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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 2022

### FINANCIAL HIGHLIGHTS

	For the year ended 31 March		
	2022	2021	Change
Revenue (HK\$'000)	350,784	323,382	8.5%
Gross profit (HK\$'000)	174,988	100,000	75.0%
Gross profit margin	49.9%	30.9%	19.0%
Net Profit (HK\$'000)	1,009,500	21,929	4,503.5%
Profit for the year attributable to owners of the Company (HK\$'000)	979,437	22,308	4,290.5%
Basic/Diluted earnings per share (HK\$)	12.46	0.25	4,884.0%
	As at 31 March		
	2022	2021	Change
Total assets (HK\$'000)	8,919,158	4,903,606	81.9%
Total liabilities (HK\$'000)	3,981,641	1,673,161	138.0%
Net asset value (HK\$'000)	4,937,517	3,230,445	52.8%
Net asset value per share (HK\$)	66.7	39.3	69.7%

### 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 2022 (the “**Year**”), together with comparative figures for the year ended 31 March 2021 (the “**Previous Year**”) as follows:

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	<i>Note</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
Revenue	3		
Sales of properties		<b>248,576</b>	275,319
Rental income		<b>65,283</b>	32,815
Interest income from loan financing		<b>17,262</b>	13,726
Building management		<b>19,663</b>	1,522
		<b>350,784</b>	323,382
Cost of properties sold and services rendered		<b>(175,796)</b>	(223,382)
Gross profit		<b>174,988</b>	100,000
Other income, gains and losses		<b>20,123</b>	8,003
Distribution and selling expenses		<b>(37,856)</b>	(29,205)
Administrative expenses		<b>(101,374)</b>	(49,075)
Other expenses		<b>(231)</b>	—
Write-back on properties held for sale		—	300
Write-back (write-down) on properties held for development for sale, net		<b>1,629</b>	(19,572)
Gain (loss) on changes in fair value of investment properties		<b>37,064</b>	(85,640)
Loss on revaluation of intangible assets		<b>(723)</b>	—
Net (loss) gain on changes in fair value of financial assets at fair value through profit or loss		<b>(37,905)</b>	80,462
Gain on changes in fair value of financial assets at fair value through profit or loss upon modification		—	73,520
Release on disposal of debt instruments at fair value through other comprehensive income		<b>(3,819)</b>	970
Gain on settlement of loans receivable by properties		<b>35,846</b>	—
(Impairment loss) reversal of impairment loss on financial assets, net:			
— Loans receivable		<b>(27,224)</b>	(47,791)
— Debt instruments at fair value through other comprehensive income		<b>(22,286)</b>	(306)
— Debt instruments at amortised cost		<b>(1,090)</b>	1,650

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
Gain on bargain purchase on acquisition of a subsidiary		<b>1,676,151</b>	—
Loss on remeasurement of interest in an associate		<b>(656,380)</b>	—
Gain on bargain purchase at date of deemed acquisition of additional interest in an associate		—	58,471
Share of results of an associate		<b>(1,250)</b>	(53,799)
Share of results of a joint venture		<b>(5)</b>	(5)
Finance costs	<i>5</i>	<b>(28,415)</b>	(19,022)
Profit before taxation	<i>6</i>	<b>1,027,243</b>	18,961
Taxation	<i>7</i>	<b>(17,743)</b>	2,968
Profit for the year		<b>1,009,500</b>	21,929
<b>Other comprehensive (expense) income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Share of other comprehensive (expense) income of an associate:			
Share of translation reserve of an associate		—	10,078
Share of fair value through other comprehensive income reserve of an associate		<b>33</b>	116
Reclassification of translation reserve to profit or loss upon deemed disposal of interest in associate		<b>(570)</b>	—
Reclassification of fair value through other comprehensive income reserve to profit or loss upon deemed disposal of interest in associate		<b>(12,707)</b>	—
		<b>(13,244)</b>	10,194

	<i>Note</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
Exchange differences arising on translation of financial statements of foreign operations		<b>13,798</b>	—
Change in fair value of debt instruments at fair value through other comprehensive income		<b>(22,656)</b>	747
Release on disposal of debt instruments at fair value through other comprehensive income		<b>3,819</b>	(970)
Impairment loss on debt instruments at fair value through other comprehensive income included in profit or loss, net		<b>22,286</b>	306
		<u><b>4,003</b></u>	<u>10,277</u>
Other comprehensive income for the year		<u><b>4,003</b></u>	<u>10,277</u>
Total comprehensive income for the year		<u><b>1,013,503</b></u>	<u>32,206</u>
Profit (loss) for the year attributable to:			
Owners of the Company		<b>979,437</b>	22,308
Non-controlling interests		<b>30,063</b>	(379)
		<u><b>1,009,500</b></u>	<u>21,929</u>
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		<b>979,064</b>	32,585
Non-controlling interests		<b>34,439</b>	(379)
		<u><b>1,013,503</b></u>	<u>32,206</u>
Earnings per share			
— Basic and diluted	9	<u><b>HK\$12.46</b></u>	<u>HK\$0.25</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		<b>203,234</b>	107,138
Right-of-use assets		<b>1,082</b>	493
Intangible assets		<b>7,063</b>	500
Investment properties		<b>2,423,573</b>	1,179,400
Interest in an associate		—	808,718
Interest in a joint venture		<b>52</b>	57
Financial assets at fair value through profit or loss		<b>43,274</b>	211,446
Debt instruments at fair value through other comprehensive income		—	4,030
Debt instruments at amortised cost		<b>40,936</b>	15,209
Loans receivable	<i>10</i>	<b>93,949</b>	17,280
Deferred tax assets		<b>13,559</b>	8,724
Deposits		<b>285</b>	10,205
		<b>2,827,007</b>	2,363,200
Current assets			
Properties held for development for sale		<b>4,418,372</b>	950,375
Properties held for sale		<b>789,228</b>	960,930
Trade and other receivables	<i>11</i>	<b>165,375</b>	38,218
Financial assets at fair value through profit or loss		<b>362,400</b>	148,876
Loans receivable	<i>10</i>	<b>152,031</b>	125,736
Debt instruments at fair value through other comprehensive income		<b>4,884</b>	7,740
Debt instruments at amortised cost		<b>15,436</b>	—
Tax recoverable		—	309
Bank balances and cash		<b>184,425</b>	308,222
		<b>6,092,151</b>	2,540,406

	<i>Note</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>153,104</b>	41,047
Contract liabilities		<b>16,534</b>	6,276
Amount due to a non-controlling shareholder		<b>159,114</b>	101,288
Tax payable		<b>65,112</b>	51,573
Lease liabilities		<b>398</b>	510
Secured bank borrowings		<b>1,206,455</b>	468,010
		<u><b>1,600,717</b></u>	<u>668,704</u>
Net current assets		<u><b>4,491,434</b></u>	<u>1,871,702</u>
Total assets less current liabilities		<u><b>7,318,441</b></u>	<u>4,234,902</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>23,955</b>	—
Secured bank borrowings		<b>2,356,249</b>	1,004,457
Lease liabilities		<b>720</b>	—
		<u><b>2,380,924</b></u>	<u>1,004,457</u>
		<u><b>4,937,517</b></u>	<u>3,230,445</u>
<b>Capital and reserves</b>			
Share capital		<b>7,399</b>	8,220
Reserves		<b>4,170,307</b>	3,223,053
Equity attributable to owners of the Company		<b>4,177,706</b>	3,231,273
Non-controlling interests		<b>759,811</b>	(828)
		<u><b>4,937,517</b></u>	<u>3,230,445</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 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 “Amendments to References to the Conceptual Framework in HKFRS Standards” and 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 annual period beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “**Committee**”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

Except as described below, 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.

**Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform — Phase 2”**

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 “Financial Instruments: Disclosures”.

As at 1 April 2021, the Group has several financial liabilities with interests indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The following table shows the total amounts of these outstanding contracts. The amounts of financial liabilities are shown at their carrying amounts.

	<b>Hong Kong dollars  (“HKD”) Hong Kong Interbank Offered Rate  (“HIBOR”) HK\$’000</b>
Secured bank borrowings	<u><u>1,472,467</u></u>



The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost.

As as 31 March 2022, for variable rate secured bank borrowings that are linked to HIBOR and London Interbank Offered Rate (“**LIBOR**”), the Group had confirmed with the relevant counterparty that HIBOR and LIBOR will continue to be used up to maturity. The management anticipates that the interest rate benchmark reform will have no material input on the Group’s risk exposure.

### **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 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.

Rental income and interest income from loan financing fall outside the scope of HKFRS 15 “Revenue from Contract with Customers” and the revenue from contracts with customers for the year ended 31 March 2022 amounted to HK\$268,239,000 (2021: HK\$276,841,000).

#### 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.

##### Segment revenue and results

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

##### *For the year ended 31 March 2022*

	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>84,946</u>	<u>248,576</u>	<u>—</u>	<u>17,262</u>	<u>350,784</u>
RESULTS					
Segment results	<u>85,582</u>	<u>25,180</u>	<u>(73,863)</u>	<u>10,058</u>	46,957
Unallocated corporate income					592
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					<u>1,027,243</u>

***For the year ended 31 March 2021***

	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>
<b>SEGMENT REVENUE</b>					
External sales	<u>34,337</u>	<u>275,319</u>	<u>—</u>	<u>13,726</u>	<u>323,382</u>
<b>RESULTS</b>					
Segment results	<u>(71,954)</u>	<u>(875)</u>	<u>153,865</u>	<u>(38,352)</u>	42,684
Unallocated corporate income					307
Unallocated corporate expenses					(9,675)
Gain on bargain purchase of additional interest in an associate					58,471
Share of results of an associate					(53,799)
Share of results of a joint venture					(5)
Finance costs					<u>(19,022)</u>
Profit before taxation					<u>18,961</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 by each segment without allocation of share of results of an associate and a joint venture, gain on bargain purchase on acquisition of a subsidiary, loss on remeasurement of interest in an associate, gain on bargain purchase of additional 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank borrowings	59,208	32,370
Interest on lease liabilities	27	45
	<u>59,235</u>	<u>32,415</u>
Less: Amount capitalised in the cost of qualifying assets	<u>(30,820)</u>	<u>(13,393)</u>
	<u><u>28,415</u></u>	<u><u>19,022</u></u>

## 6. PROFIT BEFORE TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Directors' emoluments	11,743	7,320
Other staff costs, including retirement benefits scheme contributions	45,878	21,997
Share-based payments (excluding directors)	349	—
	<u>57,970</u>	<u>29,317</u>
Total staff costs		
Cost of properties recognised as expense	171,202	221,087
Depreciation of property, plant and equipment	8,167	4,664
Depreciation of right-of-use assets	673	803
and after crediting:		
Dividend income from listed investments	10,825	1,928
Government grants ( <i>note</i> )	—	1,897
Interest income from		
Debt instruments at amortised cost	2,434	1,140
Debt instruments at fair value through other comprehensive income	2,149	670
Bank and others	580	191
Gain on disposal of property, plant and equipment	<u>382</u>	<u>—</u>

Note:

During the year ended 31 March 2021, the Group recognised government grants of HK\$1,897,000 (2022: nil) in respect of Covid-19-related subsidies, which were related to Employment Support Scheme provided by the Hong Kong Government.

## 7. TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The charge (credit) comprises:		
Current tax:		
Hong Kong	7,330	2,436
The People's Republic of China ("PRC")	2,643	—
Other jurisdiction	549	—
	<u>10,522</u>	<u>2,436</u>
(Over)under provision in prior years:		
Hong Kong	(185)	688
PRC	215	—
Other jurisdiction	58	—
	<u>88</u>	<u>688</u>
Deferred tax	<u>7,133</u>	<u>(6,092)</u>
	<u><u>17,743</u></u>	<u><u>(2,968)</u></u>

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the current year.

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

## 8. DIVIDEND

No dividend were paid or proposed for the years ended 31 March 2022 and 2021, nor has any dividend been proposed since the end of the reporting periods.

## 9. EARNINGS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to owners of the Company)	<u>979,437</u>	<u>22,308</u>
	2022	2021
Weighted average number of ordinary shares in issue during the year for the purpose of calculating basic earnings per share	78,620,943	90,834,655
Effect of dilutive potential ordinary shares:		
Share options	<u>12,324</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>78,633,267</u>	<u>90,834,655</u>

For both 2022 and 2021, the computation of diluted earnings per share did not assume the conversion of the former associate's outstanding convertible notes since their exercise would result in increase in earnings per share.

## 10. LOANS RECEIVABLE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Fixed-rate loans receivable	342,252	217,258
Variable-rate loans receivable	<u>3,080</u>	<u>6,535</u>
	345,332	223,793
Less: Impairment allowance	<u>(99,352)</u>	<u>(80,777)</u>
	<b><u>245,980</u></b>	<b><u>143,016</u></b>
Analysed as:		
Current assets	152,031	125,736
Non-current assets	<u>93,949</u>	<u>17,280</u>
	<b><u>245,980</u></b>	<b><u>143,016</u></b>
Secured	153,948	56,770
Unsecured	<u>92,032</u>	<u>86,246</u>
	<b><u>245,980</u></b>	<b><u>143,016</u></b>

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.

At 31 March 2022, the range of interest rate on the Group's fixed-rate loans receivable is 2.3% to 16% (2021: 2.3% to 16%) per annum and the range of interest rate on the Group's variable-rate loans receivable is prime rate less 1% to prime rate (2021: prime rate less 1% to prime rate) per annum.

Before granting loans to outsiders, the Group assesses the potential borrower's credit quality and defines credit limits granted to each borrower. The credit limits attributed to the borrowers are reviewed by the management regularly.

The management closely monitors the credit quality of loans receivable amounting to HK\$245,980,000 at 31 March 2022 (2021: HK\$143,016,000). At 31 March 2022, allowance for loans receivable amounted to HK\$99,352,000 (2021: HK\$80,777,000). Except for those credit-impaired loans receivable, there are no loans receivable which are past due at the end of the reporting period.

## 11. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables from contract with customers	507	—
Lease receivables	6,048	2,828
Prepayments	1,020	5,000
Interest receivable	1,032	1,058
Escrow deposits for properties held for sale	16,541	4,622
Accounts receivable from margin financing ( <i>note</i> )	24,093	22,450
Refundable stamp duty	103,160	—
Other receivables and deposits	12,974	2,260
	<u>165,375</u>	<u>38,218</u>

*Note:* 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.



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:

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
0–60 days	<b>6,280</b>	2,690
61–90 days	—	138
91–120 days	<u>275</u>	<u>—</u>
	<b><u>6,555</u></b>	<b><u>2,828</u></b>

No credit loss allowance has been recognised on the trade and other receivables as the directors of the Company consider that the amount is immaterial.

## 12. TRADE AND OTHER PAYABLES

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Trade payables	<b>20,655</b>	4,290
Retention payable ( <i>note (a)</i> )	<b>27,078</b>	7,476
Rental deposits received and rental received in advance	<b>23,880</b>	8,936
Interest payable	<b>6,479</b>	2,563
Guarantee money received ( <i>note (b)</i> )	<b>10,000</b>	—
Other taxes payable	<b>6,194</b>	—
Accruals and other payables	<u>58,818</u>	<u>17,782</u>
	<b><u>153,104</u></b>	<b><u>41,047</u></b>

*Notes:*

- (a) Retention payable is withheld from subcontractors and will be released by the Group within twelve months upon completion of their works.
- (b) The amount represents money received from a borrower of the loan financing business as security for loans granted.

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.

	<b>2022</b> <b><i>HK\$'000</i></b>	2021 <i>HK\$'000</i>
0–60 days	<b>20,567</b>	2,350
Over 90 days	<b>88</b>	1,940
	<b><u>20,655</u></b>	<u>4,290</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OVERVIEW**

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

During the Year, the Group had further acquired the shares of Eminence Enterprise Limited (“**Eminence**”) (Stock Code: 616) immediately following the completion of the Share Offer (as defined hereinafter) in respect of the acquisition of the shares of Eminence, details of which are set out in the section headed “Listed Subsidiary” in this announcement. As at 31 March 2022, the Group held an aggregate of 696,370,840 shares in Eminence, representing approximately 74.76% of the total issued share capital of Eminence. Eminence has been accounted for and consolidated in the consolidated financial statements of the Company for the Year as a subsidiary of the Company.

The acquisition and the Share Offer were a good investment opportunity for the Group to continue its strategies to diversify investments and to strengthen its properties portfolio which beneficial for the continuous and stable growth of the Group’s core businesses.

### **FINANCIAL RESULTS**

For the Year, the Group’s revenue amounted to approximately HK\$350,784,000 (2021: approximately HK\$323,382,000), representing an increase of approximately HK\$27,402,000 or approximately 8.5% as compared to the Previous Year.

Profit for the Year was approximately HK\$1,009,500,000 (2021: approximately HK\$21,929,000), representing a significant increase of 4,503.50% over the Previous Year.

The profit for the Year attributable to the Company’s owners was approximately HK\$979,437,000 (2021: approximately HK\$22,308,000). The gross profit margin for the Year was approximately 49.9%, compared to the Previous Year of approximately 30.9%, there was an increase of approximately 19.0%.

The basic and diluted earnings per share amounted to HK\$12.46 for the Year, as compared with HK\$0.25 for the Previous Year.

### **FINAL DIVIDEND**

The Board does not recommend the payment of final dividend for the Year (2021: nil).

## **BUSINESS REVIEW**

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

### **Property Development**

Revenue recognised in this business segment during the Year amounted to approximately HK\$248,576,000 (2021: HK\$275,319,000). Review on existing major projects of the Group is set out below:

#### ***Project Waterloo Road***

The Group, through its wholly-owned subsidiary, owns the site located at Nos. 93, 93A, 95 and 95A Waterloo Road, Kowloon, Hong Kong which has a site area of approximately 9,800 square feet (the “**Waterloo Site**”).

The Waterloo Site is being redeveloped into a luxurious residential accommodation with club house facilities and car parks, and the estimated gross floor area is approximately 48,965 square feet. The construction of the superstructure works are undergoing and this project is expected to be completed and to be launched sales in late 2022.

#### ***Project Chatham Road North***

The Company, through its wholly-owned subsidiary, acquired properties located at Nos. 470, 472, 474, 476 and 478 Chatham Road North, Kowloon, Hong Kong (“**Chatham Road North Building**”) in May 2018 which constituted over 80% of the undivided shares in the Chatham Road North Building. The total site area of this project is approximately 4,653 square feet. On 29 November 2018, the Company filed an application to the Lands Tribunal pursuant to the Land (Compulsory Sale for Redevelopment) Ordinance (the “**LCSRO**”) (Chapter 545 of the Laws of Hong Kong) for an order for sale all the undivided shares of Chatham Road North Building (including those owned by the Group, as required by the LCSRO) for the purposes of redevelopment, with the intention to bid in the public auction and acquiring the remaining units held by the registered owner (units not owned by the Group), representing approximately 11.31% of the undivided shares of the Chatham Road North Building.

The Company has successfully won the bid in respect of the Chatham Road North Building at the public auction held on 1 June 2021. Details were set out in the announcement issued by the Company dated 1 June 2021. Upon completion of the acquisition, the Chatham Road North Building was then 100% owned by the Group and 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 foundation works are currently undergoing at the site. This project is expected to be completed in 2025.

More details of the project of the Chatham Road North Building were set out in the announcements of the Company dated 16 May 2018, 8 June 2018, 30 November 2018 and 11 September 2020 and the circulars of the Company dated 25 June 2018 and 23 October 2020.

### ***Inverness Road Property — “Ayton”***

“Ayton” is a 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. The total saleable area of approximately 40,742 square feet. The Group has launched its first phase of the sale of “Ayton” in May 2020. As at the date of this announcement, 33 units and 2 carparks released were sold and the aggregate contracted sales amounted to approximately HK\$532,285,000. During the Year, 9 units and 2 carparks among the transactions have been completed (2021: 23 units) and a revenue of approximately HK\$248,576,000 (2021: HK\$275,319,000) has been recorded for sale of properties.

### **Property Investment**

As at 31 March 2022, the Group’s portfolio of investment properties comprised of residential, commercial and industrial units located in Hong Kong, Singapore and the People’s Republic of China (the “**PRC**”).

During the Year, the gross rental income of the Group was approximately HK\$65,283,000 (2021: approximately HK\$32,815,000), representing an approximately 98.9% increase over the Previous Year. The increase in rental income was primarily attributable to the property investment business with controlling stake.

As at 31 March 2022, the occupancy rate of residential units, commercial units and industrial units of the Group’s investment properties were 100.0%, 99.2% and 97.6% (2021: nil, 99.1% and 77.2%) respectively. A gain on changes in fair value of investment properties of approximately HK\$37,064,000 (2021: loss of approximately HK\$85,640,000) was recognised during the Year. The segment reported a gain of approximately HK\$85,582,000 for the Year (2021: loss of approximately HK\$71,954,000), representing an increase of approximately HK\$157,536,000 compared to the Previous Year.

### **Securities Investment**

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 2022, the Group's financial assets at fair value through profit or loss amounted to approximately HK\$405,674,000 (2021: approximately HK\$360,322,000). 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 of approximately HK\$73,863,000 during the Year (2021: gain of approximately HK\$153,865,000).

As at 31 March 2022, details of the Group's financial assets are set out as follows:

Nature of investments	Notes	As at 31 March 2022			Approximate percentage to Group's total assets	For the Year		
		Number of shares held	Investment Cost HK\$'000	Fair value HK\$'000		Dividend/ Interest income HK\$'000	Fair value gain/(loss) HK\$'000	Realised gain/(loss) HK\$'000
Equity Investments								
Industrial and Commercial Bank of China Limited (stock code: 1398)	(i)	14,809,684	69,806	71,235	0.8%	2,232	(2,327)	—
Best Food Holding Company Limited (stock code: 1488)		82,526,000	74,718	67,672	0.8%	—	12,374	—
Ping An Insurance (Group) Company of China, Ltd. (stock code: 2318)	(ii)	858,460	66,143	47,773	0.5%	812	(18,370)	—
China Construction Bank Corporation (stock code: 939)		6,853,370	38,997	40,366	0.4%	2,052	(3,344)	—
Others		N/A	64,356	59,987	0.7%	3,480	(21,678)	(1,881)
Equity-Linked Notes		N/A	28,000	27,570	0.3%	—	(1,700)	(1,156)
Promissory Notes	(iii)	N/A	23,340	23,340	0.3%	—	—	—
Bonds		N/A	34,928	4,883	0.1%	—	(2,537)	(197)
Others		N/A	87,297	62,848	0.6%	919	2,911	—
Total:			<u>487,585</u>	<u>405,674</u>	<u>4.5%</u>	<u>9,495</u>	<u>(34,671)</u>	<u>(3,234)</u>

Notes:

- (i) 7,030,784 shares were taken according to the terms of related equity-linked notes acquired during the Year. Details of which were set out in the announcement of the Company dated 19 January 2022.

- (ii) 383,460 shares were taken according to the terms of related equity-linked notes acquired during the Year. Details of which were set out in the announcement of the Company dated 25 November 2021.
- (iii) On 25 May 2021, Gainever Corporation Limited (a wholly-owned subsidiary of Eminence, a non-wholly owned subsidiary of the Company) subscribed and acquired a 8.0% Tranche B promissory notes (non-redeemable and non-transferable) due on 25 September 2025 issued by Lion Best Global Limited in the aggregate principal amount of US\$150,000,000 (equivalent to approximately HK\$1,162,500,000) for a total consideration of US\$3,000,000 (equivalent to approximately HK\$23,300,000). The proceeds of which shall be used exclusively for the subscription to preferred shares in a target company, which will in turn invest the proceeds in real estate project relating to the Xinyi A7 area/ Taipei Sky Tower in Taiwan. Details of which were set out in the announcements of the Company dated 25 May 2021 and 2 June 2021.

## Loan Financing

The loan financing business of the Group is operated by Planetic International Limited (“**Planetic**”, a wholly-owned subsidiary of the Company) and City China International Limited (“**City China**”, a wholly-owned subsidiary of Eminence, 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 amounted to approximately HK\$17,262,000 (2021: approximately HK\$13,726,000), representing approximately 4.9% of the total revenue of the Group. The increase in interest income was primarily due to the controlling stake in City China which resulted in the increase in loan financing business. Profit derived from loan financing business was approximately HK\$10,058,000 for the Year (2021: loss of approximately HK\$38,352,000).

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 2022, the gross carrying amount of loans receivable amounting to HK\$345,332,000 (2021: HK\$223,793,000) of which 45% (2021: 25%) were secured by marketable securities with fair values of HK\$36,900,000 (2021: HK\$31,980,000) or properties with fair values of HK\$251,707,000 (2021: HK\$24,451,000) or guaranteed money of HK\$10,000,000 (2021: nil). 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\$60,158,000 (2021: HK\$59,600,000) are with personal guarantee. The largest borrower of the Group by itself and together with the other four largest borrowers of the Group accounted for approximately 20% (2021: 25%) and 56% (2021: 68%) respectively of the Group’s loans receivable at 31 March 2022.

During the Year, the range of interest rate on the Group’s fixed-rate loans receivable was 2.3% to 16% (2021: 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 (2021: 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 Year, 69% was with a term within 1 year, and 31% was more than 1 year but not more than 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 HKFRS 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 31 March 2022, the net impairment allowance recognised in profit or loss amounted to approximately HK\$27,224,000 (2021: approximately HK\$47,791,000) in its loan financing business.

Included in the gross amount of loans receivable are HK\$86,702,000 (2021: HK\$72,700,000), net of accumulated impairment allowances of HK\$70,702,000 (2021: HK\$50,144,000) due from a group of borrowers including a borrower (the “**Borrower**”) with gross amount of HK\$32,397,000 (2021: HK\$13,100,000) and other individuals (with personal guarantee from that Borrower) with gross amount of HK\$54,305,000 (2021: HK\$59,600,000). During the Previous Year, 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. Upon acquisition of Eminence, the gross amount of loans receivable of the Group increased by HK\$47,476,000. 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 or properties during the Year. No allowance of impairment was made for a new loan receivable due from the Borrower of HK\$16,000,000 since the value of pledged asset is higher than the value of amount borrowed. For the remaining balances, an additional impairment loss of HK\$20,558,000 was recognised in current year for the purpose to fully impair the remaining balances.

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

### ***Provision of financial assistance to Supreme Sino***

On 13 September 2021, Planetic 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 Planetic 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, Planetic entered into another loan agreement with Supreme Sino, pursuant to which Planetic 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. The provision of SS Loan II constitutes a discloseable transaction under the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the Company, details of which were set out in the announcement of the Company dated 12 November 2021.

## ***Deed of settlement in relation to debt owed to subsidiary of Eminence***

City China and Shui Kam Enterprises Limited (“**Shui Kam**”) entered into two loan agreements dated 13 November 2017 and 16 October 2018 respectively (as varied or supplemented by supplemental agreements dated 8 November 2019 and 2 November 2020 respectively) (the “**SK Loan Agreements**”) under which Shui Kam is indebted to City China for HK\$9,120,000 (including principal and outstanding interest) as at 4 March 2022. Shui Kam is in default of its obligations under the SK Loan Agreements.

On 4 March 2022, City China and Shui Kam entered into a deed of settlement, pursuant to which, City China would release Shui Kam from its obligations under the SK Loan Agreements and in return Shui Kam shall transfer a property situated in Yuen Long, Hong Kong (with the then valuation of HK\$40,000,000) to a wholly-owned subsidiary of Eminence, and City China will assign to Shui Kam three outstanding debts owing by three borrowers in total amount of HK\$30,714,292.14. The transaction under the deed of settlement constitutes discloseable transaction for the Company and a major transaction for Eminence under the Listing Rules, details of which were set out in the announcement jointly published by the Company and Eminence dated 4 March 2022 and the circular of Eminence dated 25 March 2022.

## **LISTED SUBSIDIARY**

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

## **Investment in Eminence Shares**

As at 1 April 2021, the Group, through Ace Winner Investment Limited (“**Ace Winner**”), Landmark Profits Limited and Goodco Development Limited (“**Goodco**”) (all of which were wholly-owned subsidiaries of the Company), held an aggregate of 275,687,665 shares of Eminence, representing approximately 29.60% of the then total issued share capital of Eminence.

### ***(a) Share Offer***

On 3 February 2021 (after trading hours), Ace Winner as the offeror informed the board of directors of Eminence that it intended to make, subject to the satisfaction of the pre-condition, a voluntary conditional cash general offer to acquire all of the issued Eminence shares (other than those already owned or agreed to be acquired by the offeror and parties acting in concert with it) at HK\$0.50 per Eminence share (the “**Share Offer**”) on the terms and conditions set out in the composite document published by Eminence on 26 March 2021 and in compliance with the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”). The Share Offer constituted a very substantial acquisition for the Company under Chapter 14 of the Listing Rules. An ordinary resolution of the

Share Offer was duly approved by the shareholders of the Company (the “**Shareholders**”) at the Company’s special general meeting held on 19 March 2021. On 7 April 2021, the Share Offer was declared unconditional in all respects.

The Share Offer closed on 21 April 2021 (the “**Closing Date**”) and Ace Winner received valid acceptances of the Share Offer in respect of a total 393,683,175 Eminence shares, representing approximately 42.26% of the issued share capital of Eminence and together with the Eminence shares already held by Ace Winner and parties acting in concert with it amount to an aggregate of 669,370,840 Eminence shares, representing approximately 71.86% of the total issued share capital of Eminence as of the Closing Date.

### ***(b) Acquisition of Eminence shares in April 2021***

On 22 April 2021, following the completion of the Share Offer, the Company further acquired on-market a total of 27,000,000 Eminence shares at each of price of HK\$0.50 (the Company is complied with Rule 31.3 of the Takeovers Code) for an aggregate purchase price of approximately HK\$13,500,000 (exclusive of transaction costs). As a result, the Group’s interest in Eminence increased to 696,370,840 Eminence shares, representing approximately 74.76% of the total issued share capital of Eminence as at the date of the acquisition and up to the date on 31 March 2022.

### **Performance of Eminence Group during the Year**

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

	<b>For the year ended 31 March</b>		<b>Change</b>
	<b>2022</b>	<b>2021</b>	
	<b>(Audited)</b>	<b>(Audited)</b>	
Revenue			
Property development ( <i>HK\$’000</i> )	—	—	N/A
Property investment ( <i>HK\$’000</i> )	<b>56,745</b>	61,309	(7.4)%
Investment in securities ( <i>HK\$’000</i> )	—	—	N/A
Loan financing ( <i>HK\$’000</i> )	<b>7,730</b>	18,944	(59.2)%
Total revenue ( <i>HK\$’000</i> )	<b>64,475</b>	80,253	(19.7)%
Gross profit ( <i>HK\$’000</i> )	<b>61,565</b>	76,515	(19.5)%
Net profit (loss) ( <i>HK\$’000</i> )	<b>116,447</b>	(180,793)	N/A
Basic earnings (loss) per share ( <i>HK cents</i> )	<b>12.50</b>	(19.41)	N/A
Diluted earnings (loss) per share ( <i>HK cents</i> )	<b>9.77</b>	(19.41)	N/A

As at 31 March 2022 and the date of this announcement, the development land portfolio held by Eminence Group as below:

<b>Location</b>	<b>Intended usage</b>	<b>Approximate site area (square feet)</b>	<b>Anticipated year of completion</b>
Fung Wah Factorial Building, Nos. 646, 648, 648A Castle Peak Road, Kowloon, Hong Kong	Industrial	9,206	2025
Wing Cheong Factory Building, 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, Kennedy Town, Hong Kong and Nos. 93 and 95 Catchick Street, Kennedy Town, Hong Kong	Residential	7,122	2025

As at 31 March 2022, 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 and management fee income of approximately HK\$56,745,000 (2021: approximately HK\$61,309,000) and fair value gain of approximately HK\$63,054,000 arising from change in fair value of investment properties.

The Directors believe that the consolidation of Eminence's business was an effective channel for the Company to expand into the non-residential property development sector and could create synergy values by achieving greater business coherence and enhancing resources allocation. For more detailed business and financial performance of Eminence Group, please refer to its final results announcement for the year ended 31 March 2022.

## Eminence Convertible Notes

As at 31 March 2022, the total outstanding principal amount of convertible notes held by Goodco is HK\$97,280,000 which entitles Goodco to convert into a total of 389,120,000 Eminence shares, details are as follows:

Issue date	Outstanding principal amount	Number of Shares	Conversion price	Interest	Maturity Date
11 May 2017	HK\$16,000,000	64,000,000	HK\$0.25	4% per annum	28 August 2024
26 September 2017	HK\$11,280,000	45,120,000	HK\$0.25	4% per annum	28 August 2024
28 August 2019 (“2019 CN”)	<u>HK\$70,000,000</u>	<u>280,000,000</u>	<u>HK\$0.25</u>	<u>4% per annum</u>	<u>28 August 2024</u>
Total	<u>HK\$97,280,000</u>	<u>389,120,000</u>			

During the Year, no exercise of the conversion rights under the aforesaid convertible notes held by Goodco was made.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations through internally generated cash flow and bank borrowings. As at 31 March 2022, the Group’s bank borrowings amounted to approximately HK\$3,562,704,000 (2021: approximately HK\$1,472,467,000). The gearing ratio of the Group, calculated as a ratio of total bank borrowings to total equity, for the year was approximately 0.72 (2021: approximately 0.46).

As at 31 March 2022, the Group has net current assets of approximately HK\$4,491,434,000 (2021: approximately HK\$1,871,702,000). Current ratio was approximately 3.8 (2021: approximately 3.8). The bank balances and cash as at 31 March 2022 was approximately HK\$184,425,000 (2021: approximately HK\$308,222,000), representing a decrease of approximately 40.2% or approximately HK\$123,797,000 compared to the Previous Year.

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

	<b>As at 31 March</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
Carrying amount repayable as follows (based on the scheduled repayment dates set out in the loan agreements):		
— within a period not exceeding one year	<b>1,206,455</b>	468,010
— within a period of more than one year but not exceeding two years	<b>888,846</b>	45,896
— within a period of more than two years but not exceeding five years	<b>1,237,338</b>	756,611
— within a period of more than five years	<b>230,065</b>	201,950
	<b>3,562,704</b>	1,472,467
Less: Amount due within one year shown under current liabilities	<b>(1,206,455)</b>	(468,010)
Amount due after one year shown under non-current liabilities	<b><u>2,356,249</u></b>	<b><u>1,004,457</u></b>

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% (2021: HIBOR plus 1.0% to HIBOR plus 1.825%) per annum, with effective interest ranging from 1.24% to 2.11% (2021: 1.13% to 4.05%) per annum.

## **CHARGES OF ASSETS**

As at 31 March 2022, bank loans of the Group in the aggregate amount of approximately HK\$3,562,704,000 (2021: approximately HK\$1,472,467,000) which were secured by leasehold properties, investment properties, properties held for development for sale, properties held for sale, life insurance policies, listed equity securities in Hong Kong, perpetual bonds and debt instruments at fair value through other comprehensive income of the Group having a net book value of approximately HK\$7,464,811,000 (2021: approximately HK\$3,142,046,000). 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\$37,200,000 (2021: 19,800,000 Eminence shares with fair value of HK\$9,702,000) 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**

Most of the Group's revenues, payments and bank borrowings are denominated in Hong Kong dollars United States dollars, Singapore dollars and Renminbi. During the Year, the Group did not have significant exposure to fluctuations in exchange rates and thus, no financial instrument for hedging purposes was employed. The Directors considered the risk of exposure to the currency fluctuation to be minimal.

## **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at 31 March 2022 (2021: nil).

## **CAPITAL EXPENDITURE**

For the Year, the Group invested approximately HK\$1,924,000 (2021: approximately HK\$196,000) on the acquisition of property, plant and equipment, and approximately HK\$41,433,000 on additions of investment properties (2021: nil).

## **CAPITAL COMMITMENTS**

As at 31 March 2022, the Group had capital commitments in respect of capital expenditure contracted for but not provided of approximately HK\$20,339,000 (2021: nil).

## **EVENTS AFTER REPORTING PERIOD**

### **(1) Discloseable Transaction — Purchase of equity-linked notes linked to shares in BOC HK**

On 13 April 2022, a wholly-owned subsidiary of the Company acquired the equity-linked notes which was linked to shares in BOC Hong Kong (Holdings) Limited (“**BOC HK**”) (stock code: 2388) in the principal amounts of HK\$10,000,000. On 19 April 2022, a wholly-owned subsidiary of Eminence acquired the equity-linked notes of BOC HK in the principal amounts of HK\$20,000,000, which on a standalone basis or aggregated with the previous acquisition in the past 12 months constitutes a discloseable transaction for the Company and on a standalone basis constitutes a discloseable transaction for Eminence under the Listing Rules. Details of the acquisition were set out in the announcement jointly published by the Company and Eminence dated 20 April 2022.

### **(2) Change in percentage level of shareholding in Eminence**

On 20 April 2022, Eminence completed a total of 186,280,000 placing 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**”). 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, the shareholding percentage of the Group in Eminence was decreased from 74.76% to 62.30%. Eminence remains as a subsidiary of the Company.

### **(3) Adjustment of conversion price to Eminence convertible notes**

Following the completion of Eminence Placing on 20 April 2022, 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.



#### **(4) Discloseable Transaction — Purchase of equity-linked notes linked to shares in HSB**

On 29 March 2022, a wholly-owned subsidiary of the Company acquired the equity-linked notes which was linked to shares in Hang Seng Bank Limited (“**HSB**”) (stock code: 11) in the principal amounts of HK\$10,000,000. On 25 April 2022, a wholly-owned subsidiary of the Company acquired the equity-linked notes of HSB in the principal amounts of HK\$6,000,000, which when aggregated with the previous acquisition in the past 12 month constitutes a discloseable transaction for the Company under the Listing Rules. Details of the acquisition were set out in the announcement published by the Company dated 26 April 2022.

#### **(5) Extension of financial assistance to Supreme Sino**

On 11 May 2022, Planetic and Supreme Sino entered into a supplemental loan agreement to extend the repayment date of the SS Loan II to 29 December 2022 at an interest rate of 9% per annum. The extension of the SS Loan II constitutes a discloseable transaction for the Company under the Listing Rules, details of which were set out in the section “Provision of financial assistance to Supreme Sino” under the headed “Loan Financing” in this announcement and the announcement of the Company dated 11 May 2022 respectively.

### **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) our results of operations maybe adversely affected by labour shortages and/or the increase in the costs of labour; (v) 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; (vi) all construction works were outsourced to independent third parties and they may fail to provide satisfactory services adhering to our quality and safety standards or within the timeline required by the Group; (vii) fluctuations of fair value gain or loss incurred on financial assets and investment properties; (viii) credit risk and recoverability of provision of loans which may incur bad debts during the downturn of economy; and (ix) 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 Company keeps develop and review strategies, policies and guidelines on risk control; which enable the Group to monitor and response to risk effectively and promptly. The Company also actively proposes solutions to lower the impact of the possible risks on the businesses of the Group.

## **PROSPECTS**

Some jitters and uncertainty in 2021, despite another fraught year and lingering virus concern, the prospect continued uncertainties around the evolution of the virus, the pace of vaccine deployment and enduring geo-political risks. The global outlook has worsened amid rampant inflation in some major economies and monetary policy tightening by respective central banks in response, tensions in Ukraine, and the lingering threat of the pandemic. Nevertheless, domestic economic conditions are expected to improve following the dropped rate of daily coronavirus cases from the fifth wave of the pandemic in the second quarter of 2022, progressive relaxation of social distancing measures, improvement of labour market with the new round of Consumption Voucher Scheme which rendered support to business and the gradual re-opening of economies. It can be expected to see more growth as market sentiments and confidence improve to drive more foreign investments in the construction and property sector.

Local banks did not follow The US Federal Reserve to raise interest rates (adjustment taken place in March and June 2022) for now due to the abundance of liquidity in the banking sector which does not put pressure on the banks to follow the US rate increase in the short term, and the inflation pressure in Hong Kong should remain moderate in overall terms. It is estimated that the local economy will likely only show signs of recovery during the second half of 2022 and looking ahead, the outlook of Hong Kong remains optimistic in the long term, the Group is confident in its business development. The Group will continue to (i) strength its risk management measures in order to maintain financial stability of the Group; (ii) to monitor the market changes closely and (iii) focusing 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 business.

## **EMPLOYEES**

As at 31 March 2022, the Group had 89 employees (2021: 27). Staff costs (including Directors' emoluments) amounted to approximately HK\$57,970,000 for the Year (2021: approximately HK\$29,317,000). 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. Share option scheme is in place to provide appropriate incentive to motivate employees of the Group.

## **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

During the Year, the Company repurchased a total of 8,212,000 shares (2021: 9,120,000 shares) of its own ordinary shares on the Stock Exchange for an aggregate consideration of approximately HK\$33,053,500 (2021: HK\$37,582,000). The repurchased shares were cancelled during the Year. Details of the shares repurchased are as follows:

Month of repurchase	Number of ordinary shares repurchased	Consideration per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
August 2021	1,371,000	4.00	3.90	5,394,710
September 2021	3,007,000	3.98	3.95	11,932,650
October 2021	2,616,000	3.87	3.87	10,123,920
November 2021	125,000	4.70	4.70	587,500
December 2021	872,000	4.80	4.60	4,120,720
February 2022	20,000	4.00	4.00	80,000
March 2022	201,000	4.05	4.00	814,000
	8,212,000			33,053,500

The repurchases of the Company's shares by the Directors during the Year were made pursuant to the mandate granted by the Shareholders at the annual general meeting of the Company held on 20 August 2021, with a view to benefiting the Shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company. As at 31 March 2022 and up to the date of this announcement, the total number of shares of the Company in issue was 73,988,403 shares.

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

## **AUDIT COMMITTEE**

The Audit Committee of the Company has met the external auditor of the Company, Messrs. Deloitte Touche Tohmatsu, and reviewed the audited consolidated financial statements of the Group for the Year.

## **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 as set out in this announcement have been agreed by the Group's independent auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance 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 "2022 AGM") will be held on Friday, 26 August 2022. A circular containing the notice of the 2022 AGM will be published and despatched to the Shareholders in July 2022.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the eligibility of the Shareholders to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Tuesday, 23 August 2022 to Friday, 26 August 2022, 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 2022 AGM. In order to qualify to attend and vote at the 2022 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (if the transfer will be lodged before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong (if the transfer will be lodged on or after 15 August 2022) no later than 4:30 p.m. on Monday, 22 August 2022, for registration.

## **ACKNOWLEDGEMENT**

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, 29 June 2022

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