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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September		
	2023 (unaudited)	2022 (unaudited and restated)	Change
Continuing operations			
Revenue (HK\$'000)	130,124	37,808	244.2%
Gross profit (HK\$'000)	47,791	29,074	64.4%
Gross profit margin	36.7%	76.9%	(40.2)%
Loss attributable to owners of the Company (HK\$'000)	(68,452)	(31,694)	116.0%
Discontinued operation			
Revenue (HK\$'000)	—	13,063	(100.0)%
(Loss) profit attributable to owners of the Company (HK\$'000)	(2,092)	6,591	N/A
Continuing and discontinued operations			
Basic loss per share (HK\$)	(0.95)	(0.34)	179.4%
Diluted loss per share (HK\$)	(0.95)	(0.34)	179.4%
		As at	
	30 September	31 March	
	2023	2023	Change
	(unaudited)	(audited)	
Total assets (HK\$'000)	9,227,475	9,188,964	0.4%
Total liabilities (HK\$'000)	4,413,542	4,196,579	5.2%
Net asset value (HK\$'000)	4,813,933	4,992,385	(3.6)%
Net asset value per share (HK\$)	65.1	67.5	(3.6)%

RESULTS

The board of directors (the “**Board**” or the “**Directors**”) of Easyknit International Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 September 2023 (the “**Period**”), together with comparative figures for the six months ended 30 September 2022 (the “**2022 Period**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

		Six months ended 30 September	
		2023	2022
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited) (Restated)
Continuing operations			
Revenue	3		
Sales of properties		101,460	8,390
Rental income		21,180	21,874
Interest income from loan financing		6,951	6,472
Building management		533	1,072
		<u>130,124</u>	<u>37,808</u>
Cost of properties sold and services rendered		<u>(82,333)</u>	<u>(8,734)</u>
Gross profit		47,791	29,074
Other income, gains and losses		(3,217)	22,730
Distribution and selling expenses		(16,485)	(3,527)
Administrative expenses		(57,495)	(49,708)
Other expenses		(373)	(2,566)
Write-down on properties held for development for sale, net		(92,007)	—
(Loss) gain on changes in fair value of investment properties		(18,242)	80,392
Net gain (loss) on changes in fair value of financial assets at fair value through profit or loss (“ FVTPL ”)		20,450	(67,541)
Loss on revaluation of intangible assets		—	(5,847)
Release on disposal of debt instruments at fair value through other comprehensive income (“ FVTOCI ”)		—	(68)
Reversal of impairment loss (impairment loss) on financial assets, net:			
— Loans receivable		1,732	2,445
— Debt instruments at FVTOCI		(63)	(1,848)

Six months ended 30 September

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited) (Restated)
Share of results of joint ventures		164	(4)
Finance costs		<u>(58,692)</u>	<u>(19,827)</u>
Loss before tax	<i>5</i>	(176,437)	(16,295)
Income tax expense	<i>6</i>	<u>(10)</u>	<u>(1,832)</u>
Loss for the period from continuing operations		<u>(176,447)</u>	<u>(18,127)</u>
Discontinued operation			
(Loss) profit for the period from discontinued operation	<i>4</i>	<u>(9,113)</u>	<u>9,732</u>
Loss for the period		<u>(185,560)</u>	<u>(8,395)</u>

Six months ended 30 September

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
		(Restated)
Other comprehensive (expense) income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of financial statements of foreign operations	(17,087)	(53,000)
Change in fair value of debt instruments at FVTOCI	(618)	(2,497)
Release on disposal of debt instruments at FVTOCI	—	68
Impairment loss on debt instruments at FVTOCI included in profit or loss, net	<u>63</u>	<u>1,848</u>
Other comprehensive expense for the period	<u>(17,642)</u>	<u>(53,581)</u>
Total comprehensive expense for the period	<u>(203,202)</u>	<u>(61,976)</u>
 (Loss) profit for the period attributable to owners of the Company:		
— from continuing operations	(68,452)	(31,694)
— from discontinued operation	<u>(2,092)</u>	<u>6,591</u>
Loss for the period attributable to owners of the Company	<u>(70,544)</u>	<u>(25,103)</u>
 (Loss) profit for the period attributable to non-controlling interests:		
— from continuing operations	(107,995)	13,567
— from discontinued operation	<u>(7,021)</u>	<u>3,141</u>
(Loss) profit for the period attributable to non-controlling interests	<u>(115,016)</u>	<u>16,708</u>
Loss for the period	<u>(185,560)</u>	<u>(8,395)</u>

Six months ended 30 September

	2023	2022
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) (Restated)
Total comprehensive expense attributable to owners of the Company:		
— from continuing operations	(68,692)	(40,177)
— from discontinued operation	(6,267)	(25,293)
	<u> </u>	<u> </u>
Total comprehensive expense attributable to owners of the Company	(74,959)	(65,470)
	<u> </u>	<u> </u>
Total comprehensive (expense) income attributable to non-controlling interests:		
— from continuing operations	(109,089)	12,074
— from discontinued operation	(19,154)	(8,580)
	<u> </u>	<u> </u>
Total comprehensive (expense) income attributable to non-controlling interests	(128,243)	3,494
	<u> </u>	<u> </u>
Total comprehensive expense for the period	(203,202)	(61,976)
	<u> </u>	<u> </u>
	<i>HK\$</i>	<i>HK\$</i>
		(Restated)
Loss per share	8	
From continuing and discontinued operations		
— Basic and diluted	(0.95)	(0.34)
	<u> </u>	<u> </u>
From continuing operations		
— Basic and diluted	(0.93)	(0.43)
	<u> </u>	<u> </u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2023

	<i>Notes</i>	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		193,396	196,783
Right-of-use assets		492	689
Intangible asset		500	500
Investment properties		2,098,637	2,194,541
Interests in joint ventures		378	214
Financial assets at FVTPL		45,658	48,930
Debt instruments at FVTOCI		148	471
Debt instruments at amortised cost		27,619	36,614
Loans receivable	9	53,006	30,621
Deferred tax assets		16,863	16,862
Deposits		285	285
		2,436,982	2,526,510
Current assets			
Properties held for development for sale		3,802,770	4,770,716
Properties held for sale		1,786,132	728,950
Trade and other receivables	10	81,785	66,230
Prepaid income tax		23,801	25,424
Financial assets at FVTPL		189,027	142,230
Loans receivable	9	127,978	159,272
Debt instruments at FVTOCI		361	624
Debt instrument at amortised cost		1,800	—
Cash and cash equivalents		436,413	398,894
		6,450,067	6,292,340
Assets classified as held for sale			
— investment properties		340,426	370,114
		6,790,493	6,662,454

		30 September 2023	31 March 2023
	<i>Note</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Current liabilities			
Trade and other payables	11	139,065	118,920
Deposit received for disposal of assets classified as held for sale		297,431	226,802
Contract liabilities		10,172	29,085
Amount due to a non-controlling shareholder		212,137	211,694
Tax payable		55,289	55,644
Lease liabilities		205	408
Secured bank borrowings		2,362,766	1,615,464
		3,077,065	2,258,017
Net current assets		3,713,428	4,404,437
Total assets less current liabilities		6,150,410	6,930,947
Non-current liabilities			
Deferred tax liabilities		21,455	24,537
Secured bank borrowings		1,314,710	1,913,713
Lease liabilities		312	312
		1,336,477	1,938,562
TOTAL ASSETS		4,813,933	4,992,385
Capital and reserves			
Share capital		7,399	7,399
Reserves		2,585,672	3,444,404
Equity attributable to owners of the Company		2,593,071	3,451,803
Non-controlling interests		2,220,862	1,540,582
TOTAL EQUITY		4,813,933	4,992,385

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Easyknit International Holdings Limited (the “**Company**”; the Company and its subsidiaries are referred to as the “**Group**”) have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair value, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2023.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules

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

3. 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 People's Republic of China ("PRC"), including the property investment, investment in securities and others and loan financing was classified as discontinued operation in the current period and prior year. The segment information reported does not include any amounts for the discontinued operation, which are described in more detail in note 4. Prior year segment disclosures have been restated to re-present the operation in the PRC as a discontinued operation.

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

Segment revenue and results

For the six months ended 30 September 2023

	Property investment <i>HK\$'000</i> (Unaudited) <i>(note)</i>	Property development <i>HK\$'000</i> (Unaudited)	Investment in securities and others <i>HK\$'000</i> (Unaudited)	Loan financing <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue					
External sales	<u>21,713</u>	<u>101,460</u>	<u>—</u>	<u>6,951</u>	<u>130,124</u>
Segment results	<u>(37,856)</u>	<u>(96,947)</u>	<u>21,620</u>	<u>1,147</u>	(112,036)
Unallocated corporate income					1,854
Unallocated corporate expenses					(7,354)
Other expenses					(373)
Share of results of joint ventures					164
Finance costs					<u>(58,692)</u>
Loss before taxation from continuing operations					<u>(176,437)</u>

For the six months ended 30 September 2022 (Restated)

	Property investment <i>HK\$'000</i> (Unaudited) <i>(note)</i>	Property development <i>HK\$'000</i> (Unaudited)	Investment in securities and others <i>HK\$'000</i> (Unaudited)	Loan financing <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue					
External sales	<u>22,946</u>	<u>8,390</u>	<u>—</u>	<u>6,472</u>	<u>37,808</u>
Segment results	<u>77,428</u>	<u>(10,649)</u>	<u>(67,212)</u>	<u>6,920</u>	6,487
Unallocated corporate income					4,208
Unallocated corporate expenses					(4,593)
Other expenses					(2,566)
Share of results of a joint venture					(4)
Finance costs					<u>(19,827)</u>
Loss before taxation from continuing operations					<u>(16,295)</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 joint ventures, 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 FVTPL 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.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Segment assets		
<i>Continuing operations</i>		
Property investment	2,253,223	2,355,532
Property development	5,699,274	5,613,343
Investment in securities and others	265,405	192,360
Loan financing	<u>181,508</u>	<u>190,392</u>
Total segment assets	8,399,410	8,351,627
Assets relating to discontinued operation	340,426	370,114
Interests in joint ventures	378	214
Cash and cash equivalents	436,413	398,894
Unallocated financial assets at FVTPL	20,680	36,204
Unallocated corporate assets	<u>30,168</u>	<u>31,911</u>
Consolidated assets	<u>9,227,475</u>	<u>9,188,964</u>
Segment liabilities		
<i>Continuing operations</i>		
Property investment	326,493	258,300
Property development	324,041	317,598
Investment in securities and others	1,098	1,128
Loan financing	<u>2,931</u>	<u>1,528</u>
Total segment liabilities	654,563	578,554
Secured bank borrowings	3,677,476	3,529,177
Tax payable	55,289	55,644
Unallocated corporate liabilities	<u>26,214</u>	<u>33,204</u>
Consolidated liabilities	<u>4,413,542</u>	<u>4,196,579</u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than assets relating to discontinued operation, interests in joint ventures, unallocated financial assets at FVTPL, cash and cash equivalents and other assets.
- all liabilities are allocated to operating and reportable segments other than secured bank borrowings, tax payable and other liabilities.

4. 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 30 September 2023 and 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 for the six months ended 30 September 2023 and 2022.

The (loss) profit for the period from the discontinued operation is set out below. The comparative figures in the condensed 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.

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Restated)
Revenue (<i>note</i>)		
Rental income	—	3,723
Management fee income	—	8,831
Interest income from loan financing	—	509
	<hr/>	<hr/>
	—	13,063
Other income	1,144	65
Other gain and losses	(36)	(271)
Administrative expenses	(5,776)	(2,562)
Loss on changes in fair value of investment properties	(6,196)	—
Net gain on changes in fair value of financial assets at fair value through profit or loss	202	383
Reversal of impairment loss on loans receivable	—	881
	<hr/>	<hr/>
(Loss) profit before taxation	(10,662)	11,559
Taxation credit (charge)	1,549	(1,827)
	<hr/>	<hr/>
(Loss) profit for the period	<u>(9,113)</u>	<u>9,732</u>

Note: Rental income and interest income from loan financing fall outside the scope of HKFRS 15 and no revenue from contracts with customers for the six months ended 30 September 2023 (2022: HK\$8,831,000).

Management fee income is recognised over time (i.e. the service period). The Group receives monthly management service payments from customers one month in advance under the contracts in the PRC. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has right to issue the invoice. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
		(Restated)
(Loss) profit for the period from discontinued operation has been arrived at after charging (crediting):		
Staff costs, including retirement benefits costs	132	927
Depreciation of property, plant and equipment	—	19
Loss on write-off of property, plant and equipment	38	—
Net exchange (gain) loss	(2)	271
Bank and other interest income	<u>(1,144)</u>	<u>(65)</u>

During the six months ended 30 September 2023, the operation in the PRC contributed a net cash outflow from operating activities of approximately HK\$2,800,000 (2022: inflow of approximately HK\$23,500,000), a net cash inflow from investing activities of approximately HK\$88,300,000 (2022: HK\$26,400,000) and a net cash outflow from financing activities of approximately HK\$104,300,000 (2022: nil) to the Group.

5. LOSS BEFORE TAX

Six months ended 30 September

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) (Restated)
Continuing operations		
Loss before taxation has been arrived at after charging:		
Interest on lease liabilities	7	16
Interest on bank borrowings	108,701	49,234
Less: Amount capitalised in the cost of qualifying assets	(50,016)	(29,423)
	58,692	19,827
Depreciation of property, plant and equipment	3,373	3,584
Depreciation of right-of-use assets	197	260
Total staff costs (including directors' emoluments)	37,564	30,665
and after crediting:		
Dividend income from listed investments	1,143	9,739
Bank and other interest income	3,410	2,264
Government grants (<i>note</i>)	—	1,135

Note: The Group recognised government grants of approximately HK\$1,135,000 in respect of Covid-19-related subsidies, which are related to Employment Support Scheme provided by the Hong Kong Government for the six months ended 30 September 2022.

6. TAXATION

Six months ended 30 September

2023	2022
<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Unaudited)
	(Restated)

Continuing operations

The tax charge comprises:

Current tax:

Hong Kong	7	532
Other jurisdiction	—	129
	<u>7</u>	<u>661</u>

Under(over)provision in prior years:

Hong Kong	90	(79)
Other jurisdiction	(86)	(27)
	<u>4</u>	<u>(106)</u>

	11	555
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Deferred taxation

	<u>(1)</u>	<u>1,277</u>
	<u>10</u>	<u>1,832</u>

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

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

7. DIVIDEND

No dividends were paid, declared and proposed in respect of both interim periods.

8. BASIC AND DILUTED LOSS PER SHARE

From continuing operations

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

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) (Restated)
Loss for the period attributable to owners of the Company (from continuing and discontinued operations)	(70,544)	(25,103)
Less: Loss (profit) for the period attributable to owners of the Company from discontinued operation	<u>2,092</u>	<u>(6,591)</u>
Loss for the purpose of basic and diluted loss per share from continuing operations	<u><u>(68,452)</u></u>	<u><u>(31,694)</u></u>
	Number of shares	
Weighted average number of shares for the purpose of calculating basic and diluted loss per share	<u><u>73,988,403</u></u>	<u><u>73,988,403</u></u>

From continuing and discontinued operations

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

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) (Restated)
Loss for the purpose of basic and diluted loss per share	<u><u>(70,544)</u></u>	<u><u>(25,103)</u></u>

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

Basic and diluted loss (2022: earnings) per share for the discontinued operation is HK\$0.02 per share (2022: HK\$0.09 per share), based on the loss (2022: profit) for the period from the discontinued operation of approximately HK\$2,092,000 (2022: HK\$6,591,000) and the denominators detailed above for both basic and diluted (loss) earnings per share.

For the six months ended 30 September 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 period. It also does not assume the conversion of Eminence Enterprise Limited's ("**Eminence**") convertible notes since their exercise would result in decrease in loss per share.

9. LOANS RECEIVABLE

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Fixed-rate loans receivable	288,508	298,671
Variable-rate loans receivable	1,658	2,136
	290,166	300,807
Less: Impairment allowance	(109,182)	(110,914)
	180,984	189,893
Analysed as:		
Current portion	127,978	159,272
Non-current portion	53,006	30,621
	180,984	189,893
Secured	122,120	120,638
Unsecured	58,864	69,255
	180,984	189,893

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.

During the six months ended 30 September 2023, reversal of allowance for loans receivable of HK\$1,732,000 (six months ended 30 September 2022: HK\$3,326,000) was recognised in profit or loss.

10. TRADE AND OTHER RECEIVABLES

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Lease receivables (<i>note i</i>):		
0–60 days	708	761
61–90 days	—	109
Over 90 days	—	145
	708	1,015
Prepayments	38,393	26,996
Interest receivable	1,855	774
Escrow deposits for properties held for development for sale	368	4,456
Accounts receivable from margin financing (<i>note ii</i>)	15,444	8,725
Other receivables and deposits	14,083	13,343
Amounts due from joint ventures	1,934	1,921
Staff loans (<i>note iii</i>)	9,000	9,000
	81,785	66,230

Notes:

- (i) The Group did not grant any credit period to its tenants in property investment segment. The aged analysis of trade receivables is determined based on invoice date which approximates revenue recognition date.
- (ii) The Group provides margin financing to certain individuals for securities transactions secured by the individuals securities held as collateral. Securities are assigned with specific margin ratios for calculation margin values. Additional funds or collateral are required if the outstanding amounts of accounts receivable from margin financing exceed the eligible margin value of the securities deposited. No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of margin financing.
- (iii) The Group entered into several loan agreements with the staffs. Pursuant to the loan agreements, the staff loans were unsecured with fixed interest rate at 2% per annum and repayable on demand.

11. TRADE AND OTHER PAYABLES

	30 September	31 March
	2023	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade payables (<i>note i</i>):		
0–60 days	22,719	29,622
61–90 days	3	—
Over 90 days	13,441	—
	<hr/>	<hr/>
	36,163	29,622
Retention payable (<i>note ii</i>)	34,683	39,149
Rental deposits received and rental received in advance	12,182	11,648
Interest payable	12,552	7,195
Accruals and other payables	26,583	21,474
Other taxes payable	16,902	9,832
	<hr/>	<hr/>
	139,065	118,920
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) The aged analysis of trade payable is determined based on the invoice date at the end of the reporting period. The average credit period on the purchases of goods is 30 days.
- (ii) Retention payable is withheld from subcontractors and will be released by the Group within twelve months upon completion of their works.

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 Period, the Group's revenue from continuing operations amounted to approximately HK\$130,124,000 as compared with the 2022 Period of approximately HK\$37,808,000, which represented an increase of approximately HK\$92,316,000 or approximately 3.4 times. The Period's gross profit margin was approximately 36.7% (2022 Period: approximately 76.9%). For the Period, the Group's revenue from discontinued operation amounted to HK\$nil as compared with the 2022 Period of approximately HK\$13,063,000, which represented a decrease of HK\$13,063,000 or 100%.

For the Period, the Group's consolidated loss attributable to shareholders of the Company (the "Shareholders") was approximately HK\$70,544,000 as compared with the 2022 Period of approximately HK\$25,103,000. The consolidated loss from continuing operations for the Period was approximately HK\$68,452,000 as compared with the 2022 Period of approximately HK\$31,694,000. The increase in net loss was mainly attributable to, among other things, (i) increase in loss on changes in fair value of investment properties; (ii) increase in write-down on properties held for development for sale; and (iii) increase in finance costs. Such loss was partially offset by (iv) increase in gain on changes in fair value of financial assets at fair value through profit or loss. The consolidated loss from discontinued operation was approximately HK\$2,092,000, as compared with a profit of approximately HK\$6,591,000 for the 2022 Period.

The basic and diluted loss per share from continuing and discontinued operations amounted to HK\$0.95 for the Period, as compared with HK\$0.34 for the 2022 Period.

INTERIM DIVIDEND

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

BUSINESS REVIEW

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

Property Development

The property development segment consists of Hong Kong residential, commercial and industrial properties including from Eminence Enterprise Limited (“**Eminence**”, a listed-subsiary of the Company and the shares of which are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with stock code: 616, together with its subsidiaries, collectively the “**Eminence Group**”). The Eminence Group’s development land portfolio is summarised under the headed “Listed Subsidiary” to this announcement.

Revenue from continuing operations recognised in this business segment during the Period amounted to approximately HK\$101,460,000 (2022 Period: HK\$8,390,000). Review on existing major projects of the Group is set out below:

Project Waterloo Road — “Garden Crescent 譽林”

The Group has launched sale its new residential project located at No. 93 Waterloo Road, Ho Man Tin, namely “Garden Crescent 譽林”, in November 2023. Garden Crescent 譽林 is through an “urban forest” designed concept with over 50% green coverage. This project offers total of 56 units which comprises diversified unit layouts including special units, duplex units and studio flats to 3-bedroom flats with saleable area from 260 square feet to 2,597 square feet. Most of which are 3-bedroom flats with a saleable area from 641 square feet to 754 square feet. Special units with a saleable area from 625 square feet to 2,597 square feet, two of them are duplex units. The project also has residents’ club house facilities, 22 car parking spaces and 1 motor parking space.

Project Chatham Road

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.

Project Chatham Road will be redeveloped into a composite building with residential and commercial use. The estimated gross floor area after redevelopment is expected to be approximately 41,747 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 雋睿”

“Ayton 雋睿” 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, 38 units and 3 carparks released were sold and the aggregate contracted sales amounted to approximately HK\$654,002,000. During the Period, 4 units and 1 carpark among the transactions have been completed (2022 Period: 1 unit) and a revenue of approximately HK\$101,460,000 (2022 Period: HK\$8,390,000) has been recorded for sale of properties.

Property Investment

As at 30 September 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 Period, the rental and building management income of the Group from continuing operations was approximately HK\$21,713,000 (2022 Period: approximately HK\$22,946,000), representing a decrease of approximately 5.4%. For the Period, the rental and building management income of the Group from discontinued operation was HK\$nil (2022 Period: approximately HK\$12,554,000), representing a decrease of 100%). The decrease in rental and building management income from continuing operations was primarily attributable to certain properties held for development were demolished for redevelopment as well as decrease in market rent.

As at 30 September 2023, the occupancy rate of residential units, commercial units and industrial units of the Group’s investment properties were 100.0%, 99.2% and 95.0% (2022 Period: 100.0%, 99.2% and 90.7%) respectively. A loss on changes in fair value of investment properties of approximately HK\$24,438,000 (2022 Period: gain of approximately HK\$80,392,000) was recognised during the Period. The segment reported a loss of approximately HK\$37,856,000 for the Period (2022 Period: profit of approximately HK\$77,428,000), representing a decrease of approximately HK\$115,284,000 compared to the 2022 Period.

The Group acts as principal and is primarily responsible for providing the building management services to the property owners in Hong Kong. To meet the property management licensing regime’s statutory requirements, which became mandatory on 1 August 2023, the Group’s related residential and commercial property management companies have obtained the required licences, reinforcing the Group’s commitment to delivering high-quality property management services.

Disposal of property in Singapore by subsidiary of Eminence

On 14 April 2023, the purchaser (an independent third party) 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) 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 Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange. 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 the circular dated 8 May 2023 jointly published by the Company and Eminence and the announcement dated 31 May 2023 published by Eminence.

The completion of the disposal took place on 7 July 2023. The Group is recognised a gain on the disposal of approximately S\$1,366,000 (equivalent to approximately HK\$7,900,000).

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 30 September 2023, the Group’s financial assets at fair value through profit or loss amounted to approximately HK\$234,685,000 (31 March 2023: approximately HK\$191,160,000). 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 profit in the investment in securities and others segment of approximately HK\$21,620,000 during the Period (2022 Period: loss of approximately HK\$67,212,000).

As at 30 September 2023, details of the Group's financial assets are set out as follows:

Nature of investments	As at 30 September 2023			For the Period Approximate			
	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 gain/(loss) <i>HK\$'000</i>
Equity Investments							
Best Food Holding Company Limited (stock code: 1488)	109,762,000	101,886	120,142	1.3%	—	29,152	—
Ping An Insurance (Group) Company of China, Ltd. (stock code: 2318)	733,460	55,510	32,859	0.4%	1,118	(4,584)	—
Others	N/A	46,498	21,610	0.2%	16	(3,885)	—
Investment in limited partnership	N/A	39,394	39,394	0.4%	9	(101)	—
Others	N/A	20,680	20,680	0.2%	—	70	70
Total:		<u>263,968</u>	<u>234,685</u>	<u>2.5%</u>	<u>1,143</u>	<u>20,652</u>	<u>70</u>

Loan Financing

The loan financing business of the Group is operated by Planetec 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 Period, the Group recorded an interest income from the loan financing business amounted to approximately HK\$6,951,000 (2022 Period: approximately HK\$6,472,000), representing an increase of approximately 7.4% as compared with the 2022 Period. The increase in interest income was primarily due to increase in interest rate of loans receivable. Profit derived from loan financing segment was approximately HK\$1,147,000 for the Period (2022 Period: approximately HK\$6,920,000).

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 30 September 2023, the Group had a total of 24 borrowers, of which 22 being individuals and 2 being corporate entities, under its loan portfolio. The source of funds for the loan financing business is funded by the internal resources of the Group.

As at 30 September 2023, the gross carrying amount of loans receivable amounting to HK\$290,166,000 (31 March 2023: HK\$300,807,000) of which 42% (31 March 2023: 39%) were secured by marketable securities with fair values of HK\$33,600,000 (31 March 2023: HK\$35,670,000) or properties with fair values of HK\$99,492,000 (31 March 2023: HK\$98,245,000). The Group is not permitted to sell or repledge the collaterals, if any, in the absence of default by the borrowers. In addition, the gross carrying amount of unsecured loan receivable amounting to HK\$51,456,000 (31 March 2023: HK\$57,309,000) are with personal guarantee. The largest borrower by itself and together with the other four largest borrowers of the Group accounted for approximately 17% (31 March 2023: 26%) and 53% (31 March 2023: 52%) respectively of the Group's loans receivable at 30 September 2023.

During the Period, the range of interest rate on the Group's fixed-rate loans receivable was 0% (a one-off upfront fee being paid in lump sum at drawdown date, representing 9% of the loan principal amount for a term of 3-year) to 16% (2022 Period: 2.5% 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 Period: 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. For the new and renewal loans during the Period, 71% was with a term within 1 year, and 29% was more than 1 year but not more than 3 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. 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.

At 30 September 2023, the impairment loss recognised in profit or loss amounted to approximately HK\$1,732,000 (2022 Period: a reversal of impairment loss allowance of approximately HK\$2,445,000) in its loan financing business from continuing operations.

LISTED SUBSIDIARY

Eminence, the major listed subsidiary of the Company, and 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 2023, the Group held an aggregate of 1,097,157,506 shares of Eminence, representing approximately 51.60% of the then total issued share capital of Eminence.

(a) Eminence capital reorganisation and change in board lot size

The capital reorganisation of Eminence has become effective on 19 July 2023 (the “**Eminence Capital Reorganisation**”) which involved (i) a consolidation of every forty (40) issued and unissued existing shares of Eminence of par value of HK\$0.01 each into one (1) consolidated share of Eminence (the “**Eminence Consolidated Share(s)**”) of par value of HK\$0.40 each (the “**Eminence Share Consolidation**”); (ii) following the capital reduction of Eminence has become effective (the “**Eminence Capital Reduction**”), pursuant to which the par value of each issued Eminence Consolidated Share would be reduced from HK\$0.40 to HK\$0.01 by (a) eliminating any fraction of a Eminence Consolidated Share in the issued share capital of Eminence arising from the Eminence Share Consolidation in order to round down the total number of the Eminence Consolidated Shares to a whole number; and (b) cancelling HK\$0.39 of the paid-up capital of Eminence on each issued Eminence Consolidated Share so that each issued new share of Eminence (the “**New Eminence Share(s)**”) will be treated as one (1) fully paid-up share of par value of HK\$0.01 each in the share capital of Eminence immediately following the Eminence Capital Reduction and the credit arising from the Capital Reduction to be transferred to the contributed surplus account of Eminence within the meaning of the Companies Act 1981 of Bermuda; and (iii) following the Eminence Share Consolidation and the Eminence Capital Reduction have become effective, each authorised but unissued Eminence Consolidated Share (including those authorised unissued Eminence Consolidated Shares arising from the Eminence Capital Reduction) has been subdivided into forty (40) authorised but unissued New Eminence Shares of par value of HK\$0.01 each.

Upon the completion of the Eminence Capital Reorganisation on 19 July 2023, the board lot size of Eminence shares for trading on the Stock Exchange has been changed from 20,000 shares to 5,000 shares.

For more details, please refer to Eminence’s announcements dated 29 May 2023, 16 June 2023, 17 July 2023 and 19 July 2023, and circular dated 23 June 2023 respectively.

(b) Major Transaction — Deemed disposal of interest in Eminence

On 29 May 2023, Eminence entered into a placing agreement (the “**Eminence Placing Agreement**”) with a placing agent for a placing of a maximum of up to 50,000,000 new Eminence shares at a placing price of HK\$0.50 per placing share to not less than six allottees who and whose beneficial owners are independent third parties (the “**Eminence Placing**”) subject to the Eminence Capital Reorganisation becoming effective and a specific mandate being granted by the Eminence shareholders.

Assuming all the 50,000,000 Eminence placing shares are successfully placed under the Eminence Placing Agreement, the shareholding interest of the Company in Eminence will be diluted from approximately 51.60% to approximately 26.59% which constitutes a major transaction and a deemed disposal transaction (the “**Deemed Disposal**”) of the Company under the Listing Rules.

The Deemed Disposal and the Eminence Placing Agreement and the transactions contemplated thereunder were approved at the separate special general meetings by the Shareholders and the Eminence shareholders both held on 24 July 2023. The completion of the Eminence Placing took place on 3 August 2023.

For more details of the Deemed Disposal, please refer to Company's announcements dated 30 May 2023, 14 June 2023, 17 July 2023 and 24 July 2023, and circular dated 27 June 2023 respectively.

Upon the completion of the Eminence Placing on 3 August 2023 and as at 30 September 2023, the Group held an aggregate of 27,428,937 shares of Eminence, representing approximately 26.59% of the then total issued share capital of Eminence. Eminence remains as a subsidiary of the Company.

(c) *Eminence Convertible Notes*

On 30 November 2022, a wholly-owned subsidiary of the Company has entered into four (4) sales and purchase agreements in relation to the sales of four (4) wholly-owned subsidiaries of the Company to Eminence. The sole material asset of each of the sale companies is a separate commercial property in Hong Kong. Pursuant to the sales and purchase agreements, the net purchase price amounted to HK\$214,000,000 which would be settled by Eminence by (i) HK\$5,000,000 in cash and (ii) a 5% per annum coupon rate convertible note 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").

On 20 February 2023, the transaction had been completed and the 2023 CN has been issued to a wholly-owned subsidiary of the Company.

Due to the Eminence Capital Reorganisation and the Eminence Placing, the conversion prices and the total number of conversion shares under the 2023 CN has been adjusted as follows:

2023 CN

As at	Number of conversion shares	Conversion price HK\$
2023.02.20	1,971,698,113	0.106
2023.07.19	49,292,452	4.24
2023.08.03	56,486,486	3.70

Performance of Eminence Group during the Period

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

	For the six months ended		
	30 September		
	2023	2022	Change
	(unaudited)	(unaudited and restated)	
Continuing operations			
Revenue (<i>HK\$'000</i>)			
Rental income	14,049	11,933	17.7%
Interest income from loan financing	1,207	1,390	(13.2)%
Total revenue	15,256	13,323	14.5%
Gross profit (<i>HK\$'000</i>)	13,726	11,886	15.5%
(Loss) profit from continuing operations (<i>HK\$'000</i>)	(149,150)	53,680	N/A
Discontinued operation			
(Loss) profit (<i>HK\$'000</i>)	(9,113)	9,732	N/A
(Loss) profit attributable to owners of Eminence (<i>HK\$'000</i>)	(158,263)	63,412	N/A
(Loss) earnings per share (<i>HK\$</i>)			
From continuing and discontinued operations			
— Basic	(2.28)	2.01	N/A
— Diluted	(2.28)	1.79	N/A
From continuing operations			
— Basic	(2.15)	1.70	N/A
— Diluted	(2.15)	1.53	N/A

As at 30 September 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	2026
No. 121 King Lam Street, Kowloon, Hong Kong	Industrial	5,483	early 2024
Nos. 11, 13 and 15 Matheson Street, Causeway Bay, Hong Kong	Commercial	2,857	end of 2023
Nos. 1B–1E Davis Street and Nos. 93 and 95 Catchick Street, Kennedy Town, Hong Kong	Residential	7,122	2025

As at 30 September 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 Period, Eminence Group recorded rental income from continuing operations of approximately HK\$14,049,000 (2022 Period: approximately HK\$11,933,000) and fair value loss from continuing operations of approximately HK\$12,242,000 (2022 Period: gain of approximately HK\$69,192,000) arising from change in fair value of investment properties.

For more detailed portfolio of property development projects, business and financial performance of Eminence Group, please refer to its interim results announcement for the six months ended 30 September 2023.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations through internally generated cash flow and bank borrowings. As at 30 September 2023, the Group had aggregate bank borrowings amounted to approximately HK\$3,677,476,000 (31 March 2023: approximately HK\$3,529,177,000). The gearing ratio of the Group, calculated as a ratio of total bank borrowings to total equity, for the Period was approximately 0.76 (31 March 2023: approximately 0.71).

As at 30 September 2023, the Group has net current assets of approximately HK\$3,713,428,000 (31 March 2023: approximately HK\$4,404,437,000). Current ratio was approximately 2.2 (31 March 2023: approximately 3.0). The cash and cash equivalents as at 30 September 2023 was approximately HK\$436,413,000 (31 March 2023: approximately HK\$398,894,000), representing an increase of approximately 9.4% or approximately HK\$37,519,000 compared to 31 March 2023.

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

	30 September 2023 HK\$'000 (unaudited)	31 March 2023 HK\$'000 (audited)
Carrying amount repayable as follows (based on the scheduled repayment dates set out in the loan agreements):		
— within a period not exceeding one year	2,362,766	1,615,464
— within a period of more than one year but not exceeding two years	271,573	884,750
— within a period of more than two years but not exceeding five years	894,637	876,325
— within a period of more than five years	148,500	152,638
	3,677,476	3,529,177
Less: Amount due within one year shown under current liabilities	(2,362,766)	(1,615,464)
Amount due after one year shown under non-current liabilities	<u>1,314,710</u>	<u>1,913,713</u>

As at 30 September 2023, the Group's secured bank borrowings carry interest at HIBOR plus 1.0% to 1.825%, LIBOR plus 1.0% (31 March 2023: HIBOR plus 1.0% to 1.825%, LIBOR plus 0.8% to 1.0%) per annum, with effective interest ranging from 4.38% to 7.16% (31 March 2023: 4.21% to 5.86%) per annum.

CHARGES OF ASSETS

As at 30 September 2023, bank loans of the Group in the aggregate amount of approximately HK\$3,677,476,000 (31 March 2023: approximately HK\$3,529,177,000) 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\$7,825,616,000 (31 March 2023: approximately HK\$7,851,249,000). In addition, a credit facility granted by a bank for a property development project in Hong Kong was secured by pledge of 7,500,000 Eminence shares (after Eminence Capital Reorganisation) with fair value of HK\$3,487,500 (31 March 2023: 300,000,000 Eminence shares (before Eminence Capital Reorganisation) with fair value of HK\$11,400,000) 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 Period 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 Period 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

As at 30 September 2023, the Group did not have any significant contingent liabilities (31 March 2023: nil).

CAPITAL EXPENDITURE

For the Period, the Group invested approximately HK\$27,000 (2022 Period: approximately HK\$574,000) on the acquisition of property, plant and equipment, and not invested on additions of investment properties for both periods.

CAPITAL COMMITMENTS

As at 30 September 2023, the Group had capital commitments in respect of capital expenditure contracted for but not provided of approximately HK\$8,361,000 (31 March 2023: HK\$19,635,000).

PROSPECTS

The global economy was facing macro-financial challenges amid ongoing geopolitical tensions and global inflation and interest rates are expected to remain high in the near term. Hong Kong was also facing challenges not only from competition but also from the everchanging macroeconomic environment. The real estate market in Hong Kong overall slow performance can be attributed to prevailing interest rate hikes and ongoing geopolitical tension. A high interest rate environment was negatively affecting investment sentiment, particularly in the property sector. The Hong Kong Government has revised the real GDP growth forecast for 2023 as a whole to a range of 4.0% to 5.0% with a previous prediction of 3.5% to 5.5%, the revision for the full year of 2023 is attributed to a

“difficult global economic environment”. To boost economic activity, the Hong Kong Government has unveiled a number of measures under the Chief Executive’s 2023 Policy Address including ease property measures which helps revive a sector that is one of the economy’s pillars. Prospects for a global economic recovery remain slow and uncertain. The Group will continue to focus its efforts in the development of its existing principal businesses and will exercise prudent capital management and approach in its operations.

EMPLOYEES

As at 30 September 2023, the Group had 62 employees (30 September 2022: 91). Staff costs (including Directors’ emoluments) amounted to approximately HK\$37,696,000 for the Period (2022 Period: approximately HK\$31,592,000). 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.

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 Period, 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. 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. The Board 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 the Directors. 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 Period.

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

During the Period, Eminence through its wholly-owned subsidiary acquired in a series of transactions of the shares of the Company on the open market (the “**Acquisitions**”). Details of the Acquisitions were set out in the announcement dated 12 April 2023 published by Eminence. As at 30 September 2023, Eminence acquired 1,726,000 shares of the Company at an aggregate consideration of approximately HK\$6,443,220 at the price per share between HK\$3.45 and HK\$4.70. As the Acquisitions were conducted on the open market, the identities of the counterparties of the shares of the Company could not be ascertained. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the counterparties and the ultimate beneficial owner(s) of the counterparties of the Acquisitions are independent third parties as defined under the Listing Rules.

As at 30 September 2023 and up to the date of this announcement, (i) the total number of shares of the Company in issue was 73,988,403 shares; and (ii) following the Acquisitions, Eminence held a total of 1,726,000 shares of the Company, representing approximately 2.33% of the total issued share capital of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

REVIEW OF INTERIM RESULTS

The audit committee of the Board has reviewed the Group's unaudited condensed consolidated financial information for the Period, including the accounting principles and practices adopted by the Group and financial reporting matters.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM 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 interim report of the Company for the Period 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.

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

Hong Kong, 29 November 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.