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EASYKNIT INTERNATIONAL HOLDINGS LIMITED

永義國際集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1218)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2023

FINANCIAL HIGHLIGHTS

	For the year ended 31 March		
	2023	2022 (Restated)	Change
Continuing operations			
Revenue (HK\$'000)	86,762	323,390	(73.2)%
Gross profit (HK\$'000)	58,985	147,594	(60.0)%
Gross profit margin	68.0%	45.6%	22.4%
Profit for the year attributable to owners of the Company (HK\$'000)	10,905	957,066	(98.9)%
Discontinued operation			
Revenue (HK\$'000)	15,912	27,394	(41.9)%
Profit for the year attributable to owners of the Company (HK\$'000)	2,375	22,371	(89.4)%
Continuing and discontinued operations			
Basic/Diluted earnings per share (HK\$)	0.18	12.46	(98.6)%
	As at 31 March		
	2023	2022	Change
Total assets (HK\$'000)	9,188,964	8,919,158	3.0%
Total liabilities (HK\$'000)	4,196,579	3,981,641	5.4%
Net asset value (HK\$'000)	4,992,385	4,937,517	1.1%
Net asset value per share (HK\$)	67.5	66.7	1.2%

RESULTS

The board of directors (the “**Board**” or the “**Directors**”) of Easyknit International Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 March 2023 (the “**Year**”), together with comparative figures for the year ended 31 March 2022 (the “**Previous Year**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	NOTES	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Continuing operations			
Revenue	3		
Sales of properties		28,647	248,576
Rental income		43,255	57,073
Interest income from loan financing		13,224	16,085
Building management		1,636	1,656
		86,762	323,390
Cost of properties sold and services rendered		(27,777)	(175,796)
Gross profit		58,985	147,594
Other income, gains and losses		32,986	19,873
Distribution and selling expenses		(11,415)	(37,856)
Administrative expenses		(108,968)	(96,715)
Other expenses		(384)	(231)
Write-back on properties held for development for sale, net		11,832	1,629
Gain on changes in fair value of investment properties		191,361	22,198
Loss on revaluation of intangible assets		(5,847)	(723)
Impairment loss on intangible assets		(3,207)	—
Net loss on changes in fair value of financial assets at fair value through profit or loss		(62,879)	(36,295)
Release on disposal of debt instruments at fair value through other comprehensive income		—	(3,819)
Gain on settlement of loans receivable by properties		—	35,846
(Impairment loss) reversal of impairment loss on financial assets, net:			
— Loans receivable		(11,783)	(27,261)
— Debt instruments at fair value through other comprehensive income		(5,378)	(22,286)
— Debt instruments at amortised cost		119	(1,090)
Gain on bargain purchase on acquisition of a subsidiary		—	1,676,151
Loss on remeasurement of interest in an associate		—	(656,380)
Share of results of an associate		—	(1,250)
Share of results of joint ventures		109	(5)
Finance costs	5	(67,673)	(28,415)
Profit before taxation	6	17,858	990,965
Income tax credit (charge)	7	7,483	(11,389)
Profit for the year from continuing operations		25,341	979,576
Discontinued operation			
Profit for the year from discontinued operation	8	4,602	29,924
Profit for the year		29,943	1,009,500

	2023 HK\$'000	2022 HK\$'000 (Restated)
Other comprehensive (expenses) income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Share of other comprehensive expense of an associate:		
Share of fair value through other comprehensive income reserve of an associate	—	33
Reclassification of translation reserve to profit or loss upon deemed disposal of interest in associate	—	(570)
Reclassification of fair value through other comprehensive income reserve to profit or loss upon deemed disposal of interest in associate	—	(12,707)
	—	(13,244)
Exchange differences arising on translation of financial statements of foreign operations	(36,244)	13,798
Change in fair value of debt instruments at fair value through other comprehensive income	(3,389)	(22,656)
Release on disposal of debt instruments at fair value through other comprehensive income	—	3,819
Impairment loss on debt instruments at fair value through other comprehensive income included in profit or loss, net	5,378	22,286
Other comprehensive (expenses) income for the year	(34,255)	4,003
Total comprehensive (expenses) income for the year	<u>(4,312)</u>	<u>1,013,503</u>
Profit for the year attributable to owners of the Company:		
— from continuing operations	10,905	957,066
— from discontinued operation	2,375	22,371
Profit for the year attributable to owners of the Company	<u>13,280</u>	<u>979,437</u>
Profit for the year attributable to non-controlling interests:		
— from continuing operations	14,436	22,510
— from discontinued operation	2,227	7,553
Profit for the year attributable to non-controlling interests	<u>16,663</u>	<u>30,063</u>
Profit for the year	<u><u>29,943</u></u>	<u><u>1,009,500</u></u>

	<i>NOTE</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Total comprehensive (expense) income attributable to owners of the Company:			
— from continuing operations		(26)	946,621
— from discontinued operation		(17,402)	32,443
		<u>(17,428)</u>	<u>979,064</u>
Total comprehensive (expense) income attributable to owners of the Company		(17,428)	979,064
		<u>(17,428)</u>	<u>979,064</u>
Total comprehensive income (expense) attributable to non-controlling interests:			
— from continuing operations		29,433	23,486
— from discontinued operation		(16,317)	10,953
		<u>(16,317)</u>	<u>10,953</u>
Total comprehensive income attributable to non-controlling interests		13,116	34,439
		<u>13,116</u>	<u>34,439</u>
Total comprehensive (expense) income for the year		(4,312)	1,013,503
		<u>(4,312)</u>	<u>1,013,503</u>
		<i>HK\$</i>	<i>HK\$</i> (Restated)
Earnings per share			
From continuing and discontinued operations			
— Basic and diluted	<i>10</i>	<u>0.18</u>	<u>12.46</u>
From continuing operations			
— Basic and diluted	<i>10</i>	<u>0.15</u>	<u>12.17</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property, plant and equipment		196,783	203,234
Right-of-use assets		689	1,082
Intangible assets		500	7,063
Investment properties		2,194,541	2,423,573
Interests in joint ventures		214	52
Financial assets at fair value through profit or loss		48,930	43,274
Debt instruments at fair value through other comprehensive income		471	—
Debt instruments at amortised cost		36,614	40,936
Loans receivable	11	30,621	93,949
Deferred tax assets		16,862	13,559
Deposits		285	285
		<u>2,526,510</u>	<u>2,827,007</u>
Current assets			
Properties held for development for sale		4,770,716	4,418,372
Properties held for sale		728,950	789,228
Trade and other receivables	12	66,230	165,375
Prepaid income tax		25,424	—
Financial assets at fair value through profit or loss		142,230	362,400
Loans receivable	11	159,272	152,031
Debt instruments at fair value through other comprehensive income		624	4,884
Debt instruments at amortised cost		—	15,436
Cash and cash equivalents		398,894	184,425
		<u>6,292,340</u>	<u>6,092,151</u>
Assets classified as held for sale			
— investment properties		<u>370,114</u>	<u>—</u>
		<u>6,662,454</u>	<u>6,092,151</u>

	<i>NOTE</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Current liabilities			
Trade and other payables	<i>13</i>	118,920	153,104
Deposit received for disposal of assets classified as held for sale		226,802	—
Contract liabilities		29,085	16,534
Amount due to a non-controlling shareholder		211,694	159,114
Tax payable		55,644	65,112
Lease liabilities		408	398
Secured bank borrowings		1,615,464	1,206,455
		2,258,017	1,600,717
Net current assets		4,404,437	4,491,434
Total assets less current liabilities		6,930,947	7,318,441
Non-current liabilities			
Deferred tax liabilities		24,537	23,955
Secured bank borrowings		1,913,713	2,356,249
Lease liabilities		312	720
		1,938,562	2,380,924
		4,992,385	4,937,517
Capital and reserves			
Share capital		7,399	7,399
Reserves		3,444,404	4,170,307
Equity attributable to owners of the Company		3,451,803	4,177,706
Non-controlling interests		1,540,582	759,811
		4,992,385	4,937,517

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1. GENERAL INFORMATION

Easyknit International Holdings Limited (the “**Company**”; the Company and its subsidiaries are collectively referred to as the “**Group**”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) which is also the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the Group’s annual periods beginning on 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the new and amendments to HKFRSs that have been issued but are not yet effective.

3. REVENUE

Revenue from continuing operations represents the aggregate of the amounts received or receivable in respect of rental income and building management from property investment, interest income from loan financing and property sales from property development during the year.

4. SEGMENT INFORMATION

Information reported to the Group's chief executive officer, being the chief operating decision maker (the "CODM"), for the purposes of resources allocation and assessment of segment performance focuses on types of goods delivered or services provided. This is also the basis of organisation, whereby the management has chosen to organise the Group around differences in products and services.

The Group's operating and reportable segments under HKFRS 8 "Operating Segments" are (i) property investment, (ii) property development, (iii) investment in securities and others and (iv) loan financing.

Operation in the PRC including the property investment, investment in securities and others and loan financing was classified as discontinued operation in the current year. The segment information reported does not include any amounts for the discontinued operation, which are described in more detail in note 8. Prior year segment disclosures have been represented to conform with the current year's presentation.

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

For the year ended 31 March 2023

	Property investment <i>HK\$'000</i> <i>(note)</i>	Property development <i>HK\$'000</i>	Investment in securities and others <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
SEGMENT REVENUE					
External sales	<u>44,891</u>	<u>28,647</u>	<u>—</u>	<u>13,224</u>	<u>86,762</u>
RESULTS					
Segment results	<u>190,515</u>	<u>(10,552)</u>	<u>(71,940)</u>	<u>(12,302)</u>	95,721
Unallocated corporate income					4,034
Unallocated corporate expenses					(13,949)
Other expenses					(384)
Share of results of joint ventures					109
Finance costs					<u>(67,673)</u>
Profit before taxation from continuing operations					<u>17,858</u>

For the year ended 31 March 2022 (Restated)

	Property investment <i>HK\$'000</i> <i>(note)</i>	Property development <i>HK\$'000</i>	Investment in securities and others <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
SEGMENT REVENUE					
External sales	<u>58,729</u>	<u>248,576</u>	<u>—</u>	<u>16,085</u>	<u>323,390</u>
RESULTS					
Segment results	<u>49,157</u>	<u>25,180</u>	<u>(72,253)</u>	<u>8,845</u>	10,929
Unallocated corporate income					342
Unallocated corporate expenses					(10,176)
Other expenses					(231)
Gain on bargain purchase on acquisition of a subsidiary					1,676,151
Loss on remeasurement of interest in an associate					(656,380)
Share of results of an associate					(1,250)
Share of results of a joint venture					(5)
Finance costs					<u>(28,415)</u>
Profit before taxation from continuing operations					<u>990,965</u>

Note: Rental income generated from properties held for development for sale (included in property development segment) was included in property investment segment.

Segment results represent the profit earned or loss incurred from continuing operations by each segment without allocation of share of results of an associate and joint ventures, gain on bargain purchase on acquisition of a subsidiary, loss on remeasurement of interest in an associate, finance costs, other expenses and unallocated corporate income and expenses. There are asymmetrical allocations to operating segments because the Group allocates all fair value changes of financial assets at fair value through profit or loss to segment of investment in securities and others without allocating the certain financial instruments to those segment assets. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

5. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<u>Continuing operations</u>		
Interest on bank borrowings	144,815	59,208
Interest on lease liabilities	22	27
	<u>144,837</u>	<u>59,235</u>
Less: Amount capitalised in the cost of qualifying assets	(77,164)	(30,820)
	<u><u>67,673</u></u>	<u><u>28,415</u></u>

6. PROFIT BEFORE TAXATION

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
<u>Continuing operations</u>		
Profit before taxation has been arrived at after charging:		
Directors' emoluments	12,667	11,743
Other staff costs, including retirement benefits scheme contributions	56,652	43,943
Share-based payments (excluding directors)	—	349
	<u>69,319</u>	<u>56,035</u>
Total staff costs		
Cost of properties recognised as expense	23,390	171,202
Depreciation of property, plant and equipment	6,969	8,079
Depreciation of right-of-use assets	393	673
Net exchange loss	—	85
and after crediting:		
Dividend income from listed investments	11,641	10,825
Government grants (<i>note</i>)	1,256	—
Interest income from		
Debt instruments at amortised cost	2,973	2,434
Debt instruments at fair value through other comprehensive income	233	2,149
Banks and others	1,442	444
Gain on disposal of property, plant and equipment	—	382
Written-off of other payable	1,732	—
Net exchange gain	2,052	—
	<u><u>2,052</u></u>	<u><u>—</u></u>

Note: During the year ended 31 March 2023, the Group recognised government grants of HK\$1,256,000 (2022: nil) in respect of Covid-19-related subsidies, which were related to Employment Support Scheme provided by the Hong Kong Government.

7. INCOME TAX (CREDIT) CHARGE

	2023 HK\$'000	2022 HK\$'000 (Restated)
Continuing operations		
The tax (credit) charge comprises:		
Current tax:		
Hong Kong	76	7,330
Other jurisdiction	<u>304</u>	<u>549</u>
	<u>380</u>	<u>7,879</u>
(Over) Underprovision in prior years:		
Hong Kong	(4,313)	(185)
Other jurisdiction	<u>(27)</u>	<u>58</u>
	<u>(4,340)</u>	<u>(127)</u>
Deferred tax	<u>(3,523)</u>	<u>3,637</u>
	<u><u>(7,483)</u></u>	<u><u>11,389</u></u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

8. DISCONTINUED OPERATION

Pursuant to a land resumption agreement signed on 5 October 2022 by the Group and the municipal government, the lands and buildings in Huzhou will be resumed by the municipal government. The investment properties have been reclassified as assets classified as held for sale as at 31 March 2023. Other than the property investment business, the management has abandoned the investment in securities and others and loan financing businesses in the PRC during the year ended 31 March 2023. Accordingly, the operation in the PRC is considered to be a discontinued operation.

The profit for the year from the discontinued operation is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the operation in the PRC as a discontinued operation.

	2023 HK\$'000	2022 HK\$'000 (Restated)
Revenue		
Rental income	4,602	8,210
Building management	10,807	18,007
Interest income from loan financing	503	1,177
	15,912	27,394
Other income	1,472	161
Other gain and losses	(256)	89
Administrative expenses	(12,170)	(4,659)
Gain on changes in fair value of investment properties	8,864	14,866
Net loss on changes in fair value of financial assets	(5,392)	(1,610)
Reversal of impairment loss on loan receivable	221	37
Profit before taxation	8,651	36,278
Taxation charge	(4,049)	(6,354)
Profit for the year	4,602	29,924
	2023 HK\$'000	2022 HK\$'000 (Restated)

Profit for the year from discontinued operation has been arrived at after charging (crediting):

Staff costs, including retirement benefits costs	1,942	1,935
Auditors' remuneration	255	210
Depreciation of property, plant and equipment	52	88
Net exchange (gain) loss	(256)	89
Bank and other interest income	(1,421)	(136)

9. DIVIDEND

No dividend were paid or proposed for the years ended 31 March 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

10. EARNINGS PER SHARE

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to owners of the Company is based on the following data:

	2023 HK\$'000	2022 HK\$'000 (Restated)
Profit for the year attributable to owners of the Company (from continuing and discontinued operations)	13,280	979,437
Less: Profit for the year attributable from discontinued operation	<u>(2,375)</u>	<u>(22,371)</u>
Earnings for the purpose of basic and diluted earnings per share from continuing operations	<u>10,905</u>	<u>957,066</u>
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	73,988,403	78,620,943
Effect of dilutive potential ordinary shares: Share options	<u>—</u>	<u>12,324</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>73,988,403</u>	<u>78,633,267</u>

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	2023 HK\$'000	2022 HK\$'000 (Restated)
Earnings for the purpose of basic and diluted earnings per share	<u>13,280</u>	<u>979,437</u>

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

Basic and diluted earnings per share for the discontinued operation is HK\$0.03 per share (2022: HK\$0.28 per share), based on the profit for the year from the discontinued operation of approximately HK\$2,375,000 (2022: HK\$22,371,000) and the denominators detailed above for both basic and diluted earnings per share.

For 2023, the computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for the year. It also does not assume the conversion of convertible notes issued by Eminence Enterprise Limited ("**Eminence**") since their exercise would result in increase in earnings per share.

For 2022, the computation of diluted earnings per share did not assume the conversion of Eminence's outstanding convertible notes since their exercise would result in increase in earnings per share.

11. LOANS RECEIVABLE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Fixed-rate loans receivable	298,671	342,252
Variable-rate loans receivable	<u>2,136</u>	<u>3,080</u>
	300,807	345,332
Less: Impairment allowance	<u>(110,914)</u>	<u>(99,352)</u>
	<u>189,893</u>	<u>245,980</u>
Analysed as:		
Current assets	159,272	152,031
Non-current assets	<u>30,621</u>	<u>93,949</u>
	<u>189,893</u>	<u>245,980</u>
Secured	120,638	153,948
Unsecured	<u>69,255</u>	<u>92,032</u>
	<u>189,893</u>	<u>245,980</u>

No aged analysis is disclosed, as in the opinion of the directors of the Company, the aged analysis does not give additional value in view of the nature of business of loan financing.

12. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables from contract with customers	—	507
Lease receivables	1,015	6,048
Prepayments	26,996	1,020
Interest receivable	774	1,032
Escrow deposits for properties held for sale	4,456	16,541
Staff loans	9,000	—
Accounts receivable from margin financing	8,725	24,093
Refundable stamp duty	—	103,160
Amounts due from joint ventures	1,921	45
Other receivables and deposits	13,343	12,929
	<u>66,230</u>	<u>165,375</u>

The Group did not grant any credit period to its tenants in property investment segment. The aged analysis of trade receivables and lease receivables, based on invoice date, at the end of the reporting period is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–60 days	761	6,280
61–90 days	109	—
91–120 days	145	275
	<u>1,015</u>	<u>6,555</u>

13. TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	29,622	20,655
Retention payable	39,149	27,078
Rental deposits received and rental received in advance	11,648	23,880
Interest payable	7,195	6,479
Guarantee money received	—	10,000
Other taxes payable	9,832	6,194
Accruals and other payables	21,474	58,818
	<u>118,920</u>	<u>153,104</u>

The aged analysis of trade payables determined based on invoice date at the end of the reporting period is as follows. The average credit period on purchases of goods is 30 days.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–60 days	29,622	20,567
Over 90 days	—	88
	<u>29,622</u>	<u>20,655</u>

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group was principally engaged in property development, property investment, investment in securities and others and loan financing businesses which property development and property investment are the core businesses of the Group.

FINANCIAL RESULTS

For the Year, the Group's revenue from continuing operations amounted to approximately HK\$86,762,000 as compared with the Previous Year of approximately HK\$323,390,000, which represented a decrease of approximately HK\$236,628,000 or approximately 73.2%. This year's gross profit margin was approximately 68.0% (2022: approximately 45.6%). For the Year, the Group's revenue from discontinued operation amounted to approximately HK\$15,912,000 as compared with the Previous Year of approximately HK\$27,394,000, which represented a decrease of approximately HK\$11,482,000 or approximately 41.9%.

For the Year, the Group's consolidated profit attributable to shareholders of the Company (the "Shareholders") was approximately HK\$29,943,000 as compared with the Previous Year of HK\$1,009,500,000. The consolidated profit from continuing operations for the Year was approximately HK\$25,341,000 as compared with the Previous Year of approximately HK\$979,576,000. The decrease in net profit was mainly attributable to, among other things, (i) the absence of a one-off gain on bargain purchase on acquisition of Eminence (a 51.60%-owned listed subsidiary of the Company, stock code: 616) (2022: a one-off gain of approximately HK\$1,676,151,000 and offset by loss on remeasurement of interest in Eminence of approximately HK\$656,380,000). The consolidated profit from discontinued operation was approximately HK\$4,602,000, as compared with the Previous Year of approximately HK\$29,924,000.

The basic and diluted earnings per share from continuing and discontinued operations amounted to HK\$0.18 for the Year, as compared with HK\$12.46 for the Previous Year.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the Year (2022: nil).

BUSINESS REVIEW

The review of each business segment of the Group is set out below.

Property Development

Revenue from continuing operations recognised in this business segment during the Year amounted to approximately HK\$28,647,000 (2022: HK\$248,576,000). Review on existing major projects of the Group is set out below:

Project Waterloo Road

Waterloo Road Site, a wholly-owned property development project of the Group located at Nos. 93, 93A, 95 and 95A Waterloo Road, Kowloon, Hong Kong will launch sales in third to fourth quarter of 2023.

This project is developed into a luxurious residential accommodation with club house facilities and car parks. This project offers total of 56 units comprises diversified unit layouts including special units, duplex units and studio flats to 4-bedroom flats.

Project Chatham Road North

The Group, through its wholly-owned subsidiary, owns the site located at Nos. 470, 472, 474, 476 and 478 Chatham Road North, Kowloon, Hong Kong with a total site area of approximately 4,653 square feet (“**Chatham Road North Project**”).

The Chatham Road North Building Project will be redeveloped into a composite building with residential and commercial use. The estimated gross floor area after redevelopment is expected to be approximately 41,827 square feet. The superstructure works are currently undergoing at the site. This project is expected to be completed in late 2024.

Inverness Road Property — “Ayton”

“Ayton” is a completed residential project located at Nos. 14–20 Inverness Road, Kowloon Tong, Kowloon, Hong Kong developed and wholly-owned by the Group. It consists of two 8-storey residential blocks comprising 60 residential units, 29 car parking spaces and 3 motor parking spaces.

As at the date of this announcement, 34 units and 2 car parks released were sold and the aggregate contracted sales amounted to approximately HK\$552,542,000. During the Year, 2 units among the transactions have been completed (2022: 9 units and 2 car parks) and a revenue of approximately HK\$28,647,000 (2022: HK\$248,576,000) has been recorded for sale of properties.

Property Investment

As at 31 March 2023, the Group’s portfolio of investment properties comprised of residential, commercial and industrial units located in Hong Kong, the People’s Republic of China (the “**PRC**”) and Singapore.

For the Year, the rental income of the Group from continuing operations was approximately HK\$43,255,000 (2022: approximately HK\$57,073,000), representing a decrease of approximately 24.2%. For the Year, the rental income of the Group from discontinued operation was approximately HK\$4,602,000 (2022: approximately HK\$8,210,000), representing an a decrease of approximately 43.9%). The decrease in rental income was primarily attributable to certain properties held for development were demolished for redevelopment as well as decrease in market rent.

As at 31 March 2023, the occupancy rate of residential units, commercial units and industrial units of the Group's investment properties were 100.0%, 99.2% and 90.6% (2022: 100.0%, 99.2% and 97.6%) respectively. A gain on changes in fair value of investment properties from continuing operations of approximately HK\$191,361,000 (2022: approximately HK\$22,198,000) was recognised during the Year. The segment reported a gain from continuing operations of approximately HK\$190,515,000 for the Year (2022: approximately HK\$49,157,000), representing an increase of approximately HK\$141,358,000 compared to the Previous Year.

Land resumption in the PRC by subsidiary of Eminence

On 5 October 2022, a land resumption agreement was entered into between the People's Government of Zhili Town, Wuxing District, Huzhou City, Zhejiang Province, the PRC ("**Huzhou Government**", its own and its ultimate beneficial owners are independent third parties), and a wholly-owned subsidiary of Eminence, pursuant to which, among other things, the Huzhou Government shall resume, and the Eminence subsidiary shall surrender, an industrial complex in Huzhou City, Zhejiang Province, the PRC with the compensation amount of RMB386,982,000 (equivalent to approximately HK\$439,752,000). An exemption has been granted by the Stock Exchange that the entering into the land resumption agreement does not constitute a transaction for the Company and Eminence, details of which were set out in the announcement jointly published by the Company and Eminence dated 5 October 2022.

Disposal of property in Singapore by subsidiary of Eminence

On 4 November 2022, the purchasers, independent third parties, accepted and exercised the option granted by Grow Well Profits Limited ("**Grow Well**", a wholly-owned subsidiary of Eminence and a non-wholly owned subsidiary of the Company) as vendor, to purchase a residential apartment in Singapore at S\$12,500,000 (equivalently to approximately HK\$68,150,000). The disposal constitutes a discloseable transaction for the Company and a major transaction for Eminence under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), details of which were set out in the announcement jointly published by the Company and Eminence dated 4 November 2022 and the circular of Eminence dated 25 November 2022. The disposal was completed on 16 December 2022. A gain of S\$1,190,000 (equivalent to approximately HK\$6,545,000) was recognised on the disposal of this property.

Very Substantial Disposal of investment properties to Eminence Group

On 30 November 2022, the seller (a wholly-owned subsidiary of the Company) entered into four (4) sale and purchase agreements (collectively the “**Sale and Purchase Agreements**”) with Eminence pursuant to which, amongst other things (i) the seller agreed to sell, and Eminence agreed to acquire, the entire issued share capital of four (4) indirect wholly-owned subsidiaries of the Company (the “**Sale Companies**”); and (ii) the seller agreed to procure the assignment of the shareholders’ loans owing by each of the Sale Companies to the Group to Eminence or its nominee, at an aggregate consideration of HK\$340,000,000 less a sum equal to the amount of two bank loans owing to a bank by the Group outstanding at the completion date. The sole material asset of each of the Sale Companies is a separate commercial property in Hong Kong.

The net purchase price of HK\$214,000,000 shall be settled by (i) cash in the sum of HK\$5,000,000 in aggregate and (ii) a 5% per annum coupon rate convertible note issued by Eminence in the principal amount of HK\$209,000,000 conferring rights to convert at any time before the fifth (5th) anniversary of the issue thereof the principal amount into Eminence shares on the basis of an initial conversion price of HK\$0.106 per conversion share (subject to adjustments) (the “**2023 CN**”).

The Sale and Purchase Agreements and the transactions contemplated thereunder were approved at separate special general meetings by the Shareholders and by the Eminence independent shareholders both held on 15 February 2023 respectively. The completion took place on 20 February 2023.

Details of the transactions were set out in (i) the announcement dated 14 December 2022 and 20 February 2023 and circular dated 21 January 2023 jointly published by the Company and Eminence; and (ii) the announcement of poll results of the special general meeting of the Company dated 15 February 2023.

Investment in Securities and Others

The Group invested in a diversified portfolio of investments including listed and unlisted equity securities, equity-linked notes, bonds and other investment products based on (i) potential return on investment in terms of capital appreciation and dividend payment for the targeted holding period; (ii) risks exposure in comparison with the Group’s risk tolerance level at the prevailing time; and (iii) diversification of the existing investment portfolio.

As at 31 March 2023, the Group’s financial assets at fair value through profit or loss amounted to approximately HK\$191,160,000 (2022: approximately HK\$405,674,000). There were no investments held by the Group of which value was more than 5% of the total assets of the Group. The Group recorded a loss in the securities investment segment from continuing operations of approximately HK\$71,940,000 during the Year (2022: approximately HK\$72,253,000).

As at 31 March 2023, details of the Group's financial assets are set out as follows:

Nature of investments	As at 31 March 2023			For the Year			
	Number of shares held	Investment Cost <i>HK\$'000</i>	Fair value <i>HK\$'000</i>	Approximate percentage to Group's total assets	Dividend/ Interest income <i>HK\$'000</i>	Fair value gain/(loss) <i>HK\$'000</i>	Realised loss <i>HK\$'000</i>
Equity Investments							
Best Food Holding Company Limited (stock code: 1488)	97,254,000	87,378	76,358	0.8%	—	(3,974)	—
Ping An Insurance (Group) Company of China, Ltd. (stock code: 2318)	733,460	55,510	37,443	0.4%	1,884	(3,374)	—
Others	N/A	18,698	13,829	0.2%	7,159	9,919	(40,923)
Investment in limited partnership		28,230	28,230	0.3%	—	—	—
Others	N/A	89,880	35,300	0.4%	5,079	(1,832)	(12,774)
Total:		<u>279,696</u>	<u>191,160</u>	<u>2.1%</u>	<u>14,122</u>	<u>739</u>	<u>(53,697)</u>

Loan Financing

The loan financing business of the Group is operated by Planetic International Limited (“**Planetec**”, a wholly-owned subsidiary of the Company) and City China International Limited (“**City China**”, a wholly-owned subsidiary of Eminence and a non-wholly owned subsidiary of the Company), which are both a licensed money lender carrying on business under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). For the Year, the Group recorded an interest income from the loan financing business from continuing operations amounted to approximately HK\$13,224,000 (2022: approximately HK\$16,085,000), while the interest income from the loan financing from discontinued operation amounted to approximately HK\$503,000 (2022: approximately HK\$1,177,000). The decrease in interest income was primarily due to decrease in loans receivable balance of borrowings. Loss derived from loan financing business from continuing operations was approximately HK\$12,302,000 for the Year (2022: gain of approximately HK\$8,845,000).

The target customer groups of the business are individuals and corporate entities that have short-term funding needs and could provide sufficient collaterals for their borrowings. The Group's clientele is primarily acquired through business referrals and introductions from the Company's directors, senior management, business partners or clients.

As at 31 March 2023, the gross carrying amount of loans receivable amounting to HK\$300,807,000 (2022: HK\$345,332,000) of which 39% (2022: 45%) were secured by marketable securities with fair values of HK\$35,670,000 (2022: HK\$36,900,000) or properties with fair values of HK\$98,245,000 (2022: HK\$251,707,000) or guaranteed money of nil (2022: HK\$10,000,000). The Group is not permitted to sell or repledge the collaterals, if any, in the absence of default by the borrower. In addition, the gross carrying amount of unsecured loans receivable amounting to HK\$57,309,000 (2022: HK\$60,158,000) are with personal guarantees. The largest borrower of the Group by itself and together with the other four largest borrowers of the Group accounted for approximately 26% and 52% respectively (2022: 20% and 56% respectively) of the Group's loans receivable as at 31 March 2023.

During the Year, the range of interest rate on the Group's fixed-rate loans receivable was 0% to 16% (2022: 2.3% to 16%) per annum and the range of interest rate on the Group's variable-rate loans receivable was prime rate less 1% to prime rate (2022: prime rate less 1% to prime rate) per annum.

The Group has credit policies, guidelines and procedures in place which cover key internal controls of a loan transaction including due diligence, credit appraisal, proper execution of documentations, continuous monitoring and collection and recovery. The due diligence procedures included conducting research on the borrowers' background, evaluating its current business operations and financial conditions, market reputation and creditability, and conducting financial analysis and recoverability analysis. To minimise credit or investment risks, the Group will typically require guarantees, including collaterals with expected realised value exceeding the loan or investment amount, post-dated cheques, and/or personal guarantees and corporate guarantees.

The Group generally provides short-term loans of maturity of not more than two (2) years. The repayment terms and conditions are determined from the factors including the liquidity needs of the borrowers, the Group's funding and cash flows management strategies, and the terms and rates of the prevailing market.

After drawdown of loan, the loan agreement will be filed with the loan documents properly. The Group maintains regular contact with the borrowers and carries out periodical review to assess the recovery of the loan based on the business development, financial status, repayment ability including such as recent settlement record and any litigations and bankruptcy orders against borrowers. The Group will take all necessary legal actions against the relevant clients to follow up the settlement of the outstanding loans.

The Group performs impairment assessment under expected credit loss (“ECL”) model on loans receivable which are subject to impairment assessment under Hong Kong Financial Reporting Standard 9 “Financial Instruments”. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. In particular, the following information is being considered when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the loans receivable’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the borrower;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the borrower’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the borrower;
- an actual or expected significant adverse change in the regulatory, economic, or technological environments of the borrower that results in a significant decrease in the borrower’s ability to meet its debt obligations.

During the year ended 31 March 2023, the impairment loss recognized in profit or loss amounted to HK\$11,562,000 (2022: HK\$27,224,000) in its loan financing business.

Included in the gross amount of loans receivable are HK\$83,854,000 (2022: HK\$86,702,000), net of accumulated impairment allowances of HK\$83,854,000 (2022: HK\$70,702,000) due from a group of borrowers including an individual (the “**Borrower**”) with gross amount of HK\$32,397,000 (2022: HK\$32,397,000) and other individuals (with personal guarantee from that Borrower) with gross amount of HK\$51,457,000 (2022: HK\$54,305,000). In prior years, the management assessed, taking into account the relevant information from public domain, such balances became credit-impaired and has taken various actions to recover the balances. The management has requested the borrowers to make settlement of the loans and total settlements of HK\$49,474,000 were received from the borrowers by way of cash of properties during the year ended 31 March 2022. During the year ended 31 March 2022, no allowance for impairment was made for a loan receivable newly granted with gross amount of HK\$16,000,000 since the value of pledged asset is higher than the value of amount borrowed. During the year ended 31 March 2023, there is a negotiation between the Borrower and the Group on settlements which consist of (i) a change in the pledged asset and (ii) the Borrower’s commitment on pursuing the repayment of certain other borrowers’ credit-impaired loans. Subsequently, during the year ended 31 March 2023, HK\$6,799,000 was received. As the pledged asset has been multiple-mortgaged, an impairment loss of HK\$16,000,000 was provided.

Below were the disclosable transactions of the Group on loan financing business during the Year:

Extensions of financial assistance to Supreme Sino

On 13 September 2021, Planetec as lender entered into a loan agreement with Supreme Sino Holdings Limited (“**Supreme Sino**”) as borrower (a company incorporated in Hong Kong with limited liability), pursuant to which Planetec had agreed to provide a loan in a principal amount of HK\$8,500,000 to Supreme Sino for a term of 3 months at an interest rate of 3% per annum (the “**SS Loan I**”).

On 12 November 2021, Planetec entered into another loan agreement with Supreme Sino, pursuant to which Planetec had agreed to provide a loan in an aggregate principal amount of HK\$50,000,000 to Supreme Sino (comprising the principal and accrued interest of SS Loan I) for a term of 6 months at an interest rate of 9% per annum (the “**SS Loan II**”). The SS Loan II is secured by a share charge over the then entire issued share capital of Supreme Sino, a first legal charge over all the title, rights and interest in commercial properties located in Mongkok, Kowloon, Hong Kong (with the then market value of approximately HK\$91,000,000) owned by Supreme Sino and a personal guarantee by the sole director and the sole shareholder of the wholly-owned beneficial owner of Supreme Sino. On 11 May 2022, the parties entered into a supplemental loan agreement to extend the repayment date of the SS Loan II to 29 December 2022 at the same interest rate. On 30 December 2022, the parties entered into a supplemental loan agreement to further extend the repayment date of the SS Loan II to 29 December 2023 at an interest rate of 12% per annum.

The provision and the extension of the SS Loan II constitute discloseable transaction under the Listing Rules for the Company, details of which were set out in the announcements of the Company dated 12 November 2021, 11 May 2022 and 30 December 2022 respectively.

LISTED SUBSIDIARY

Eminence, the major listed subsidiary of the Company, and its subsidiaries (collectively the “**Eminence Group**”), is engaged in property development, property investment comprising the ownership and rental of investment properties, investment in securities and others and loan financing businesses.

Investment in Eminence Shares

As at 1 April 2022, the Group, through Ace Winner Investment Limited, Landmark Profits Limited and Goodco Development Limited (“**Goodco**”) (all of which were wholly-owned subsidiaries of the Company), held an aggregate of 696,370,840 shares of Eminence, representing approximately 74.76% of the then total issued share capital of Eminence.

(a) Eminence Placing completed in April 2022

On 20 April 2022, Eminence completed a placing of a total of 186,280,000 Eminence shares at the placing price of HK\$0.10 per placing share to not less than six allottees who and whose beneficial owners are independent third parties (the “**Eminence Placing I**”). For more details, please refer to the announcements of Eminence dated 30 March 2022 and 20 April 2022 respectively.

Immediately upon the completion of the Eminence Placing I, the shareholding percentage of the Group in Eminence was decreased from 74.76% to 62.30%.

(b) Adjustment of conversion price and exercise of Eminence Convertible Notes

As at 1 April 2022, the total outstanding principal amount of convertible notes held by Goodco was HK\$97,280,000 which entitled Goodco to convert into a total of 389,120,000 Eminence shares, details as follows:

Issue date	Outstanding principal amount	Number of Shares	Conversion price HK\$	Annual Interest	Maturity Date
2017.05.11	HK\$16,000,000	64,000,000	0.25	4%	2024.08.28
2017.09.26	HK\$11,280,000	45,120,000	0.25	4%	2024.08.28
2019.08.28 (“2019 CN”)	<u>HK\$70,000,000</u>	<u>280,000,000</u>	<u>0.25</u>	<u>4%</u>	<u>2024.08.28</u>
Total	<u>HK\$97,280,000</u>	<u>389,120,000</u>			

Following the completion of Eminence Placing I, Eminence has issued shares for cash at a price which is less than 95% of its current market price. Pursuant to the terms and conditions of the 2019 CN, the conversion price of 2019 CN has been adjusted from HK\$0.25 to HK\$0.24 per Eminence share and the total number of Eminence shares would be allotted and issued upon full conversion of the 2019 CN increased from 280,000,000 Eminence shares to 291,666,666 Eminence shares.

Goodco fully exercised the conversion rights under the aforesaid Eminence convertible notes which was completed on 25 July 2022. Immediately upon the completion of the conversion of the Eminence convertible notes, the Group held an aggregate of 1,097,157,506 shares of Eminence, representing approximately 72.25% of the total issued share capital of Eminence.

(c) Eminence Placing completed in September 2022

On 26 September 2022, Eminence completed a placing of a total of 607,400,000 Eminence shares at the placing price of HK\$0.068 per placing share to not less than six allottees who and whose beneficial owners are independent third parties (the “**Eminence Placing II**”). For more details, please refer to the announcements of Eminence dated 27 July 2022, 16 August 2022, 26 September 2022 and the circular dated 23 August 2022 respectively.

Immediately upon completion of the Eminence Placing II, the shareholding percentage of the Group in Eminence was decreased from 72.25% to 51.60%. Eminence remains as a subsidiary of the Company.

(d) 2023 CN

On 20 February 2023, the Sale and Purchase Agreements and the transactions contemplated thereunder was completed and a total of 1,971,698,113 Eminence conversion shares with par value of HK\$0.01 at an initial conversion price of HK\$0.106 per Eminence conversion share (subject to adjustments) shall be allotted and issued to Goodco upon exercise of the conversion rights pursuant to the terms and conditions of the 2023 CN. Details of which was disclosed in the section headed “Very Substantial Disposal of investment properties to Eminence Group” of this announcement.

Performance of Eminence Group during the Year

The financial results of Eminence Group during the Year are highlighted as below:

	For the year ended 31 March		Change
	2023	2022	
	HK\$'000	HK\$'000	
		(Restated)	
Continuing operations			
Revenue			
Rental income	24,408	30,528	(20.0)%
Interest income from loan financing	2,786	6,553	(57.5)%
Total revenue	27,194	37,081	(26.7)%
Gross profit	24,225	34,171	(29.1)%
Profit for the year from continuing operations	58,970	86,523	(31.8)%
Discontinued operation			
Profit for the year	4,602	29,924	(84.6)%
Profit attributable to owners of Eminence	63,572	116,447	(45.4)%

	For the year ended 31 March		Change
	2023	2022 (Restated)	
Earnings per share (<i>HK cents</i>)			
From continuing and discontinued operations			
— Basic	3.75	12.50	(70.0)%
— Diluted	3.43	9.77	(64.9)%
From continuing operations			
— Basic	3.48	9.29	(62.5)%
— Diluted	3.19	7.51	(57.5)%

As at 31 March 2023 and the date of this announcement, the development land portfolio held by Eminence Group as below:

Location	Intended usage	Approximate site area (square feet)	Anticipated year of completion
Nos. 646, 648, 648A Castle Peak Road, Kowloon, Hong Kong	Industrial	9,206	2025
No. 121 King Lam Street, Kowloon, Hong Kong	Industrial	5,483	2023
Nos. 11, 13 and 15 Matheson Street, Causeway Bay, Hong Kong	Commercial	2,857	2023
Nos. 1B-1E Davis Street and Nos. 93 and 95 Catchick Street, Kennedy Town, Hong Kong	Residential	7,122	2025

As at 31 March 2023, Eminence Group's portfolio of investment properties comprised of residential, commercial and industrial units located in Hong Kong, the PRC and Singapore. During the Year, Eminence Group recorded rental income from continuing operations of approximately HK\$24,408,000 (2022: approximately HK\$30,528,000) and fair value gain from continuing operations of approximately HK\$78,967,000 (2022: approximately HK\$48,188,000) arising from change in fair value of investment properties.

For more detailed business and financial performance of Eminence Group, please refer to its final results announcement for the year ended 31 March 2023.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations through internally generated cash flow and bank borrowings. As at 31 March 2023, the Group had aggregate bank borrowings amounted to approximately HK\$3,529,177,000 (2022: approximately HK\$3,562,704,000). The gearing ratio of the Group, calculated as a ratio of total bank borrowings to total equity, for the year was approximately 0.71 (2022: approximately 0.72).

As at 31 March 2023, the Group has net current assets of approximately HK\$4,404,437,000 (2022: approximately HK\$4,491,434,000). Current ratio was approximately 3.0 (2022: approximately 3.8). The cash and cash equivalents as at 31 March 2023 was approximately HK\$398,894,000 (2022: approximately HK\$184,425,000), representing an increase of approximately 1.2 times or approximately HK\$214,469,000 compared to the Previous Year.

The maturity profile of the Group's secured bank borrowings is set out below:

	As at 31 March	
	2023	2022
	HK\$'000	HK\$'000
Carrying amount repayable as follows (based on the scheduled repayment dates set out in the loan agreements):		
— within a period not exceeding one year	1,615,464	1,206,455
— within a period of more than one year but not exceeding two years	884,750	888,846
— within a period of more than two years but not exceeding five years	876,325	1,237,338
— within a period of more than five years	152,638	230,065
	3,529,177	3,562,704
<i>Less:</i> Amount due within one year shown under current liabilities	(1,615,464)	(1,206,455)
Amount due after one year shown under non-current liabilities	<u>1,913,713</u>	<u>2,356,249</u>

As at 31 March 2023, the Group's secured bank borrowings carry interest at HIBOR plus 1.0% to HIBOR plus 1.825%, LIBOR plus 0.8% to LIBOR plus 1.0% (2022: HIBOR plus 1.0% to HIBOR plus 1.825%, LIBOR plus 0.8% to LIBOR plus 1.0%) per annum, with effective interest ranging from 4.21% to 5.86% (2022: 1.24% to 2.11%) per annum.

CHARGES OF ASSETS

As at 31 March 2023, bank loans of the Group in the aggregate amount of approximately HK\$3,529,177,000 (2022: approximately HK\$3,562,704,000) which were secured by leasehold properties, investment properties, properties held for development for sale, properties held for sale, life insurance policies and listed equity securities in Hong Kong and overseas of the Group having a net book value of approximately HK\$7,851,249,000 (2022: approximately HK\$7,464,811,000). In addition, a credit facility granted by a bank for a property development project in Hong Kong was secured by pledge of 300,000,000 Eminence shares with fair value of HK\$11,400,000 (2022: 300,000,000 Eminence shares with fair value of HK\$37,200,000) held by a subsidiary of the Group.

TREASURY POLICY

The Group diversifies its source of funds including internal generated cash flow and interest-bearing bank borrowings during the Year to generate source of funds for its business operations. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

EXPOSURE ON FOREIGN EXCHANGE FLUCTUATIONS

All bank borrowings are denominated in Hong Kong dollars. The revenue and payments of the Group, being mostly denominated in Hong Kong dollars, matches the currency requirements of the Group's operating expenses. The Group therefore has not engaged in any hedging activities during the Year under review. Management of the Group is of the opinion that the Group has no material foreign exchange exposure in the usual course of the Group's daily operation.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2023 (2022: nil).

CAPITAL EXPENDITURE

For the Year, the Group invested approximately HK\$578,000 (2022: approximately HK\$1,924,000) on the acquisition of property, plant and equipment, and no additions of investment properties (2022: HK\$41,433,000).

CAPITAL COMMITMENTS

As at 31 March 2023, the Group had capital commitments in respect of capital expenditure contracted for but not provided of approximately HK\$19,635,000 (2022: HK\$20,339,000).

EVENTS AFTER REPORTING PERIOD

(1) Further disposal of property in Singapore by a subsidiary of Eminence

On 14 April 2023, the purchaser (an independent third party) accepted and exercised the option granted by Grow Well to purchase a residential apartment in Singapore at a sale price of S\$13,008,888 (equivalent to approximately HK\$76,752,400) subject to the terms and conditions of the option to purchase entered into between Grow Well and the purchaser. The disposal constitutes a major transaction for the Company and a very substantial disposal for Eminence under the Listing Rules. The disposal was approved by the Shareholders pursuant to Rule 14.44 of the Listing Rules and the Eminence shareholders at a special general meeting held on 31 May 2023. Details of this transaction were set out in the joint announcement dated 14 April 2023 and joint circular dated 8 May 2023 published by the Company and Eminence and the announcement dated 31 May 2023 published by Eminence.

The completion of the disposal shall take place on 7 July 2023. The Group is expected to recognise a gain on the disposal of approximately S\$1,808,888 (equivalent to approximately HK\$10,672,400).

(2) Deemed disposal in relation to placing of new shares by Eminence

On 29 May 2023, Eminence entered into a placing agreement with a placing agent pursuant to which, Eminence has conditionally agreed to issue, and the placing agent has conditionally agreed to procure not less than six allottees (who and whose beneficial owners are independent third parties) to subscribe for a maximum of up to 50,000,000 new Eminence shares at the placing price of HK\$0.50 per placing share subject to the terms and conditions set out in the placing agreement.

Assuming all the placing shares are successfully placed, the shareholding interest of the Company in Eminence will be diluted from approximately 51.60% to approximately 26.59%. Such dilution of shareholding interest in Eminence of the Company constitutes a deemed disposal transaction and a major transaction of the Company under the Listing Rules. A special general meeting of the Company shall be held on 17 July 2023 for the Shareholders to consider and, if thought fit, approve the placing agreement and transactions contemplated thereunder. Details of which were set out in the Company's announcement dated 30 May 2023, 14 June 2023 and the circular dated 27 June 2023.

The placing shares will be allotted and issued under a specific mandate which are subject to the approval of the Eminence shareholders at a special general meeting to be convened on 17 July 2023, assuming the capital reorganisation be approved at the same meeting and has become effective. Details of which were set out in two announcements both dated 29 May 2023 and the circular dated 23 June 2023 of Eminence.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's businesses, financial condition, results of operations and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's businesses, including the following highlighted risks of (i) Hong Kong economic conditions which may directly affect the property market; (ii) availability of suitable land bank for future development; (iii) the continuous escalation of construction cost in Hong Kong in recent years; (iv) business cycle for property under development may be influenced by a number of factors and the Group's revenue will be directly affected by the mix of properties available for sale and delivery; (v) all construction works were outsourced to independent third parties and they may fail to provide satisfactory services adhering to the Group's quality and safety standards or within the timeline required by the Group; (vi) fluctuations of fair value gain or loss incurred on financial assets and investment properties; (vii) credit risk and recoverability of provision of loans which may incur bad debts during the downturn of economy; and (viii) credit risk on resulting from loan borrowers' failure to repay or default contractual obligations which may result in an interruption of cash flows and increased costs for collection.

In response to the abovementioned possible risks, the Group has a series of internal control and risk management system to cope with the possible risks and has serious scrutiny over the selection of quality customers and suppliers. The Group keeps developing and reviewing strategies, policies and guidelines on risk control, which enable the Group to monitor and response to risk effectively and promptly. The Group also actively proposes solutions to lower the impact of the possible risks on the businesses of the Group.

PROSPECTS

Anti-pandemic measures have been relaxed, economic and social activities have gradually resumed. In addition, new measures such as adjustment to the value bands of Ad Valorem Stamp Duty for First-home buyers have been introduced to support the development of the property market and are expected to have a stimulating effect on the economy.

The resumption of quarantine-free travel around the world is expected to revive the growth momentum of Hong Kong in 2023 by providing more opportunities for economic activities. While the Hong Kong property market has been under pressure due to rate hikes and inflation, the sector is still underpinned by solid demand. The reopening of borders has undoubtedly encouraged domestic consumption, the return of travellers to Hong Kong will support further retail recovery. The retail market is expected to recover gradually towards this year, with a significant growth in 2024 which the demand for commercial space is expected to increase.

The Group will continue to focus its efforts in the development of its existing principal businesses while exploring other opportunities with a view to providing steady and favourable returns for its shareholders and strengthen every segment of its businesses.

EMPLOYEES

As at 31 March 2023, the Group had 65 employees (2022: 89). Staff costs (including Directors' emoluments) amounted to approximately HK\$71,261,000 for the Year (2022: approximately HK\$57,970,000). The Group remunerates its employees based on individual performance, experience and prevailing industry practice. The Group provides a defined contribution to Mandatory Provident Fund as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all eligible employees of the Group in Hong Kong. The share option scheme adopted by the Company on 5 July 2012 is expired on 4 July 2022 (the "**2012 Share Option Scheme**"). Following the expiry of the 2012 Share Option Scheme, the Company has no other share option schemes as at the date of this announcement.

CORPORATE GOVERNANCE

The Company's corporate governance practices are based on the principles and the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules. During the Year, the Company has fully complied with the code provisions of the CG Code, except for the deviations disclosed herein.

Code Provision C.2.1

The roles of president and chief executive officer should be separate and should not be performed by the same individual

Ms. Koon Ho Yan Candy serves as president as well as chief executive officer of the Company. The Board considers this arrangement to be appropriate for the Company as it preserves the consistent leadership which is conducive to making effective planning and better execution of long-term strategies consistently. The Board is of the view that a balance of power and authority is adequately ensured by the operations and governance of the Board which comprises experienced and high caliber individuals, with

half of them being independent non-executive Directors of the Company. The Company will continue to review the existing structure when and as it becomes appropriate.

Code Provision D.2.5

The issuer should have an internal audit function

The Group does not have an internal audit function. During the Year, the Board has reviewed the effectiveness of the internal control system of the Group and considered that the current risk management and internal control processes are adequate to meet the needs of the Group in its current business environment and nothing has come to its attention to cause the Board to believe the Group's risk management and internal control systems are inadequate. The Board was of the view that there is no immediate need to set up an internal audit function within the Group, however, shall review the need for one on annual basis.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry with the existing Directors of the Company, all of them confirmed that they have complied with the required standards set out in the Model Code throughout the Year.

The Company also adopted a code on no less exacting terms than the Model Code to regulate dealings in the securities of the Company by certain employees of the Group who are considered to be likely in possession of inside information in relation to the Company or its securities.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

AUDIT COMMITTEE REVIEW

The Group's consolidated financial statements for the Year have been reviewed by the Audit Committee of the Company and audited by the independent auditor of the Company, Messrs. Deloitte Touche Tohmatsu.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2023 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board of Directors on 28 June 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assumed conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement has been published on the Company's website at *www.easyknit.com* and the Stock Exchange's website at *www.hkexnews.hk* respectively. The annual report of the Company for the Year containing all information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "2023 AGM") will be held on Wednesday, 23 August 2023. Details of the arrangements will be provided in the Company's circular in relation to the 2023 AGM to be published and despatched to the Shareholders in accordance with the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the eligibility of the Shareholders to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Friday, 18 August 2023 to Wednesday, 23 August 2023, both dates inclusive. During such period, no transfer of shares will be registered for the purpose of ascertaining Shareholders' entitlement for attending and voting at the 2023 AGM. In order to be eligible to attend and vote at the 2023 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Thursday, 17 August 2023, for registration.

APPRECIATION

The Board would like to offer its sincere gratitude to the management team and all other employees for their hard work and dedications. Their excellence and commitment are of vital importance in enhancing the Company's growth.

Finally, the Board would like to take this opportunity to thank the Shareholders and all other stakeholders of the Company for their continuous support and confidence in the Company.

By Order of the Board
EASYKNIT INTERNATIONAL HOLDINGS LIMITED
Koon Ho Yan Candy
President and Chief Executive Officer

Hong Kong, 28 June 2023

As at the date hereof, the Board comprises Ms. Koon Ho Yan Candy and Ms. Lui Yuk Chu as executive Directors; and Mr. Tsui Chun Kong, Mr. Jong Koon Sang and Mr. Lau Chak Hang Charles as independent non-executive Directors.