** | | | | |
| Amount due from a subsidiary | *23(b)* | — | — | 87,243 |
| **Current liabilities** | | | | |
| Amount due to a subsidiary | *23(b)* | —* | (27) | (72,682) |
| **NET ASSETS** | | —* | 375,588 | 390,176 |
| **CAPITAL AND RESERVES** | *24(a)* | | | |
| Share capital | | —* | —* | —* |
| Reserves | | —* | 375,588 | 390,176 |
| **TOTAL EQUITY** | | —* | 375,588 | 390,176 |

* The balance represents an amount less than RMB500.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

*(Expressed in RMB)*

| | Share capital | Share premium | Exchange reserve | Statutory surplus reserve | Merger reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(note 24(b))* | | *(note 24(c)((i))* | *(note 24(c)(ii)* | *(note 24(c)(iii))* | | |
| **Balance at 1 April 2019** | 51,134 | 40 | (1,066) | 11,040 | — | 167,397 | 228,545 |
| **Changes in equity for the year ended 31 March 2020:** | | | | | | | |
| Profit for the year | — | — | — | — | — | 128,937 | 128,937 |
| Other comprehensive income | — | — | (24,407) | — | — | — | (24,407) |
| Total comprehensive income | — | — | (24,407) | — | — | 128,937 | 104,530 |
| Appropriation of statutory surplus reserve | — | — | — | 14,497 | — | (14,497) | — |
| Distribution *(note 24(e))* | — | — | — | — | — | (10,000) | (10,000) |
| **Balance at 31 March 2020 and 1 April 2020** | 51,134 | 40 | (25,473) | 25,537 | — | 271,837 | 323,075 |
| **Changes in equity for the year ended 31 March 2021:** | | | | | | | |
| Profit for the year | — | — | — | — | — | 160,503 | 160,503 |
| Other comprehensive income | — | — | 28,589 | — | — | (243) | 28,346 |
| Total comprehensive income | — | — | 28,589 | — | — | 160,260 | 188,849 |
| Issuance of shares *(note 24(b)(i))* | —* | — | — | — | — | — | —* |
| Appropriation of statutory surplus reserve | — | — | — | 2,419 | — | (2,419) | — |
| Distribution *(note 24(e))* | — | — | — | — | — | (81,636) | (81,636) |
| **Balance at 31 March 2021** | 51,134 | 40 | 3,116 | 27,956 | — | 348,042 | 430,288 |
| Balance at 1 April 2021 | 51,134 | 40 | 3,116 | 27,956 | — | 348,042 | 430,288 |
| **Changes in equity for the year ended 31 March 2022:** | | | | | | | |
| Profit for the year | — | — | — | — | — | 243,660 | 243,660 |
| Other comprehensive income | — | — | 13,674 | — | — | 105 | 13,779 |
| Total comprehensive income | — | — | 13,674 | — | — | 243,765 | 257,439 |
| Issuance of shares *(note 24(b))* | —* | 374,400 | — | — | — | — | 374,400 |
| Appropriation of statutory surplus reserve | — | — | — | 24,608 | — | (24,608) | — |
| Effect arising from the Reorganisation *(note 24(c)(iii))* | (51,134) | (40) | — | — | (262,279) | — | (313,453) |
| Balance at 31 March 2022 | —* | 374,400 | 16,790 | 52,564 | (262,279) | 567,199 | 748,674 |

* The balance represents an amount less than RMB500.

| | Share capital | Share premium | Exchange reserve | Statutory surplus reserve | Merger reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(note 24(b))* | | *(note 24(c)(i))* | *(note 24(c)(ii)* | *(note 24(c)(iii))* | | |
| **Balance at 1 April 2021** | 51,134 | 40 | 3,116 | 27,956 | — | 348,042 | 430,288 |
| **Changes in equity for the six months ended 30 September 2021: (unaudited)** | | | | | | | |
| Profit for the period | — | — | — | — | — | 115,265 | 115,265 |
| Other comprehensive income | — | — | 6,057 | — | — | — | 6,057 |
| Total comprehensive income | — | — | 6,057 | — | — | 115,265 | 121,322 |
| Appropriation of statutory surplus reserve | — | — | — | 11,573 | — | (11,573) | — |
| **Balance at 30 September 2021 (unaudited)** | 51,134 | 40 | 9,173 | 39,529 | — | 451,734 | 551,610 |
| **Balance at 1 April 2022** | —* | 374,400 | 16,790 | 52,564 | (262,279) | 567,199 | 748,674 |
| **Changes in equity for the six months ended 30 September 2022:** | | | | | | | |
| Profit for the period | — | — | — | — | — | 143,127 | 143,127 |
| Other comprehensive income | — | — | (42,104) | — | — | — | (42,104) |
| Total comprehensive income | —* | — | (42,104) | — | — | 143,127 | 101,023 |
| Appropriation of statutory surplus reserve | — | — | — | 15,151 | — | (15,151) | — |
| Distribution *(note 24(e))* | | (8,000) | | | | (57,000) | (65,000) |
| **Balance at 30 September 2022** | —* | 366,400 | (25,314) | 67,715 | (262,279) | 638,175 | 784,697 |

* The balance represents an amount less than RMB500.

The accompanying notes form part of the Historical Financial Information.

## CONSOLIDATED CASH FLOW STATEMENTS

*(Expressed in RMB)*

| | Note | Years ended 31 March | | | Six months ended 30 September | |
|---|---|---|---|---|---|---|
| | | 2020 | 2021 | 2022 | 2021 | 2022 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| **OPERATING ACTIVITIES** | | | | | | |
| **Cash generated from operations** | *17(b)* | 86,454 | 285,634 | 919,503 | 319,621 | 50,759 |
| Income tax paid | | (84,202) | (105,719) | (436,115) | (42,792) | (191,133) |
| Income tax refunded | | — | — | — | — | 80,015 |
| **Net cash generated from/(used in) operating activities** | | 2,252 | 179,915 | 483,388 | 276,829 | (60,359) |
| **INVESTING ACTIVITIES** | | | | | | |
| Payment for the addition of property, plant and equipment | | (784) | (163) | (1,583) | (56) | (709) |
| Payment for the addition of investment properties | | — | (385) | — | — | — |
| Interest received | | 7,198 | 9,235 | 12,764 | 5,722 | 3,507 |
| Placement of deposits with more than three months to maturity when placed | | (100,000) | (125,000) | — | — | — |
| Proceeds from redemption of deposits with more than three months to maturity when placed | | 190,000 | 125,000 | — | — | — |
| **Net cash generated from investing activities** | | 96,414 | 8,687 | 11,181 | 5,666 | 2,798 |
| **FINANCING ACTIVITIES** | | | | | | |
| Proceeds from new bank borrowings | *17(c)* | 188,019 | 6,886 | 9,661 | 9,661 | — |
| Repayment of bank borrowings | *17(c)* | (212,818) | (4,000) | (139,569) | (85,016) | (102,236) |
| Interest paid | *17(c)* | (23,232) | (19,467) | (19,062) | (8,558) | (6,062) |
| Increase/(decrease) in amounts due to related parties | *17(c)* | 80,667 | 25,514 | (162,487) | 103,507 | 27,334 |
| Capital element of lease rental paid | *17(c)* | — | — | — | — | (203) |
| Interest element of lease rental paid | *17(c)* | — | — | — | — | (51) |
| Payment for the acquisition of Jiaxuntong and Kar Info International | *24(c)(iii)* | — | — | (37,175) | — | — |
| (Increase)/decrease in pledged deposits | | (50,000) | 50,000 | (68,731) | — | 46,800 |
| Distribution paid | *24(e)* | (10,000) | (20,000) | — | — | (65,000) |

| | Note | Years ended 31 March | | | Six months ended 30 September | |
|---|---|---|---|---|---|---|
| | | 2020 | 2021 | 2022 | 2021 | 2022 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| **Net cash (used in)/generated from financing activities** | | (27,364) | 38,933 | (417,363) | 19,594 | (99,418) |
| **Increase/(decrease) in cash and cash equivalents** | | 71,302 | 227,535 | 77,206 | 302,089 | (156,979) |
| **Cash and cash equivalents at the beginning of the year/period** | | 148,156 | 220,635 | 446,860 | 446,860 | 524,099 |
| **Effect of foreign exchange rate changes** | | 1,177 | (1,310) | 33 | (30) | 2,524 |
| **Cash and cash equivalents at the end of the year/period** | *17(a)* | 220,635 | 446,860 | 524,099 | 748,919 | 369,644 |

The accompanying notes form part of the Historical Financial Information.

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

*(Expressed in RMB unless otherwise indicated)*

### 1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

KRP Development Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 2 September 2020 as an exempted company with limited liability under the Companies Act, Cap. 22 (As Revised) of the Cayman Islands.

The ultimate holding company of the Company is Karrie International Holdings Limited ("**KIHL**") which is incorporated in Bermuda with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The Company and its subsidiaries (together, "**the Group**") are principally engaged in development and sales of residential properties in Dongguan, Huizhou and Foshan.

During the Relevant Periods, the principal activities of the Group were carried out by certain companies controlled by the controlling shareholder of KIHL, including certain subsidiaries of KIHL. To rationalise the corporate structure in preparation of the listing of the Company's shares on the Stock Exchange, the Group underwent a group reorganisation ("**Reorganisation**"), as more fully explained in the section headed "History, Reorganisation and Corporate Structure" in the Listing Document.

As part of the Reorganisation, the Company acquired Dongguan City Jiaxuntong Computer Projects Limited ("**Jiaxuntong**") and Kar Info International Property Limited ("**Kar Info International**"), the companies which shared control with KIHL over the development and sales of the residential units of Phase 3 of Castfast Villas (the "**Property Development Project**") with a total net cash consideration of RMB37,175,000 during the Relevant Periods ("**Acquisitions**"). Prior to the Reorganisation, Jiaxuntong completed a corporate division ("**Corporate Division**") such that only the assets and liabilities in connection with the Property Development Project was retained by Jiaxuntong, whereas all other businesses, assets and liabilities unrelated to the Property Development Project were transferred to 東莞嘉樂企業發展有限公司 ("**Dongguan Jiale**"), a new entity outside of the Group. As far as the financial information of Jiaxuntong and Kar Info International are concerned, the Historical Financial Information only includes those assets, liabilities, results of operations and cash flows attributable to the Property Development Project during the Relevant Periods to reflect the substance of the Group's principal activities during the periods. Transactions and balances attributed to the Property Development Project have been included in the Historical Financial Information based on specific identification.

After the completion of the Reorganisation on 22 March 2022, the Company has become the holding company of the Group. The companies now comprising the Group were under common control by Mr. Ho before and after the Reorganisation. The control is not transitionary and, consequently, there was a continuation of the risks and benefits to the controlling shareholder. Therefore, the Reorganisation is a business combination of entities under common control. The Historical Financial Information has been prepared using the merger basis of accounting as if the companies or businesses now comprising the Group have been consolidated at the beginning of the Relevant Periods. The assets and liabilities of the companies now comprising the Group are consolidated using the historical carrying amounts from the perspective of the controlling shareholder.

The consolidated statements of profit or loss, the consolidated statements of profits or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group include the consolidated results of operations of the companies now comprising the Group for the Relevant Periods as if the current group structure had been in existence throughout the Relevant Periods (or where a company now comprising the Group was incorporated or established at a date later than 1 April 2019, for the period from the date of incorporation or establishment, where this is a shorter period). The consolidated statements of financial position of the Group as at 31 March 2020, 2021 and 2022 and 30 September 2022 have been prepared to present the state of affairs of the Group as at the respective dates as if the Reorganisation had occurred at the beginning of the Relevant Periods, taking into account the respective dates of incorporation or establishment, where applicable.

The intra-group balances, transactions and unrealised gains/losses on intra-group transactions were eliminated in full in preparing the Historical Financial Information.

As at the date of this report, no audited financial statements have been prepared for the Company, as it has not carried on any business since the date of incorporation and is not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies.

| Company name | Date and place of incorporation/ establishment | Particulars of issued and paid-in capital | Proportion of ownership interest: Held by the Company | Proportion of ownership interest: Held by a subsidiary | Principal activity | *Notes* |
|---|---|---|---|---|---|---|
| Benefit Master Limited | 8 September 2015, British Virgin Islands ("**BVI**") | US$1 | 100% | — | Investment holdings | *(i)* |
| Massive Era Limited | 1 April 2015, BVI | US$1 | — | 100% | Investment holdings | *(i)* |
| Gold Praiseworthy Limited | 1 June 2012, BVI | US$1 | — | 100% | Investment holdings | *(i)* |
| Abundant Tech International Development Limited | 1 February 2017, BVI | US$1 | — | 100% | Dormant | *(i)* |
| Kar Info International | 15 April 2015, BVI | US$100 | — | 100% | Investment holdings | *(i)* |
| Castfast Industrial (Yan Tien) Limited | 29 September 1987, Hong Kong | Ordinary shares of HK$100<br><br>Non-voting deferred shares of HK$10,000 | — | 100% | Investment holdings | *(ii)* |
| Karrie Properties Management Limited | 11 March 1988, Hong Kong | Ordinary shares of HK$10<br><br>Non-voting deferred shares of HK$2 | — | 100% | Dormant | *(ii)* |
| Kar Gain Enterprise Company Limited | 4 December 2014, Hong Kong | HK$10,000 | — | 100% | Investment holdings | *(ii)* |

| Company name | Date and place of incorporation/ establishment | Particulars of issued and paid-in capital | Proportion of ownership interest Held by the Company | Proportion of ownership interest Held by a subsidiary | Principal activity | Notes |
|---|---|---|---|---|---|---|
| Kar King Development Company Limited . . . . | 10 October 2012, Hong Kong | HK$1 | — | 100% | Investment holdings | *(ii)* |
| Kar York Industrial Company Limited . . . . | 26 May 2014, Hong Kong | HK$10,000 | — | 100% | Investment holdings | *(ii)* |
| KRP Development Company Limited . . . . | 9 June 2021, Hong Kong | HK$1 | — | 100% | Investment holdings | *(i)* |
| Kwong Hing Computer Metallic Components Limited. . . . . . . . . . . | 11 December 1981, Hong Kong | Ordinary shares of HK$100<br>Non-voting deferred shares of HK$1,250,010 | — | 100% | Properties holdings | *(ii)* |
| Gold Praiseworthy Wedding Convention Limited. . . . . . . . . . . | 23 August 2012, Hong Kong | HK$1 | — | 100% | Investment holdings | *(ii)* |
| 東莞嘉創房地產開發有限公司 (Dongguan Karrie Properties Development Company Limited) . . . . . . . . . . | 17 September 2013, People's Republic of China ("**PRC**") | US$43,700,000 | — | 100% | Real estate development | *(iii), (vii)* |
| 東莞市嘉灝實業有限公司 (Dongguan City Jiahao Industry Limited Co. Ltd.). . . . . | 8 March 2016, PRC | RMB1,000,000 | — | 100% | Commercial housing sales | *(iii), (vii)* |
| 博羅縣嘉盈利房地產開發有限公司 (Boluo County Jiayingli Real Estate Development Company Limited) . . . . | 11 January 2017, PRC | RMB78,501,000 | — | 100% | Real estate development | *(iv), (vii)* |

| Company name | Date and place of incorporation/ establishment | Particulars of issued and paid-in capital | Proportion of ownership interest: Held by the Company | Proportion of ownership interest: Held by a subsidiary | Principal activity | *Notes* |
|---|---|---|---|---|---|---|
| 東莞萬升貿易有限公司 (Dongguan Wansheng Trading Company Limited) . . . . . . . . . . | 21 March 2017, PRC | RMB0 | — | 100% | Trading of materials | *(iii), (vii)* |
| 東莞嘉輝婚慶會展服務有限公司 (Dongguan Jiahui Wedding Exhibition Service Company Limited) . . . . | 1 August 2013, PRC | HK$1,000,000 | — | 100% | Investment holdings | *(v), (vii)* |
| 東莞市嘉訊通電腦產品有限公司 (Dongguan City Jiaxuntong Computer Products Limited) . . . . . . . . . . | 7 September 2000, PRC | RMB50,000,000 | — | 100% | Real estate development | *(iii), (vii)* |
| 東莞嘉鼎房地產開發有限公司 (Dongguan Jiading Properties Development Company Limited) . . . . . . . . . . | 11 May 2021, PRC | RMB0 | — | 100% | Real estate development | *(vi), (vii)* |
| 佛山市嘉諾房地產開發有限公司 (Foshan City Jianuo Properties Development Company Limited) . . . . . . . . . . | 5 July 2021, PRC | RMB0 | — | 95% | Real estate development | *(vi), (vii)* |
| 東莞嘉灃房地產開發有限公司 (Dongguan Jiafeng Properties Development Company Limited) . . . . . . . . . . | 4 July 2021, PRC | RMB0 | — | 100% | Real estate development | *(vi), (vii)* |

| Company name | Date and place of incorporation/ establishment | Particulars of issued and paid-in capital | Proportion of ownership interest Held by the Company | Held by a subsidiary | Principal activity | *Notes* |
|---|---|---|---|---|---|---|
| 東莞嘉展房地產開發有限公司 (Dongguan Jiazhan Properties Development Company Limited) . . . . . . . . . . | 30 September 2021, PRC | RMB0 | — | 100% | Real estate development | *(vi), (vii)* |
| 佛山嘉鎮房地產開發有限公司 (Foshan Jiazhen Properties Development Company Limited) . . . . . . . . . . | 9 March 2022, PRC | RMB0 | — | 100% | Real estate development | *(vi), (vii)* |
| 佛山嘉荷房地產開發有限公司 (Foshan Jiahe Properties Development Company Limited) . . . . | 11 March 2022, PRC | RMB0 | — | 100% | Real estate development | *(vi), (vii)* |

*Notes:*

(i) As at the date of this report, no audited financial statements have been prepared for these entities as they are not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

(ii) The statutory financial statements of these companies for the years ended 31 March 2020, 2021 and 2022 were prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and audited by KPMG.

(iii) These companies are wholly-owned foreign enterprises established in the PRC. The statutory financial statements of these companies for the years ended 31 December 2019, 2020 and 2021 were prepared in accordance with Accounting Standards for Business Enterprises applicable to the enterprises in the PRC ("**ASBE**") and audited by 東莞市勤思會計師事務所.

(iv) The company is a wholly-owned foreign enterprise established in the PRC. The statutory financial statements of this company for the years ended 31 December 2019, 2020 and 2021 were prepared in accordance with ASBE. The statutory financial statements for the years ended 31 December 2019 and 2020 were audited by 惠州康海會計師事務所 while the statutory financial statements of this company for the year ended 31 December 2021 were audited by 惠州安眾會計師事務所.

(v) The company is a wholly-owned foreign enterprise established in the PRC. The statutory financial statements of this company for the years ended 31 December 2019, 2020 and 2021 were prepared in accordance with ASBE and audited by 東莞市勤思會計師事務所.

(vi) These companies are wholly-owned foreign enterprises established in the PRC and have been inactive since their establishment. These companies are not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation throughout the Relevant Periods.

(vii) The official names of these entities are in Chinese. The English names of these companies are for identification purpose only.

The Historical Financial Information has been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the HKICPA. Further details of the significant accounting policies adopted are set out in note 2.

## 2 SIGNIFICANT ACCOUNTING POLICIES

The HKICPA has issued a number of new amendments to HKFRSs. For the purpose of preparing the Historical Financial Information, the accounting policies set out in note 2 have been applied consistently throughout the Relevant Periods. The Group has not applied any new standards or interpretation that is not yet effective during the Relevant Periods. The new accounting standards and interpretations issued but not yet effective for the Relevant Periods are set out in note 29.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

### (a) Basis of measurement

The Historical Financial Information are presented in RMB, rounded to the nearest thousand.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except where stated otherwise in the accounting policies set out below.

**(b) Use of estimates and judgements**

The preparation of the Historical Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in note 3.

**(c) Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included in the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows, and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

***Business combination involving entities under common control***

The Historical Financial Information consolidates the financial results and the financial position of the entities or business which are acquired through business combination under common control as if they had been consolidated from the earliest date presented or since the date when these consolidating entities or business first came under the control of the controlling party, where there is a shorter period.

The assets and liabilities of the consolidating entities or business are consolidated using the existing book values from the controlling shareholder's perspective. No amount is recognised in consideration for goodwill or excess of the acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling shareholder's interest.

The consolidated statements of profit or loss, and consolidated statements of profit or loss and other comprehensive income include the results of each of the consolidating entities or business from the earliest date presented or since the date when the consolidating entities or business first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between consolidating entities or business are eliminated on consolidation.

**(d) Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses (see note 2(g)(ii)). Historical cost includes expenditure that is directly attributable to the acquisition of the item.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any replaced parts are derecognised accordingly. All other repairs and maintenance are expensed in profit or loss during the financial period in which they are incurred.

Gain or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of property, plant and equipment using the straight-line method over their estimated useful lives as follows:

| | |
|---|---|
| — Fixtures and leasehold improvements | 3–5 years |
| — Furniture, tools and computer equipment | 3–5 years |
| — Motor vehicles | 5 years |
| — Properties leased for own use | Over the lease term |

Both the useful life of an asset and its residual value, if any, are reviewed annually.

**(e) Investment properties**

Investment properties are land and buildings which are owned or held under a leasehold interest (see note 2(f)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(q)(ii).

**(f) Leased assets**

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

*(i) As a lessee*

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(d) and 2(g)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consolidation for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In the case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective rate of the modification.

In the consolidated statements of financial position, the Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and presents lease liabilities separately. The current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

***(ii) As a lessor***

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(q)(ii).

**(g) Credit losses and impairment of assets**

***(i) Credit losses from financial instruments***

The Group recognises a loss allowance for expected credit losses ("**ECLs**") on the financial assets measured at amortised cost (including cash and bank deposits, amounts due from related companies, pledged deposits and prepayments, deposits and other receivables).

Financial assets measured at fair value are not subject to the ECL assessment.

*Measurement of ECLs*

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present values of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

*Significant increases in credit risk*

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractual due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 2(q)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Groups assess whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

— it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

***(ii) Impairment of other assets***

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that property, plant and equipment, including right-of-use assets (other than property carried at revalued amounts) may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of the recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

**(h) Inventories and contract costs**

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process.

Inventories are carried at the lower of cost and net realisable value as follows:

***(i) Property development***

— *Leasehold land held for development for sale*

The cost of leasehold land, which is held for development for sale, represents the cost of acquisition and the premium, if any, payable to the relevant government authorities. Net realisable value is determined by the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

— *Property under development for sale*

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of interests in leasehold land, aggregate cost of development, materials and supplies, wages and other direct expenses and an appropriate proportion of overheads and borrowing costs capitalised (see note 2(s)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

— *Completed property held for sale*

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In the case of completed properties developed by the Group which comprise of multiple units which are sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square meter basis, unless another basis is more representative of the cost of the specific unit. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

***(ii) Other contract costs***

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2(h)(i)) or property, plant and equipment (see note 2(d)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (for example, an incremental sales commission). Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2(q).

**(i) Other receivables**

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables that do not contain a significant financing component are initially measured at their transaction price. Receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 2(g)(i)).

**(j) Contract liabilities**

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(q)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(i)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(q)).

**(k) Interest-bearing borrowings**

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expenses is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(s)).

**(l) Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**(m) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statements. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 2(g)(i).

**(n) Employee benefits**

***(i) Employee leave entitlement***

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

***(ii) Pension obligations***

Group companies operate a defined contribution plan under which the Group pays fixed contributions into a separate entity on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

***(iii) Retirement plan — Long service payments***

The Group's net obligation in respect of long service payments to its employees upon the termination of their employment or retirement when the employee fulfils certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The discount rate is the yield at the end of the reporting period on high quality corporate bonds which have terms to maturity approximating the terms of the related liability. The actuarial gains or losses are credited or charged to the consolidated statements of profit or loss and other comprehensive income in the current period.

***(iv) Other compensations***

Other directors' and employees' compensations are recorded as a liability and charged to profit or loss when the Group is contractually obliged or when there is a past practice that has created a constructive obligation and the associated services are rendered by the employees.

**(o) Income tax**

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(e), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    — the same taxable entity; or

— different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

**(p) Provisions and contingent liabilities**

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

**(q) Revenue and other income**

Income is classified by the Group as revenue when it arises from the sale of goods or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

***(i) Sales of properties***

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when the property is accepted by the customer, or deemed as accepted according to the contract, whichever is earlier, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statements of financial position under contract liabilities (see note 2(j)).

If any advance payments received from the buyers are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the date of delivery property. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs*, in accordance with the policies set out in note 2(s).

***(ii) Rental income***

Rental income is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

***(iii) Interest income***

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(g)(i)).

**(r) Translation of foreign currencies**

***(i) Functional and presentation currency***

Items included in the Historical Financial Information of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Historical Financial Information are presented in RMB, which is the Company's presentation currency.

***(ii) Transactions and balances***

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of operations with functional currency other than RMB are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statements of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

**(s) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

**(t) Related parties**

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### (u) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

The Group manages its business as a whole as property development is the only reporting segment. The Historical Financial Information is presented in a manner consistent with the way in which information is reported retaining to the Group's senior executive management for the purpose of resource allocation and performance assessment.

## 3 ACCOUNTING JUDGEMENT AND ESTIMATES

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.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates may be different from the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future years are discussed below.

### (a) PRC Land Appreciation Tax ("LAT")

As explained in note 8(a), LAT is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing cost and relevant property development expenditures. Given the uncertainties of the calculation basis of land appreciation tax to be interpreted by the local tax bureau and the actual appreciation of land value may be different from the original estimates, the actual outcomes may be higher or lower than that estimated at the end of the reporting period. Any increase or decrease in estimates would affect the amount recognised in the profit or loss.

**(b) Recognition of deferred tax assets**

Deferred tax assets in respect of tax losses and other deductible temporary differences carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised.

**(c) Valuation of investment properties**

As described in note 13, investment properties are stated at fair value based on the valuation performed by an independent firm of professional surveyors.

In determining the fair value of investment properties, the valuers have used the direct comparison method and the replacement cost method, which involves, inter alia, certain estimates including adjustment factors on the timing, location and other individual factors for its comparable transactions. In relying on the valuation report, management has exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

## 4 REVENUE

| | Years ended 31 March | | | Six months ended 30 September | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| **Recognised at a point in time under HKFRS 15:** | | | | | |
| Sale of properties | 481,778 | 590,803 | 775,555 | 359,868 | 473,010 |

The principal activities of the Group are property sales and development in Dongguan, Huizhou and Foshan.

Revenue represents the income from sale of properties, net of sales related taxes and discounts allowed.

As at 31 March 2020, 2021 and 2022 and 30 September 2022, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts are RMB604,509,000, RMB811,357,000, RMB742,342,000 and RMB298,939,000 respectively. These amounts represent revenue expected to be recognised in the future from pre-completion sales contracts for properties under development. The Group will recognise the expected revenue in future when the properties are accepted by the customer, or deemed as accepted according to the contract, whichever is earlier.

For the years ended 31 March 2020, 2021 and 2022, and for the six months ended 30 September 2021 and 2022, the Group's customer base is diversified and does not have a customer with whom transactions have exceeded 10% of the Group's revenue.

## 5 SEGMENT REPORTING

Operating segments are identified on the basis of internal reports that the Group's most senior executive management reviews regularly in allocating resources to segments and in assessing their performances. The Group's most senior executive management makes resources allocation decisions based on internal management functions and asses the Group's business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

The Group primarily operates in Mainland China and accordingly, no geographical information is presented.

## 6 OTHER NET INCOME/GAINS

| | Years ended 31 March | | | Six months ended 30 September | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Rental income | 1,490 | 1,376 | 1,404 | 708 | 756 |
| Net valuation gain/(loss) in investment properties *(note 13)* | 80 | (235) | 900 | 90 | 490 |
| Net exchange gain/(loss) | 798 | (93) | 24 | 22 | 14 |
| Others | — | 105 | 219 | — | 428 |
| | 2,368 | 1,153 | 2,547 | 820 | 1,688 |

## 7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

### (a) Finance costs/(income), net

| | Years ended 31 March | | | Six months ended 30 September | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Finance costs | | | | | |
| — Interest expense from financial liabilities measured at amortised cost | 32,890 | 23,197 | 24,436 | 13,567 | 5,828 |
| — Interest expense on leased liabilities | — | — | 18 | — | 51 |
| Less: Interest expenses capitalised into property under development for sale *(Note)* | (21,869) | (22,883) | (20,436) | (12,626) | (3,694) |
| | 11,021 | 314 | 4,018 | 941 | 2,185 |
| Finance income | | | | | |
| — Interest income from financial assets measured at amortised cost | (7,198) | (9,235) | (12,764) | (5,722) | (3,507) |
| Finance costs/(income), net | 3,823 | (8,921) | (8,746) | (4,781) | (1,322) |

*Note:*

The borrowing costs have been capitalised at weighted average rate of 5.14%, 4.23%, 4.14%, 4.08% and 5.25% per annum for the years ended 31 March 2020, 2021 and 2022, and for the six months ended 30 September 2021 and 2022 respectively.

### (b) Staff costs

| | Years ended 31 March | | | Six months ended 30 September | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Wages and salaries | 14,006 | 18,212 | 16,896 | 8,146 | 8,077 |
| Contributions to defined contribution retirement plan | 540 | 427 | 736 | 377 | 373 |
| Less: staff costs capitalised into property under development for sale | (6,645) | (7,213) | (7,518) | (3,461) | (2,045) |
| | 7,901 | 11,426 | 10,114 | 5,062 | 6,405 |

The subsidiaries operated in Mainland China participate in defined contribution retirement benefit schemes (the "**Schemes**") organised by the PRC municipal and provincial government authorities, whereby the subsidiaries operated in Mainland China are required to make contribution at the rates required by different local government authorities. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

The Group also operates a Mandatory Provident Fund Scheme ("**the MPF scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits beyond the contributions described above.

**(c) Other items**

| | **Years ended 31 March** | | | **Six months ended 30 September** | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Outgoings relating to investment properties | 367 | 421 | 474 | 230 | 288 |
| Expense relating to short-term leases | 819 | — | — | — | — |
| Depreciation of owned property, plant and equipment *(note 12)* | 1,003 | 952 | 692 | 400 | 409 |
| Depreciation of properties leased for own use *(note 12)* | — | — | 76 | — | 228 |
| Auditors' remuneration | 165 | 318 | 342 | 192 | 132 |
| Cost of properties sold *(note 14(a))* | 132,756 | 161,477 | 188,554 | 88,717 | 118,577 |
| Listing expenses | — | 7,038 | 8,233 | 30 | 3,387 |

## 8 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

### (a) Taxation in the consolidated statements of profit or loss represents:

| | Years ended 31 March | | | Six months ended 30 September | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| **Current taxation** | | | | | |
| Taxes in Mainland China | | | | | |
| — provision for Enterprise Income Tax ("**EIT**") | 81,745 | 98,400 | 145,459 | 67,796 | 88,769 |
| — reversal for EIT *(note v)* | — | — | — | — | (96,294) |
| | 81,745 | 98,400 | 145,459 | 67,796 | (7,525) |
| — provision for Land Appreciation Tax ("**LAT**") | 135,002 | 168,257 | 222,099 | 104,288 | 129,983 |
| **Deferred taxation** | | | | | |
| Origination and reversal of temporary differences *(note 21(b))* | (31,370) | (37,176) | (53,057) | (24,657) | 65,528 |
| Total Income tax charge | 185,377 | 229,481 | 314,501 | 147,427 | 187,986 |

***(i) EIT***

The provision for EIT is calculated at 25% based on the estimated taxable income for the subsidiaries operated in Mainland China during the Relevant Periods.

***(ii) LAT***

LAT is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing costs and relevant property development expenditure.

***(iii) Hong Kong Profits Tax***

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the year for the subsidiaries incorporated in and operated in Hong Kong. No provision for Hong Kong Profits Tax for the Relevant Periods as the subsidiaries incorporated in and operated in Hong Kong did not have any assessable profits for the Relevant Periods.

*(iv)* Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

*(v)* The clearance of LAT settlement of Jiaxuntong was completed during the six months period ended 30 September 2022 and tax refund relating to the LAT deduction for EIT purpose was received. As a result, the deferred tax assets relating to the accrual of LAT of RMB96,294,000 were utilised, with a corresponding reversal of EIT provision of the same amount was made during the six months period ended 30 September 2022. There is no net impact to the consolidated statement of profit or loss in this respect.

**(b) Reconciliation between tax expense and accounting profit at applicable tax rates:**

| | Years ended 31 March | | | Six months ended 30 September | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Profit before taxation | 314,314 | 389,984 | 558,161 | 262,692 | 331,113 |
| Less: LAT | (135,002) | (168,257) | (222,099) | (104,288) | (129,983) |
| Profit before taxation less LAT | 179,312 | 221,727 | 336,062 | 158,404 | 201,130 |
| Notional tax calculated at applicable income tax rate of the relevant jurisdictions concerned | 45,734 | 56,915 | 85,306 | 39,966 | 50,931 |
| Income not subject to taxation | (264) | (227) | (238) | (117) | (123) |
| Expenses not deductible for taxation purposes | 4,905 | 4,536 | 7,334 | 3,290 | 3,264 |
| Others | — | — | — | — | 3,931 |
| EIT, net of deferred tax impact | 50,375 | 61,224 | 92,402 | 43,139 | 58,003 |
| LAT | 135,002 | 168,257 | 222,099 | 104,288 | 129,983 |
| Income tax charge | 185,377 | 229,481 | 314,501 | 147,427 | 187,986 |

## 9 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation are as follows:

| | | For the year ended 31 March 2020 | | | | |
|---|---|---|---|---|---|---|
| | | Fees | Salaries | Discretionary Bonuses | Employer's contributions to retirement plans | Total |
| | *Note* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Executive directors** | | | | | | |
| Ho Wai Hon, Brian | *(iii)* | — | — | — | — | — |
| Ho Man Chung | *(iii)* | — | 829 | 197 | 16 | 1,042 |
| Yiu Yuet Fung | *(iii)* | — | — | — | — | — |
| Zhu Nian Hua | *(iii)* | — | 352 | 160 | 8 | 520 |
| | | — | 1,181 | 357 | 24 | 1,562 |

| | | For the year ended 31 March 2021 | | | | |
|---|---|---|---|---|---|---|
| | | Fees | Salaries | Discretionary Bonuses | Employer's contributions to retirement plans | Total |
| | *Note* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Executive directors** | | | | | | |
| Ho Wai Hon, Brian | *(iii)* | — | 361 | 568 | 9 | 938 |
| Ho Man Chung | *(iii)* | — | 817 | 208 | 16 | 1,041 |
| Yiu Yuet Fung | *(iii)* | — | 323 | 265 | 9 | 597 |
| Zhu Nian Hua | *(iii)* | — | 380 | 200 | 7 | 587 |
| | | — | 1,881 | 1,241 | 41 | 3,163 |

| | | For the year ended 31 March 2022 | | | | |
|---|---|---|---|---|---|---|
| | | Fees | Salaries | Discretionary Bonuses | Employer's contributions to retirement plans | Total |
| | *Note* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Executive directors** | | | | | | |
| Ho Wai Hon, Brian | *(iii)* | — | 700 | 802 | 15 | 1,517 |
| Ho Man Chung | *(iii)* | — | 784 | 201 | 15 | 1,000 |
| Yiu Yuet Fung | *(iii)* | — | 534 | 261 | 15 | 810 |
| Zhu Nian Hua | *(iii)* | — | 394 | 234 | 16 | 644 |
| | | — | 2,412 | 1,498 | 61 | 3,971 |

| | | For six months ended 30 September 2021 (unaudited) | | | | |
|---|---|---|---|---|---|---|
| | | Fees | Salaries | Discretionary Bonuses | Employer's contributions to retirement plans | Total |
| | *Note* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Executive directors** | | | | | | |
| Ho Wai Hon, Brian . . . . . . . | *(iii)* | — | 353 | — | 8 | 361 |
| Ho Man Chung . . . . . . . . . | *(iii)* | — | 394 | — | 8 | 402 |
| Yiu Yuet Fung . . . . . . . . . . | *(iii)* | — | 268 | — | 8 | 276 |
| Zhu Nian Hua . . . . . . . . . . | *(iii)* | — | 191 | — | 8 | 199 |
| | | — | 1,206 | — | 32 | 1,238 |

| | | For six months ended 30 September 2022 | | | | |
|---|---|---|---|---|---|---|
| | | Fees | Salaries | Discretionary Bonuses | Employer's contributions to retirement plans | Total |
| | *Note* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Executive directors** | | | | | | |
| Ho Wai Hon, Brian . . . . . . . | *(iii)* | — | 374 | — | 8 | 382 |
| Ho Man Chung . . . . . . . . . | *(iii)* | — | 411 | — | 8 | 419 |
| Yiu Yuet Fung . . . . . . . . . . | *(iii)* | — | 279 | — | 8 | 287 |
| Zhu Nian Hua . . . . . . . . . . | *(iii)* | — | 212 | — | 8 | 220 |
| | | — | 1,276 | — | 32 | 1,308 |

*Notes:*

(i) The directors of the Company were appointed on the following dates.

| | Date of appointment |
|---|---|
| **Executive directors** | |
| Ho Wai Hon, Brian | 2 September 2020 |
| Ho Man Chung | 2 September 2020 |
| Yiu Yuet Fung | 8 March 2022 |
| Zhu Nian Hua | 8 March 2022 |
| | |
| **Non-executive director** | |
| Ho Cheuk Fai | 8 March 2022 |
| | |
| **Independent non-executive director** | |
| Ho Lai Hong | 21 February 2023 |
| Lo Yung Fong | 21 February 2023 |
| Choi Wai Hin | 21 February 2023 |

(ii) There was no arrangement under which a director waived or agreed to waive any emoluments during the Relevant Periods. No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(iii) These directors received remuneration from KIHL and/or its subsidiaries during the Relevant Periods in respect of their services to KIHL and its subsidiaries (including the Group). The amounts paid were not specifically allocated between their services to the Group and to the other subsidiaries under KIHL as there is no arrangement to recharge the Group for such expenses and it is not meaningful to perform a retrospective allocation of the services rendered by these directors to the Group.

## 10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors and non-directors included in the five highest paid individuals for the years ended 31 March 2020, 2021 and 2022 and for the six months ended 30 September 2021 and 2022 are set forth below:

| | Years ended 31 March | | | Six months ended 30 September | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Directors | 2 | 3 | 4 | 3 | 4 |
| Non-directors | 3 | 2 | 1 | 2 | 1 |

The aggregate of the emoluments in respect of the non-directors included in the five highest paid individuals are as follows:

| | Years ended 31 March | | | Six months ended 30 September | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Salaries and other emoluments . . | 1,034 | 1,450 | 1,172 | 767 | 636 |
| Contributions to retirement benefit scheme. . . . . . . . . . . . . | 20 | 16 | 15 | 12 | 8 |
| | 1,054 | 1,466 | 1,187 | 779 | 644 |

The emoluments of these individuals with the highest emoluments are within the following bands:

| | Years ended 31 March | | | Six months ended 30 September | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| HK$Nil — HK$1,000,000. . . . . . | 3 | 2 | — | 2 | 1 |
| HK$1,000,001 — HK$1,500,000. | — | — | 1 | — | — |

## 11 EARNINGS PER SHARE

Earnings per share information is not presented as if inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods on the basis as disclosed in note 1.

## 12 PROPERTY, PLANT AND EQUIPMENT

| | Furniture, tools and computer equipment | Motor vehicles | Fixtures and leasehold improvements | Properties leased for own use | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Cost:** | | | | | |
| At 1 April 2019 | 1,795 | 1,505 | 279 | — | 3,579 |
| Additions | 62 | 670 | 9 | — | 741 |
| Exchange adjustments | — | 65 | — | — | 65 |
| At 31 March 2020 and 1 April 2020 | 1,857 | 2,240 | 288 | — | 4,385 |
| Additions | 179 | — | 27 | — | 206 |
| Exchange adjustments | — | (94) | — | — | (94) |
| At 31 March 2021 and 1 April 2021 | 2,036 | 2,146 | 315 | — | 4,497 |
| Additions | 114 | 1,460 | 9 | 2,355 | 3,938 |
| Exchange adjustments | — | (53) | — | — | (53) |
| At 31 March 2022 and 1 April 2022 | 2,150 | 3,553 | 324 | 2,355 | 8,382 |
| Additions | 593 | — | 116 | — | 709 |
| Exchange adjustments | — | 147 | — | — | 147 |
| At 30 September 2022 | 2,743 | 3,700 | 440 | 2,355 | 9,238 |
| **Accumulated depreciation:** | | | | | |
| At 1 April 2019 | 582 | 763 | 80 | — | 1,425 |
| Charge for the year | 587 | 369 | 47 | — | 1,003 |
| Exchange adjustments | — | 23 | — | — | 23 |
| At 31 March 2020 and 1 April 2020 | 1,169 | 1,155 | 127 | — | 2,451 |
| Charge for the year | 525 | 377 | 50 | — | 952 |
| Exchange adjustments | — | (40) | — | — | (40) |
| At 31 March 2021 and 1 April 2021 | 1,694 | 1,492 | 177 | — | 3,363 |
| Charge for the year | 268 | 372 | 52 | 76 | 768 |
| Exchange adjustments | — | (33) | — | — | (33) |
| At 31 March 2022 and 1 April 2022 | 1,962 | 1,831 | 229 | 76 | 4,098 |
| Charge for the period | 102 | 277 | 30 | 228 | 637 |
| Exchange adjustments | — | 116 | — | — | 116 |
| At 30 September 2022 | 2,064 | 2,224 | 259 | 304 | 4,851 |
| **Net book value:** | | | | | |
| At 31 March 2020 | 688 | 1,085 | 161 | — | 1,934 |
| At 31 March 2021 | 342 | 654 | 138 | — | 1,134 |
| At 31 March 2022 | 188 | 1,722 | 95 | 2,279 | 4,284 |
| At 30 September 2022 | 679 | 1,476 | 181 | 2,051 | 4,387 |

**(a) Right-of-use assets**

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

| | As at 31 March | | | As at 30 September |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Properties leased for own use, carried at depreciated cost | — | — | 2,279 | 2,051 |

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

| | Years ended 31 March | | | Six months ended 30 September | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Depreciation charge of properties leased for own use | — | — | 76 | — | 228 |
| Interest on lease liabilities | — | — | 18 | — | 51 |
| Expense relating to short-term leases | 819 | — | — | — | — |

During the year ended 31 March 2022, the Group has entered into a lease contract as a lessee for a property unit in the PRC which was used for sales exhibition. The lease will last for an initial period of five years. The lease does not include variable lease payments, option to renew the lease nor option to purchase the properties at the end of the lease term.

## 13 INVESTMENT PROPERTIES

| | *RMB'000* |
|---|---|
| At 31 March 2019 and 1 April 2019 | 76,170 |
| Fair value adjustment | 80 |
| At 31 March 2020 and 1 April 2020 | 76,250 |
| Addition | 385 |
| Fair value adjustment | (235) |
| At 31 March 2021 and 1 April 2021 | 76,400 |
| Fair value adjustment | 900 |
| At 31 March 2022 and 1 April 2022 | 77,300 |
| Fair value adjustment | 490 |
| At 30 September 2022 | 77,790 |

The investment properties are located in the PRC and held under lease terms of 50 years expiring in October 2046.

**Fair value measurement of properties**

***(a) Fair value hierarchy***

The fair values of the investment properties are categorised into level 3 of the fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. During the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022, there was no transfer between Level 1 and Level 2, or transfer into or out of Level 3.

The valuation of the Group's investment properties at 31 March 2020, 2021 and 2022 and 30 September 2022 was carried out by an independent firm of surveyors, Cushman & Wakefield Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The Group's chief financial officer have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at reporting date.

Fair value adjustment of investment properties is recognised in the line item "Other net income/gains" on the consolidated statements of profit or loss.

***(b) The unobservable inputs are summarised as follows:***

| | Valuation technique | Unobservable input | Input factor |
|---|---|---|---|
| Investment properties, Industrial land — Mainland China . . . . | Direct Comparison Approach | Price per square meter, using market direct comparables and taking into account of time of transaction, location and other individual factors | 31 March 2020: RMB1,138 per square meter<br>31 March 2021: RMB1,165 per square meter<br>31 March 2022: RMB1,180 per square meter<br>30 September 2022: RMB1,189 per square meter |
| Investment properties, Industrial buildings — Mainland China . . . . | Depreciated Replacement Cost Approach | Replacement Cost — Buildings | 31 March 2020: RMB888 per square meter<br>31 March 2021: RMB879 per square meter<br>31 March 2022: RMB889 per square meter<br>30 September 2022: RMB894 per square meter |

For the industrial land of investment properties using the direct comparison approach, the fair value is based on prices for recent market transactions in similar land and adjusted to reflect the conditions and locations of the Group's land. The most significant input into this valuation approach is price per square feet and taking into account of time of transaction, location and other individual factors such as the location of the land. The fair value measurement is positively correlated to the price per square meter of the land.

For the industrial buildings of investment properties using the depreciated replacement cost approach, the fair value is based on estimated new replacement cost of the buildings and other site works from which adjustments are then made to account for age, condition, and functional obsolescence, while taking into account the site formation cost and those public utilities connection charges to the properties. The fair value measurement is positively correlated to the replacement cost of the buildings.

## 14 INVENTORIES AND OTHER CONTRACT COSTS

| | As at 31 March | | | As at 30 September |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Properties under development for sale. | 606,868 | 861,855 | 149,650 | — |
| Completed properties held for sale . . . | 179,405 | 88,844 | 876,738 | 913,041 |
| | 786,273 | 950,699 | 1,026,388 | 913,041 |
| Other contract costs . . . . . . . . . . . . . . | 298 | 2,860 | 3,497 | 1,358 |
| | 786,571 | 953,559 | 1,029,885 | 914,399 |

**(a) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:**

| | Years ended 31 March | | | Six months ended 30 September | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Carrying amount of properties sold . . . . . . . . . . . . . . . . . . . . . . | 132,756 | 161,477 | 188,554 | 88,717 | 118,577 |

**(b)** At 31 March 2020 and 2021, certain of the Group's inventories were pledged for bank borrowings as disclosed in note 18.

**(c)** The analysis of carrying value of land held for property development for sale is as follows:

| | As at 31 March | | | As at 30 September |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| In the PRC | | | | |
| — Less than 50 years . . . . . . . . . . . . . | 100,413 | 100,307 | 86,048 | 78,175 |
| — More than 50 years . . . . . . . . . . . . | 22,910 | 7,818 | 5,491 | 5,074 |
| | 123,323 | 108,125 | 91,539 | 83,249 |

**(d) Contract costs**

Contract costs capitalised as at 31 March 2020, 2021 and 2022 and 30 September 2022 relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the reporting date. Contract costs are recognised as part of "selling expenses" in the statements of profit or loss in the period in which revenue from the related property sales is recognised. There are no capitalised costs recognised in profit or loss or impairment in relation to the opening balance of capitalised cost during the Relevant Period.

The amount of capitalised contract costs of RMB Nil, RMB536,000, RMB3,452,000 and RMB4,286,000 were recognised in profit or loss during the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022 respectively.

The Group applies the practical expedient in paragraph 94 of HKFRS 15 and recognises the incremental costs of obtaining contracts relating to the sale of completed properties and services as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting period as the date of entering into the contract.

The amount of capitalised contract costs that is expected to be recovered or recognised as expenses after more than one year is RMB298,000, RMB Nil, RMB Nil and RMB Nil as at 31 March 2020, 2021, 2022 and 30 September 2022 respectively.

## 15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | As at 31 March | | | As at 30 September |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Prepayments | 34,520 | 49,103 | 54,127 | 18,168 |
| Deposits | 364 | 327 | 31,876 | 78,466 |
| Other receivables | 4,318 | 2,903 | 596 | 834 |
| | 39,202 | 52,333 | 86,599 | 97,468 |
| **Representing:** | | | | |
| Non-current portion | 43 | — | — | — |
| Current portion | 39,159 | 52,333 | 86,599 | 97,468 |
| | 39,202 | 52,333 | 86,599 | 97,468 |

All prepayment, deposits and other receivables, apart from the deposits for acquiring property, plant and equipment amounted to RMB43,000, RMB Nil, RMB Nil and RMB Nil and the prepayment for PRC value-added taxes of RMB32,409,000, RMB7,708,000, RMB Nil and RMB Nil, are expected to be recovered or recognised as expenses within one year as at 31 March 2020, 2021 and 2022 and 30 September 2022, respectively.

The balance of deposits as at 31 March 2022 and 30 September 2022 included a deposit and instalment of RMB31,060,000 and RMB46,570,000 paid in the respective periods in respect of the land-bidding for the land situated at Foshan City of the PRC. The Group has successfully won the bidding on 1 April 2022 at a consideration of RMB155,260,000.

For more details of the land, please refer to the paragraph headed "Description of our development projects — Foshan City" under the section headed "Business" in the Listing Document.

**16 PLEDGED DEPOSITS**

| | As at 31 March | | | As at 30 September |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Pledged deposits for banking facilities | 50,000 | — | 68,731 | 21,931 |

The Group has deposits pledged to secure the Group's banking facilities, details of which are set out in note 18.

The remittance of the pledged deposits placed with banks in Mainland China are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC Government.

## 17 CASH AND BANK DEPOSITS

### (a) Cash and bank deposits comprise:

| | As at 31 March | | | As at 30 September |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Restricted deposits *(note (i))* | 30,400 | 233,716 | 323,545 | 9,883 |
| Cash at bank and in hand | 190,235 | 213,144 | 185,920 | 279,761 |
| Deposits with banks with less than three months to maturity when placed | — | — | 14,634 | 80,000 |
| | 220,635 | 446,860 | 524,099 | 369,644 |

*Notes:*

(i) In accordance with relevant government requirements, certain property development subsidiaries of the Group are required to set up designated bank accounts with certain amount of pre-sale proceeds for the construction of the relevant properties. The restricted deposits represent the pre-sale proceeds to secure the future payments of the Group's property development projects. Such restricted deposits will be released for the payments for construction costs of the related property development projects or upon completion of the construction.

(ii) The remittance of bank balances of RMB219,446,000, RMB445,360,000, RMB497,365,000 and RMB350,434,000 as at 31 March 2020, 2021 and 2022 and 30 September 2022 respectively placed with banks in Mainland China are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC Government.

**(b) Reconciliation of profit before taxation to cash generated from operations:**

| | | Years ended 31 March | | | Six months ended 30 September | |
|---|---|---|---|---|---|---|
| | *Note* | **2020** | **2021** | **2022** | **2021** | **2022** |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Profit before taxation | | 314,314 | 389,984 | 558,161 | 262,692 | 331,113 |
| Finance costs | *7(a)* | 11,021 | 314 | 4,018 | 941 | 2,185 |
| Finance income | *7(a)* | (7,198) | (9,235) | (12,764) | (5,722) | (3,507) |
| Depreciation | *7(c)* | 1,003 | 952 | 768 | 400 | 637 |
| Fair value changes in investment properties | *13* | (80) | 235 | (900) | (90) | (490) |
| Foreign exchange (gain)/loss | | (798) | 93 | (24) | (22) | 13 |
| Changes in working capital: | | | | | | |
| (Increase)/decrease in inventories and other contract costs | | (124,453) | (127,255) | (39,333) | 9,348 | 96,738 |
| Decrease/(increase) in prepayments, deposits and other receivables | | 1,681 | (12,976) | (34,266) | 7,936 | (9,549) |
| (Increase)/decrease in amounts due from related companies | | (210,894) | (86,924) | 293,666 | (81,902) | (32,742) |
| Increase/(decrease) in trade and other payables | | 8,693 | (52,452) | 102,189 | (4,983) | (59,873) |
| Increase/(decrease) in contract liabilities | | 93,165 | 182,898 | 47,988 | 131,023 | (273,766) |
| Cash generated from operations | | 86,454 | 285,634 | 919,503 | 319,621 | 50,759 |

**(c) Reconciliation of liabilities arising from financing activities**

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statements as cash flows from financing activities.

| | **Bank borrowings** | **Amounts due to related companies** | **Lease liabilities** | **Total** |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(Note 18)* | *(Note 27(d))* | *(Note 22)* | |
| **At 1 April 2019** | 392,916 | 364,850 | — | 757,766 |
| **Changes from financing cash flows:** | | | | |
| Proceeds from new bank borrowings | 188,019 | — | — | 188,019 |
| Repayment of bank borrowings | (212,818) | — | — | (212,818) |
| Interest paid | (23,232) | — | — | (23,232) |
| Increase in amounts due to related companies | — | 80,667 | — | 80,667 |
| Total changes from financing cash flows | (48,031) | 80,667 | — | 32,636 |
| **Exchange adjustments** | 14,052 | 11,562 | — | 25,614 |
| **Other changes:** | | | | |
| Interest expenses *(note 7(a))* | 8,000 | 3,021 | — | 11,021 |
| Capitalised borrowing costs *((note 7(a))* | 15,433 | 6,436 | — | 21,869 |
| Total other changes | 23,433 | 9,457 | — | 32,890 |
| **At 31 March 2020** | 382,370 | 466,536 | — | 848,906 |

| | Bank borrowings | Amounts due to related companies | Lease liabilities | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(Note 18)* | *(Note 27(d))* | *(Note 22)* | |
| **At 1 April 2020** | 382,370 | 466,536 | — | 848,906 |
| **Changes from financing cash flows:** | | | | |
| Proceeds from new bank borrowings | 6,886 | — | — | 6,886 |
| Repayment of bank borrowings | (4,000) | — | — | (4,000) |
| Interest paid | (19,467) | — | — | (19,467) |
| Increase in amounts due to related companies | — | 25,514 | — | 25,514 |
| Total changes from financing cash flows | (16,581) | 25,514 | — | 8,933 |
| **Exchange adjustments** | (12,573) | (16,321) | — | (28,894) |
| **Other changes:** | | | | |
| Interest expenses *(note 7(a))* | 186 | 128 | — | 314 |
| Capitalised borrowing costs *((note 7(a))* | 17,048 | 5,835 | — | 22,883 |
| Dividends declared but not yet paid *(note 24(e))* | — | 61,636 | — | 61,636 |
| Total other changes | 17,234 | 67,599 | — | 84,833 |
| **At 31 March 2021** | 370,450 | 543,328 | — | 913,778 |

| | Bank borrowings | Amounts due to related companies | Lease liabilities | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(Note 18)* | *(Note 27(d))* | *(Note 22)* | |
| **At 1 April 2021** | 370,450 | 543,328 | — | 913,778 |
| **Changes from financing cash flows:** | | | | |
| Proceeds from new bank borrowings | 9,661 | — | — | 9,661 |
| Repayment of bank borrowings | (139,569) | — | — | (139,569) |
| Interest paid | (19,062) | — | — | (19,062) |
| Decrease in amounts due to related companies | — | (162,487) | — | (162,487) |
| Total changes from financing cash flows | (148,970) | (162,487) | — | (311,457) |
| **Exchange adjustments** | (3,287) | (12,591) | — | (15,878) |
| **Other changes:** | | | | |
| Interest expenses *(note 7(a))* | 3,813 | 187 | 18 | 4,018 |
| Capitalisation of amount due to the related companies *(note 17(d)(ii))* | — | (374,400) | — | (374,400) |
| Increase in lease liabilities from entering into a new lease during the year | — | — | 2,355 | 2,355 |
| Capitalised borrowing costs *((note 7(a))* | 14,473 | 5,963 | — | 20,436 |
| Total other changes | 18,286 | (368,250) | 2,373 | (347,591) |
| **At 31 March 2022** | 236,479 | — | 2,373 | 238,852 |

| | Bank borrowings | Amounts due to related companies | Lease liabilities | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(Note 18)* | *(Note 27(d))* | *(Note 22)* | |
| **At 1 April 2022** | 236,479 | — | 2,373 | 238,852 |
| **Changes from financing cash flows:** | | | | |
| Repayment of bank borrowings | (102,236) | — | — | (102,236) |
| Capital element of lease rental paid | — | — | (203) | (203) |
| Interest element of lease rental paid | — | — | (51) | (51) |
| Interest paid | (6,062) | — | — | (6,062) |
| Increase in amounts due to related companies | — | 27,334 | — | 27,334 |
| Total changes from financing cash flows | (108,298) | 27,334 | (254) | (81,218) |
| **Exchange adjustments** | 12,689 | — | — | 12,689 |
| **Other changes:** | | | | |
| Interest expenses *(note 7(a))* | 2,134 | — | 51 | 2,185 |
| Capitalised borrowing costs *((note 7(a))* | 3,694 | — | — | 3,694 |
| Others | — | 2,821 | — | 2,821 |
| Total other changes | 5,828 | 2,821 | 51 | 8,700 |
| At 30 September 2022 | 146,698 | 30,155 | 2,170 | 179,023 |

***(d) Material non-cash transactions***

(i) As disclosed in note 1, the Company acquired Jiaxuntong on 8 March 2022 as part of the Reorganisation. Pursuant to the acquisition agreement of Jiaxuntong, the total consideration of the acquisition was RMB313,453,000, which included net cash considerations paid of RMB37,175,000 and net settlement (non-cash) of amounts previously due from Dongguan Jiale of RMB276,278,000.

(ii) During the year ended 31 March 2022, the amount due to related companies of RMB374,400,000 was capitalised as consideration for one share of the Company issued.

For more details of these transactions, please refer to the section headed "History, Reorganisation and Corporate Structure" in the Listing Document.

## 18 BANK BORROWINGS

| | As at 31 March | | | As at 30 September |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Portion of bank borrowings repayable within 1 year and classified as current liabilities | 25,157 | 85,747 | 236,479 | 146,698 |
| Portion of bank borrowings repayable after one year and classified as non-current liabilities | | | | |
| — After 1 year but within 2 years | 83,029 | 284,703 | — | — |
| — After 2 years but within 5 years | 274,184 | — | — | — |
| | 357,213 | 284,703 | — | — |
| Total bank borrowings | 382,370 | 370,450 | 236,479 | 146,698 |
| **Representing:** | | | | |
| Secured bank borrowings | 382,370 | 370,450 | 236,479 | 146,698 |

As at 31 March 2020, 2021 and 2022 and 30 September 2022 banking facilities of RMB454,454,000, RMB437,881,000 and RMB292,387,000 and RMB248,273,000 were secured by the pledged deposits of RMB50,000,000, RMB Nil, RMB68,731,000 and RMB21,931,000, property under development for sale with the carrying amounts of RMB531,367,000, RMB128,794,000 RMB Nil and RMB Nil respectively and the share capital of the two subsidiaries, Castfast Industrial (Yan Tien) Limited and 東莞嘉創房地產開發有限公司, which were utilised to extent of RMB382,370,000, RMB370,450,000, RMB236,479,000 and RMB146,698,000 as at 31 March 2020, 2021 and 2022 and 30 September 2022 respectively. Unlimited guarantees are also provided by KIHL and Karrie International (B.V.I.) Limited ("**Karrie International BVI**"), a subsidiary of KIHL, for such facilities.

At 31 March 2020, 2021 and 2022 and 30 September 2022, some of the Group's banking facilities are subject to the fulfilment of covenants. If the Group were to breach the covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. As at 31 March 2020, 2021 and 2022 and 30 September 2022 none of the covenants relating to drawn down facilities had been breached.

The directors of the Company confirm that the guarantees provided by KIHL and Karrie International BVI and banking facilities subject to the fulfilment of covenants relating to certain of the KIHL and subsidiaries' statement of financial position ratios will be replaced by guarantees of the Company and covenants relating to the Company's financial position ratios upon initial listing of shares of the Company on the Main Board of the Stock Exchange.

## 19 TRADE AND OTHER PAYABLES

| | As at 31 March | | | As at 30 September |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payables | — | 2,320 | 901 | 914 |
| Other payables and accruals | 82,904 | 43,895 | 164,071 | 80,628 |
| | 82,904 | 46,215 | 164,972 | 81,542 |

All of the other payables 31 March 2020, 2021 and 2022 and 30 September 2022 are expected to be settled within one year.

Ageing analysis of trade payables as at the end of the reporting period, based on invoice date, is as follows:

| | As at 31 March | | | As at 30 September |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 6 months | — | 2,320 | 883 | 13 |
| 6 months to 12 months | — | — | — | 883 |
| Over 12 months | — | — | 18 | 18 |
| | — | 2,320 | 901 | 914 |

## 20 CONTRACT LIABILITIES

The balance represents the receipts in advance received by the Group from customers when they sign the sale and purchase agreement. These receipts in advance are recognised as contract liabilities (see note 2(j)) until the properties is accepted by the customer, or deemed as accepted according to the contract, whichever is earlier, which is the point in time when the control of the completed property is transferred to the customer that results in recognising of revenue.

*Movements of contract liabilities:*

| | Year ended 31 March | | | Six months ended 30 September |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At the beginning of the year/period** | 82,872 | 176,037 | 359,239 | 407,227 |
| Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period | (65,548) | (161,705) | (297,947) | (331,346) |
| Increase in contract liabilities as a result of receiving forward sales deposits and instalments during the year/period | 158,713 | 344,907 | 345,935 | 57,580 |
| **At the end of the year/period** | 176,037 | 359,239 | 407,227 | 133,461 |

The increase in contract liabilities as at 31 March 2021 and 2022 were mainly attributable to the increase in developed properties, which is aligned with the expansion of the property development activities of the Group, and led to the receipt of a greater number of forward sales deposits and instalments. The decrease in contract liabilities as at 30 September 2022 was due to less number of pre-sales transactions which is aligned with the property market in Dongguan, Huizhou and Foshan.

The amounts of receipts in advance expected to be recognised as revenue after more than one year are RMB14,332,000, RMB117,075,000, RMB41,344,000 and RMB79,445,000 respectively as at 31 March 2020, 2021 and 2022 and 30 September 2022.

## 21 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

### (a) Current taxation in the consolidated statements of financial position represents:

| | As at 31 March | | | As at 30 September |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Prepaid taxes | | | | |
| Prepayment for LAT | 198 | 4 | 247 | — |
| Current tax payable | | | | |
| Provision for EIT | 74,439 | 93,417 | 203,620 | 61,923 |
| Provision for LAT | 197,403 | 339,271 | 192,436 | 313,689 |
| | 271,842 | 432,688 | 396,056 | 375,612 |

**(b) Deferred tax assets and liabilities recognised:**

***Movement of each component of deferred tax assets/(liabilities)***

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the year/period are as follows:

| | Revaluation of investment properties | Accrual for LAT | Unused tax losses | Temporary difference for inventories | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Deferred tax arising from: | | | | | |
| At 1 April 2019 | (18,083) | 21,719 | 2,732 | 782 | 7,150 |
| (Charged)/credited to profit or loss *(note 8(a))* | (20) | 33,751 | 1,149 | (3,510) | 31,370 |
| Exchange adjustments | — | — | — | (48) | (48) |
| At 31 March 2020 and 1 April 2020 | (18,103) | 55,470 | 3,881 | (2,776) | 38,472 |
| Credited/(charged) to profit or loss *(note 8(a))* | 59 | 42,064 | (3,057) | (1,890) | 37,176 |
| Exchange adjustments | — | — | (20) | 239 | 219 |
| At 31 March 2021 and 1 April 2021 | (18,044) | 97,534 | 804 | (4,427) | 75,867 |
| (Charged)/credited to profit or loss *(note 8(a))* | (225) | 55,525 | 454 | (2,697) | 53,057 |
| Exchange adjustments | — | — | (40) | 79 | 39 |
| At 31 March 2022 and 1 April 2022 | (18,269) | 153,059 | 1,218 | (7,045) | 128,963 |
| Credited to profit or loss *(note 8(a))* | (122) | (63,798) | (545) | (1,063) | (65,528) |
| Exchange adjustments | — | — | 109 | (738) | (629) |
| At 30 September 2022 | (18,391) | 89,261 | 782 | (8,846) | 62,806 |

The deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes determined after appropriate offsetting, are shown in the consolidated statements of financial position:

| | As at 31 March | | | As at 30 September |
|---|---|---|---|---|
| | 2020 | 2021 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Representing:** | | | | |
| Deferred tax assets . . . . . . . . . . . . . . . | 56,666 | 93,997 | 148,235 | 83,242 |
| Deferred tax liabilities. . . . . . . . . . . . . | (18,194) | (18,130) | (19,272) | (20,436) |
| | 38,472 | 75,867 | 128,963 | 62,806 |

### (c) Deferred tax liabilities not recognised

As at 31 March 2020, 2021 and 2022 and 30 September 2022 deferred tax liabilities in respect of the 5% dividend withholding tax relating to the distributable profits of the Company's subsidiaries in the PRC were not recognised as the Company controls the dividend policy of the subsidiaries. Based on the assessment made by management as at the end of each reporting period, it was determined that the distributable profits of the Company's subsidiaries in the PRC would not be distributed to the Hong Kong and overseas holding companies in the foreseeable future. The deferred tax liabilities not recognised for the distributable profits earned by the subsidiaries in the PRC amounted to RMB54,343,000, RMB55,302,000, RMB78,499,000 and RMB233,259,000 as at 31 March 2020, 2021 and 2022 and 30 September 2022 respectively.

## 22 LEASE LIABILITIES

At 31 March 2020, 2021 and 2022 and 30 September 2022, the lease liabilities were repayable as follows:

| | As at 31 March | | | As at 30 September |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 year | — | — | 514 | 500 |
| After 1 year but within 2 years | — | — | 474 | 477 |
| After 2 years but within 5 years | — | — | 1,385 | 1,193 |
| | — | — | 1,859 | 1,670 |
| | — | — | 2,373 | 2,170 |

## 23 BALANCE DUE WITH THE COMPANY

### *(a) Interest in a subsidiary*

At 31 March 2021 and 2022 and 30 September 2022, the interest in a subsidiary of the Company is as follows:

| | As at 31 March | | As at 30 September |
|---|---|---|---|
| | 2021 | 2022 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Investment in a subsidiary | — | 1,215 | 1,215 |
| Amount due from a subsidiary *(note (i))* | — | 374,400 | 374,400 |
| | — | 375,615 | 375,615 |

*Note:*

(i) The amount due from a subsidiary is unsecured, interest-free, expected to be recoverable after one year.

### *(b) Amount due from/(to) a subsidiary*

The amount due from/(to) a subsidiary is unsecured, interest-free, expected to be recoverable/(repayable) on demand.

Further details of the subsidiaries of the Group are set out in Note 1.

## 24 CAPITAL, RESERVES AND DIVIDENDS

### (a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity.

Details of the changes in the Company's individual components of equity between the beginning and the end of the period/year are set out below:

| | Share capital | Share premium | Accumulated losses | Exchange reserve | Total |
|---|---|---|---|---|---|
| | *RMB'000* *(Note 24(b))* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 2 September 2020 (date of incorporation)** | — | — | — | — | — |
| Issuance of shares *(note 24(b)(i))* | —* | — | — | — | —* |
| Loss and total comprehensive income for the period | — | — | —* | —* | —* |
| **At 31 March 2021 and 1 April 2021** | —* | — | —* | —* | —* |
| Loss and total comprehensive income for the period | — | — | (27) | —* | (27) |
| Issuance of shares *(note 24(b)(i))* | —* | 375,615 | — | — | 375,615 |
| **At 31 March 2022 and 1 April 2022** | —* | 375,615 | (27) | —* | 375,588 |
| Profit and total comprehensive income for the period | — | — | 29,377 | 50,211 | 79,588 |
| Distribution *(note 24(e))* | — | (8,000) | (57,000) | — | (65,000) |
| **At 30 September 2022** | —* | 367,615 | (27,650) | 50,211 | 390,176 |

* The balance represents an amount less than RMB500.

**(b) Share capital**

The share capital of the Group as at 31 March 2020 and 2021 represented the aggregated amount of share capital of all entities now comprising the Group at the respective dates, after elimination of investment in subsidiaries, while the share capital as at 31 March 2022 and 30 September 2022 solely represented the amount of share capital of the Company.

Details of the movement of share capital of the Company are set out below:

| | 31 March 2021 | | 31 March 2022 | | 30 September 2022 | |
|---|---|---|---|---|---|---|
| | *No. of shares* | *HK$* | *No. of shares* | *HK$* | *No. of shares* | *HK$* |
| **Authorised:** | | | | | | |
| Ordinary shares of HK$0.01 each (2021: HK$0.1 each) | 3,800,000 | 380,000 | 38,000,000 | 380,000 | 38,000,000 | 380,000 |
| **Issued and fully paid:** | | | | | | |
| Ordinary shares of HK$0.01 each: (2021: HK$0.1 each) | | | | | | |
| On 2 September 2020 (date of incorporation)/ beginning of the year | — | — | 1 | —* | 1 | —* |
| Issuance of shares *(note (i))* | 1 | —* | 2 | —* | 2 | —* |
| Subdivision of shares *(note (ii))* | — | — | 27 | — | 27 | — |
| End of the year/period | 1 | —* | 30 | —* | 30 | —* |

* The balance represents an amount less than RMB500.

*Notes:*

(i) Issuance of share

On 2 September 2020, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$380,000 divided into 3,800,000 shares of HK$0.1 each. On the date of incorporation, one share was issued to the initial subscriber and such share was later transferred to KIHL on the same day.

On 8 March 2022, the Company issued one share to KIHL in consideration for KIHL directing Karrie International BVI, one of its subsidiaries, to distribute in specie of its entire shareholding in Benefit Master Limited ("**Benefit Master**") to the Company. Upon completion of the distribution, Karrie International BVI ceased to be the shareholder of Benefit Master. Accordingly, Benefit Master became a direct wholly-owned subsidiary of the Company and eventually all of the companies listed out in note 1 that had been established on or before 8 March 2022 would became a subsidiary of the Company.

On the same day, the amount due to related companies of RMB374,400,000 that was owned by the subsidiaries of the Company were capitalised as consideration for one share of the Company issued.

Details of the above transactions are more fully explained in the section headed "History, Reorganisation and Corporate Structure" in the Listing Document.

(ii) Subdivision of shares

On 22 March 2022, the issued and unissued shares of HK$0.1 each in the share capital of the Company were subdivided into ten shares of HK$0.01 each, and the authorised share capital of the Company became HK$380,000 divided into 38,000,000 shares of HK$0.01 each.

## (c) Nature and purpose of reserves

### *(i) Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of Hong Kong operations from Hong Kong Dollars to RMB. The reserves are dealt with in accordance with the accounting policies set out in note 2(r).

### *(ii) Statutory surplus reserve*

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of their net profits after taxation, as determined under the Chinese accounting standards, to statutory surplus reserve until the reserve balance reaches 50% of their registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the subsidiaries, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the subsidiaries. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

### *(iii) Merger reserve*

The merger reserve represents the difference between the consideration paid by the Group and the share capital of Jiaxuntong and Kar Info International under common control of Mr. Ho during the Relevant periods.

As part of the consideration for the acquisition of Jiaxuntong, amounts previously due from Dongguan Jiale of RMB276,278,000 by Jiaxuntong was net settled in accordance with the acquisition agreement as disclosed in note 17(d)(i). The amount settled was recognised as merger reserve.

The Reorganisation was completed on 22 March 2022, and the details of these transactions are fully explained in the section headed "History, Reorganisation and Corporate Structure" in the Listing Document.

**(d) Capital management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the Group may adjust the amount of distribution and dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as the sum of total bank borrowings and lease liabilities in the consolidated statements of financial position. Total capital is calculated as "total equity" shown in the consolidated statements of financial position.

The Group's strategy, which is unchanged from prior years, is to maintain an acceptable gearing ratio, calculated based on external bank borrowings. The gearing ratios at 31 March 2020, 2021 and 2022 and 30 September 2022 are as follows:

| | As at 31 March | | | As at 30 September |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Total debt | 382,370 | 370,450 | 238,852 | 148,868 |
| Total equity | 323,075 | 430,288 | 748,674 | 784,697 |
| Gearing ratio | 118.4% | 86.1% | 31.9% | 19.0% |

**(e) Dividends and distribution**

Prior to the acquisition of Jiaxuntong which was completed on 8 March 2022, Jiaxuntong distributed and paid dividends of RMB10,000,000 and RMB20,000,000 to Kar Info Property Limited, a company which was wholly-owned by Mr. Ho during the years ended 31 March 2020 and 2021 respectively.

During the year ended 31 March 2021, dividend of RMB 61,636,000 has also been declared by the Company's subsidiaries, Castfast Industrial (Yan Tien) Limited and Kwong Hing Computer Metallic Components Limited to Karrie International BVI, a subsidiary of KIHL.

During the six months ended 30 September 2022, interim dividend of RMB65,000,000 has been declared and paid by the Company.

## 25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

### (a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties which enable management to assess their recoverability and to minimise the exposure to credit risk.

The Group's exposure to credit risks arising from cash and cash equivalents and other financial assets are limited because these financial assets held by the Group are mainly deposited in financial institutions such as commercial banks which maintain sound reputation and financial situation, for which the Group considered to have low credit risk.

The Group normally receives full payment from customers before the hand-over of the property, and therefore there is no trade receivables as at 31 March 2020, 2021 and 2022 and 30 September 2022.

In respect of other receivables and amounts due from related companies, the Group has assessed that the expected credit loss is not material under the 12 months ECL method. The expected credit loss rates were insignificant and close to zero. Thus, no expected credit loss for other receivables and amount due from a related party was recognised during the years ended 31 March 2020, 2021 and 2022 and 30 September 2022.

The Group has no concentrations of credit risk in view of its large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. Except for the financial guarantees given by the Group as disclosed in note 26(c), the Group does not provide any other guarantee which would expose the Group to credit risk.

**(b) Liquidity risk**

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long terms.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of the reporting period) and the earliest date the Group can be required to pay:

| | Contractual undiscounted cash outflow | | | | |
|---|---|---|---|---|---|
| | **Carrying Amount** | **Total contractual undiscounted cash flow** | **Within 1 year or on demand** | **Between 1 and 2 years** | **Between 2 and 5 years** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 31 March 2020** | | | | | |
| Bank borrowings | 382,370 | 437,018 | 26,195 | 92,675 | 318,148 |
| Trade and other payables | 82,904 | 82,904 | 82,904 | — | — |
| Amounts due to related companies | 466,536 | 466,536 | 466,536 | — | — |
| Total | 931,810 | 986,458 | 575,635 | 92,675 | 318,148 |

| | Contractual undiscounted cash outflow | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Total contractual undiscounted cash flow | Within 1 year or on demand | Between 1 and 2 years | Between 2 and 5 years |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 31 March 2021** | | | | | |
| Bank borrowings | 370,450 | 399,541 | 89,292 | 310,249 | — |
| Trade and other payables | 46,215 | 46,215 | 46,215 | — | — |
| Amounts due to related companies | 543,328 | 543,328 | 543,328 | — | — |
| Total | 959,993 | 989,084 | 678,835 | 310,249 | — |

| | Contractual undiscounted cash outflow | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Total contractual undiscounted cash flow | Within 1 year or on demand | Between 1 and 2 years | Between 2 and 5 years |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 31 March 2022** | | | | | |
| Bank borrowings | 236,479 | 253,568 | 253,568 | — | — |
| Trade and other payables | 164,972 | 164,972 | 164,972 | — | — |
| Lease liabilities | 2,373 | 2,657 | 510 | 510 | 1,637 |
| Total | 403,824 | 421,197 | 419,050 | 510 | 1,637 |

| | Contractual undiscounted cash outflow | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Total contractual undiscounted cash flow | Within 1 year or on demand | Between 1 and 2 years | Between 2 and 5 years |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 30 September 2022** | | | | | |
| Bank borrowings | 146,698 | 159,476 | 159,476 | — | — |
| Trade and other payables | 81,542 | 81,542 | 81,542 | — | — |
| Lease liabilities | 2,170 | 2,402 | 510 | 510 | 1,382 |
| Total | 230,410 | 243,420 | 241,528 | 510 | 1,382 |

### (c) Interest rate risk

The Group's interest rate risk arises primarily from amounts due to related companies and the bank borrowing issued at variable rates that expose the Group to cash flow interest rate risk. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

#### *(i) Interest rate profile*

The following table details the interest rate profile of the Group's bank borrowings and amount due to related companies with deemed interest (see note 27(d)(iii)) at the end of reporting period:

| | As at 31 March | | | | | | As at 30 September | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | |
| | *Effective interest rate* | *RMB'000* | *Effective interest rate* | *RMB'000* | *Effective interest rate* | *RMB'000* | *Effective interest rate* | *RMB'000* |
| **Borrowings with floating rate:** | | | | | | | | |
| Bank borrowings . . . . | 5.86% | 382,370 | 5.13% | 370,450 | 5.08% | 236,479 | 6.06% | 146,698 |
| Amounts due to related companies *(note 27(d)(iii))* . . . . | 3.59% | 375,124 | 2.10% | 363,606 | — | — | — | — |
| | | 757,494 | | 734,056 | | 236,479 | | 146,698 |

#### *(ii) Sensitivity analysis*

At 31 March 2020, 2021 and 2022 and 30 September 2022, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and retained earnings by approximately RMB3,056,000, RMB2,991,000, RMB929,000 and RMB594,000 respectively.

In respect of the net exposure to cash flow interest rate risk arising from floating rate bank borrowings held by the Group at the end of the reporting period, the impact on the Group's profit after taxation and retained earnings is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on a consistent basis for the Relevant Periods.

The sensitivity analysis above assumes that the change in interest rates had occurred at the end of the reporting period and had been applied to all floating rate bank and other borrowings, without taking into account the impact of interest capitalisation.

**(d) Currency risk**

The Group operates primarily in the PRC and most of its business transactions, assets and liabilities are denominated in RMB and Hong Kong Dollars ("**HK$**"). Currency risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations that are denominated in a currency that is not the entity's functional currency. Management considers that the Group is mainly exposed to foreign currency risk with respect to United States Dollars ("**US$**"). Management will continue to monitor foreign exchange exposure and will take measures to minimise the currency translation risk. The conversion rate of RMB to foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

The following table details the currency portfolio of the Group's monetary assets denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the portfolio are expressed in RMB, translated using the spot rate at the end of the reporting period:

| | As at 31 March | | | As at 30 September |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash and bank deposits in US$. . . . . . | 3,049 | 94 | 65 | 69 |

At 31 March 2020, 2021 and 2022 and 30 September 2022, if RMB had weakened/strengthened by 5% against the US$ with all other variables held constant, post-tax profit for the years/period and retained earnings would have approximately increased/decreased by approximately RMB114,000, RMB4,000, RMB2,000 and RMB3,000 respectively, mainly as a result of the net foreign exchange gains/losses on translation of cash and bank deposits that are denominated in US$. The analysis is performed on the same basis during the Relevant Periods.

**(e) Fair value estimations**

The carrying amount of the Group's financial instruments carried at amortised cost were not materially different from their fair value as at 31 March 2020, 2021 and 2022 and 30 September 2022. Please see note 13 for fair value estimate on investment properties.

## 26 COMMITMENTS AND CONTINGENT LIABILITIES/FINANCIAL GUARANTEES

### (a) Commitments outstanding at 31 March 2020, 2021 and 2022 and 30 September 2022 not provided for in the Historical Financial Information were as follows:

| | As at 31 March | | | As at 30 September |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Contracted for | 301,369 | 115,173 | 13,366 | 80,506 |

Commitments mainly related to land and development costs for the Group's properties under development for sale.

### (b) The undiscounted lease payments to be received under non-cancellable operating leases by the Group were as follows:

| | As at 31 March | | | As at 30 September |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within one year | 64 | 64 | 64 | 64 |

### (c) Contingent liabilities/financial guarantees

(i) As at 31 March 2020, 2021 and 2022 and 30 September 2022, the Group has issued guarantees to banks to secure the mortgage arrangements of certain property buyers. The outstanding guarantees to the banks amounted to RMB521,909,000, RMB421,593,000, RMB695,820,000 and RMB512,473,000 as at 31 March 2020, 2021 and 2022 and 30 September 2022, which will be released upon the completion of the transfer procedures with the property buyers in respect of the legal title of the properties.

The directors do not consider the Group will sustain a loss under these guarantees as the bank has the rights to sell the property and recovers the outstanding loan balance from the sale proceeds if the property buyers have default payment. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be insignificant.

(ii) During the Relevant Periods, the Group provided guarantees to secure the loans borrowed by related companies. The total banking facilities granted to related companies were HK$465,750,000, HK$659,428,000, HK$703,144,000 and HK$605,750,000 (equivalent to RMB423,409,000, RMB558,837,000, RMB571,662,000 and RMB550,682,000) respectively as at 31 March 2020, 2021 and 2022 and 30 September 2022, respectively. The outstanding bank borrowings of the related companies as at 31 March 2020, 2021 and 2022 and 30 September 2022, amounted to HK$232,500,000, HK$262,178,000, HK$430,000,000 and HK$353,750,000 equivalent to RMB211,364,000, RMB222,185,000, RMB349,593,000 and RMB321,591,000) respectively. The directors do not consider it is probable that a claim will be made against the Group under the guarantee.

The directors of the Company confirm that the guarantees provided to the banks to secure the loans borrowed by related companies will be removed upon initial listing of shares of the Company on the Main Board of the Stock Exchange.

## 27 MATERIAL RELATED PARTY TRANSACTIONS

The Group entered into the following material related party transactions.

### (a) Name and relationship with related parties

| Name of the party | Relationship with the Group |
|---|---|
| KIHL | Ultimate controlling party of the Company |
| Karrie International BVI | A subsidiary of KIHL and the immediate holding company of several subsidiaries of the Group before the completion of the Reorganisation, including Castfast Industrial (Yan Tien) Limited and Kwong Hing Computer Metallic Components Limited |
| Mr. Ho Cheuk Fai ("**Mr. Ho**") | Ultimate controlling shareholder of KIHL and the Group, and the non-executive director of the Company |
| Mr. Ho Wai Hon, Brian | Son of Mr. Ho Cheuk Fai, and the executive director of the Company |
| Mr. Ho Man Chung | The executive director of the Company |

| Name of the party | Relationship with the Group |
|---|---|
| Dongguan Feng Gang Castfast Metal & Plastics Company Limited | A fellow subsidiary of the Company |
| Dongguan Feng Gang Caston Metal & Plastics Company Limited | A fellow subsidiary of the Company |
| Dongguan Feng Gang Yantian Castfast Metal & Plastics Company Limited | A fellow subsidiary of the Company |
| Karrie Industrial Company Limited | A fellow subsidiary of the Company |
| Karrie Technologies Company Limited | A fellow subsidiary of the Company |
| Kar Yee Creation (B.V.I.) Company Limited | A fellow subsidiary of the Company |
| Dongguan Jiale | A company established as a result of the Corporate Division prior to the acquisition of Jiaxuntong as disclosed in note 1 |
| Kar Info Property Limited | A wholly-owned subsidiary of Kar Info International and the immediate parent of Jiaxuntong prior to the Acquisitions as disclosed in note 1 |
| 廣東翠峰機器人科技股份有限公司 | An associate of KIHL, which is a lessee of the Group |
| 東莞嘉輝門窗製品有限公司 | A related party of the Company, which is a customer and a lessee of the Group |

**(b) Transactions with key management personnel**

Remuneration for key management personnel of the Group is as follows:

| | Years ended 31 March | | | Six months ended 30 September | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Short-term employee benefits | 539 | 1,307 | 1,867 | 764 | 930 |
| Retirement scheme contributions | 25 | 26 | 57 | 28 | 33 |
| | 564 | 1,333 | 1,924 | 792 | 963 |

**(c) Transactions with related parties**

| | Years ended 31 March | | | Six months ended 30 September | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (unaudited) | *RMB'000* |
| Sales to related parties *(note (i))* | 4,650 | 3,707 | — | — | 2,740 |
| Construction costs paid to related parties *(note (i))* | 30,044 | 636 | — | — | — |
| Rental expenses paid to related parties *(note (i))* | 819 | — | — | — | 12 |
| Rental income received from related parties *(note (i))* | 246 | 246 | 246 | 123 | 123 |
| Finance costs payable to related parties | 9,457 | 5,963 | 6,150 | 3,072 | — |

*Note:*

(i) These related party transactions are trade in nature.

**(d) Balances with related parties**

| | As at 31 March | | | As at 30 September |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Amount due from Dongguan Jiale *(note (i))* | 436,942 | 435,621 | 1,719 | 5,739 |
| Amount due from Kar Info Property Limited *(note (ii))* | — | — | 28,616 | — |
| Amount due from related parties | 436,942 | 435,621 | 30,335 | 5,739 |
| Amounts due from fellow subsidiaries *(note (iii))* | 52,560 | 140,684 | 5,484 | 335 |
| Amounts due from related companies | 489,502 | 576,305 | 35,819 | 6,074 |
| Amount due to Kar Info Property Limited *(note (ii))* | — | — | — | 3,221 |
| Amounts due to fellow subsidiaries *(note (iv))* | 466,536 | 543,328 | — | 26,934 |
| Amounts due to related companies | 466,536 | 543,328 | — | 30,155 |

*Notes:*

(i) The balances represented amounts previously provided by Jiaxuntong to Dongguan Jiale prior to the Corporate Division to provide financial support to Dongguan Jiale's business operations.

As disclosed in note 17(d)(i), the amount of RMB276,278,000 due from Dongguan Jiale was net settled as part of the consideration pursuant to the acquisition agreement of Jiaxuntong. The amount settled was recognised as merger reserve as set out in note 24(c)(iii).

The amounts are unsecured, interest-free, recoverable on demand and non-trade in nature. The directors of the Company confirm that the amounts will be recovered prior to listing of shares of the Company on the Main Board of the Stock Exchange.

(ii) The balances represented amount due from/(to) Kar Info Property Limited, the vendor for the acquisition of Jiaxuntong that was wholly-owned by Mr. Ho.

The balance as at 31 March 2022 was related to LAT payment by Jiaxuntong that was in excess of the provision amount for LAT when acquisition consideration was determined. Such excess amount of RMB28,616,000 is borne by the vendor and would be refunded to the Group pursuant to the acquisition agreement of Jiaxuntong.

During the six months ended 30 September 2022, Jiaxuntong received EIT refund of RMB42,858,000 that was in excess of the net tax positions when acquisition consideration was determined. Such excess amount is entitled by the vendor pursuant to the acquisition agreement of Jiaxuntong. In addition, provision for LAT and EIT related to corporate division, amounted to RMB11,390,000, are payable by Jiaxuntong to tax authority, while such amount is payable by the vendor pursuant to the acquisition agreement of Jiaxuntong, and therefore is recoverable from the vendor as at 30 September 2022.

These amounts are unsecured, interest-free, recoverable/repayable on demand and non-trade in nature. The directors of the Company confirm that the amounts will be settled prior to listing of shares of the Company on the Main Board of the Stock Exchange.

(iii) The amounts due from fellow subsidiaries are unsecured, interest-free, recoverable on demand and non-trade in nature.

The directors of the Company confirm that the amounts due from fellow subsidiaries will be recovered prior to listing of shares of the Company on the Main Board of the Stock Exchange.

(iv) Throughout the Relevant Periods, funding was provided by KIHL and its fellow subsidiaries to the Group to financially support the Group's operations. The amounts due to fellow subsidiaries are unsecured, interest-free and repayable on demand, except for the balance amounted to RMB375,124,000, RMB363,606,000, RMB Nil and RMB Nil as at 31 March 2020, 2021 and 2022 and 30 September 2022 which were deemed to have an effective interest rate of 3.59%, 2.10%, Nil and Nil respectively. The amounts are non-trade in nature.

During the year ended 31 March 2022, the amounts due to related companies of RMB374,400,000 was capitalised as consideration for one share of the Company issued, details of the transaction are more fully explained in the section headed "History, Reorganisation and Corporate Structure" in the Listing Document.

The directors of the Company confirm that the amounts due to related companies will be settled prior to listing of shares of the Company on the Main Board of the Stock Exchange.

## 28 SUBSEQUENT EVENTS

There were no significant non-adjusting events after the Relevant Periods.

## 29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of the Historical Financial Information, the HKICPA has issued a new standard, and a number of amendments and interpretations which are not yet effective for the Relevant Periods and which have not been adopted in the Historical Financial Information. The amendments, new standards and interpretations comprise of the following.

| | **Effective for accounting periods beginning on or after** |
|---|---|
| Amendments to HKAS 1, *Classification of Liabilities as Current or Non-current* | 1 January 2023 |
| HKFRS 17, *Insurance contracts* | 1 January 2023 |
| Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of Accounting Policies* | 1 January 2023 |
| Amendments to HKAS 8, *Definition of Accounting Estimates* | 1 January 2023 |
| Amendments to HKAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* | 1 January 2023 |
| Amendments to HKFRS 16, *Lease Liability in a Sale and Leaseback* | 1 January 2024 |
| Amendments to HKFRS 10 and HKAS 28, *Sales or contribution of assets between an investor and its associate or joint venture* | *To be determined* |

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Historical Financial Information.

## SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 30 September 2022.