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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 2021

FINANCIAL HIGHLIGHTS

| | For the year ended 31 March | | Change |
|---|-----------------------------|------------------|---------|
| | 2021 HK\$'000 | 2020 HK\$'000 | |
| Revenue | 323,382 | 63,633 | 408.2% |
| Gross profit | 100,000 | 61,206 | 63.4% |
| Gross profit margin | 30.9% | 96.2% | (65.3)% |
| Profit (loss) for the year attributable to owners of the Company | 22,308 | (297,755) | N/A |
| Basic and diluted earnings (loss) per share (HK\$) | 0.25 | (3.26) | N/A |
| | As at 31 March | | |
| | 2021 HK\$'000 | 2020 HK\$'000 | Change |
| Net asset value | 3,230,445 | 3,235,821 | (0.2)% |
| Net asset value per share (HK\$) | 39.3 | 35.4 | 11.0% |

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 2021, together with comparative figures for the previous financial year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

| | <i>Note</i> | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| Revenue | | | |
| Sales of properties | | 275,319 | — |
| Rental income | | 32,815 | 38,957 |
| Interest income from loan financing | | 13,726 | 23,487 |
| Building management | | 1,522 | 1,189 |
| | | <hr/> | <hr/> |
| Total revenue | <i>3</i> | 323,382 | 63,633 |
| Cost of properties sold and services rendered | | (223,382) | (2,427) |
| | | <hr/> | <hr/> |
| Gross profit | | 100,000 | 61,206 |
| Other income, gains and losses | | 8,003 | 11,009 |
| Distribution and selling expenses | | (29,205) | (13,009) |
| Administrative expenses | | (49,075) | (57,305) |
| Loss on changes in fair value of investment properties | | (85,640) | (196,888) |
| Reversal of write-down (write-down) on properties held for sale | | 300 | (578) |
| Write-down on properties held for development for sale | | (19,572) | (28,573) |
| Gain (loss) on changes in fair value of financial assets at fair value through profit or loss (“FVTPL”) | | 80,462 | (28,824) |
| Gain on changes in fair value of financial assets at FVTPL upon modification | | 73,520 | — |
| Release on disposal of debt instruments at fair value through other comprehensive income (“FVTOCI”) | | 970 | 1,051 |

| | <i>Notes</i> | 2021 HK\$'000 | 2020 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| (Impairment loss) reversal of impairment loss on financial assets: | | | |
| – Loans receivable, net | | (47,791) | (29,256) |
| – Debt instruments at FVTOCI | | (306) | (126) |
| – Other debt instruments at amortised cost | | 1,650 | (4,353) |
| – Other receivables | | — | (1,819) |
| Share of results of an associate | | (53,799) | (55,676) |
| Loss on deemed partial disposal of equity interests in an associate | | — | (130,957) |
| Gain on bargain purchase of additional interests in an associate | | 58,471 | 200,462 |
| Share of results of a joint venture | | (5) | (1,678) |
| Finance costs | <i>5</i> | (19,022) | (23,622) |
| Profit (loss) before taxation | <i>6</i> | 18,961 | (298,936) |
| Taxation | <i>7</i> | 2,968 | 877 |
| Profit (loss) for the year | | 21,929 | (298,059) |
| Other comprehensive income (expense) | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Share of other comprehensive income (expense) of an associate: | | | |
| Share of translation reserve of an associate | | 10,078 | (7,965) |
| Share of FVTOCI reserve of an associate | | 116 | (985) |
| Reclassification of translation reserve to profit or loss upon deemed partial disposal of interest in an associate without loss of significant influence | | — | 1,350 |
| Reclassification of FVTOCI reserve to profit or loss upon deemed partial disposal of interest in an associate without loss of significant influence | | — | (36) |
| | | 10,194 | (7,636) |

| | <i>Note</i> | 2021 HK\$'000 | 2020 <i>HK\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| Release on disposal of debt instruments at FVTOCI | | (970) | (1,051) |
| Change in fair value of debt instruments at FVTOCI | | 747 | (343) |
| Impairment loss on debt instruments at FVTOCI included in profit or loss, net | | 306 | 126 |
| Other comprehensive income (expense) for the year | | 10,277 | (8,904) |
| Total comprehensive income (expense) for the year | | 32,206 | (306,963) |
| Profit (loss) for the year attributable to: | | | |
| Owners of the Company | | 22,308 | (297,755) |
| Non-controlling interest | | (379) | (304) |
| | | 21,929 | (298,059) |
| Total comprehensive income (expense) for the year attributable to: | | | |
| Owners of the Company | | 32,585 | (306,659) |
| Non-controlling interest | | (379) | (304) |
| | | 32,206 | (306,963) |
| Basic and diluted earnings (loss) per share | 9 | HK\$0.25 | HK\$(3.26) |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

| | <i>Notes</i> | 2021 HK\$'000 | 2020 HK\$'000 |
|--|--------------|--------------------------------|-------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 107,138 | 79,146 |
| Right-of-use assets | | 493 | 1,231 |
| Investment properties | | 1,179,400 | 1,265,040 |
| Interest in an associate | | 808,718 | 788,883 |
| Interest in a joint venture | | 57 | 62 |
| Financial assets at FVTPL | | 211,446 | 100,162 |
| Debt instruments at FVTOCI | | 4,030 | 25,700 |
| Other debt instruments at amortised cost | | 15,209 | 15,215 |
| Loans receivable | <i>10</i> | 17,280 | 13,278 |
| Intangible asset | | 500 | 500 |
| Deferred tax assets | | 8,724 | 2,632 |
| Deposits | | 10,205 | 205 |
| | | 2,363,200 | 2,292,054 |
| Current assets | | | |
| Properties held for development for sale | | 950,375 | 1,984,981 |
| Properties held for sale | | 960,930 | 118,603 |
| Financial assets at FVTPL | | 148,876 | 72,696 |
| Debt instruments at FVTOCI | | 7,740 | 3,843 |
| Trade and other receivables | <i>11</i> | 38,218 | 9,199 |
| Tax recoverable | | 309 | 530 |
| Loans receivable | <i>10</i> | 125,736 | 223,473 |
| Bank balances and cash | | 308,222 | 117,920 |
| | | 2,540,406 | 2,531,245 |
| Asset classified as held for sale | | — | 34,830 |
| | | 2,540,406 | 2,566,075 |

| | <i>Note</i> | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| Current liabilities | | | |
| Trade and other payables | <i>12</i> | 41,047 | 52,162 |
| Contract liabilities | | 6,276 | — |
| Amount due to a non-controlling shareholder | | 101,288 | 90,348 |
| Tax payable | | 51,573 | 50,351 |
| Lease liabilities | | 510 | 851 |
| Secured bank borrowings | | 468,010 | 823,275 |
| | | 668,704 | 1,016,987 |
| Net current assets | | 1,871,702 | 1,549,088 |
| Total assets less current liabilities | | 4,234,902 | 3,841,142 |
| Non-current liabilities | | | |
| Secured bank borrowings | | 1,004,457 | 604,911 |
| Lease liabilities | | — | 410 |
| | | 1,004,457 | 605,321 |
| | | 3,230,445 | 3,235,821 |
| Capital and reserves | | | |
| Share capital | | 8,220 | 9,132 |
| Reserves | | 3,223,053 | 3,227,138 |
| Equity attributable to owners of the Company | | 3,231,273 | 3,236,270 |
| Non-controlling interest | | (828) | (449) |
| | | 3,230,445 | 3,235,821 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

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 2020 for the preparation of the consolidated financial statements:

| | |
|---|--------------------------------|
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |

The application of the “Amendments to References to the Conceptual Framework in HKFRS Standards” and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

3. REVENUE

Revenue represents the aggregate of the amounts received or receivable in respect of rental income and building management from property leasing, 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 and the revenue from contracts with customers for the year ended 31 March 2021 amounted to HK\$276,841,000 (2020: HK\$1,189,000).

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 (iv) loan financing.

(a) 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 2021

| | Property investment | Property development | Investment in securities | Loan financing | Consolidated |
|--|--------------------------------|---------------------------------|-------------------------------------|---------------------------|---------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>(note)</i> | <i>(note)</i> | | | |
| SEGMENT REVENUE | | | | | |
| External sales | <u>34,337</u> | <u>275,319</u> | <u>—</u> | <u>13,726</u> | <u>323,382</u> |
| RESULTS | | | | | |
| 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) |
| Share of results of an associate | | | | | (53,799) |
| Gain on bargain purchase of additional interest in an associate | | | | | 58,471 |
| Share of results of a joint venture | | | | | (5) |
| Finance costs | | | | | <u>(19,022)</u> |
| Profit before taxation | | | | | <u>18,961</u> |

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

For the year ended 31 March 2020

| | Property investment <i>HK\$'000</i> <i>(note)</i> | Property development <i>HK\$'000</i> <i>(note)</i> | Investment in securities <i>HK\$'000</i> | Loan financing <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|--|--|---|--|--------------------------------------|---------------------------------|
| SEGMENT REVENUE | | | | | |
| External sales | <u>40,146</u> | <u>—</u> | <u>—</u> | <u>23,487</u> | <u>63,633</u> |
| RESULTS | | | | | |
| Segment results | <u>(178,691)</u> | <u>(57,687)</u> | <u>(24,385)</u> | <u>(22,279)</u> | (283,042) |
| Unallocated corporate income | | | | | 272 |
| Unallocated corporate expenses | | | | | (4,695) |
| Share of results of an associate | | | | | (55,676) |
| Loss on deemed disposal of equity interests in an associate | | | | | (130,957) |
| Gain on bargain purchase of additional interest in an associate | | | | | 200,462 |
| Share of results of a joint venture | | | | | (1,678) |
| Finance costs | | | | | <u>(23,622)</u> |
| Loss before taxation | | | | | <u>(298,936)</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, loss on deemed disposal of equity interest in an associate, gain on bargains purchase of additional interest in an associate, finance costs and unallocated corporate income and expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

(b) Segment assets and liabilities

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

At 31 March 2021

| | Property investment <i>HK\$'000</i> | Property development <i>HK\$'000</i> | Investment in securities <i>HK\$'000</i> | Loan financing <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|-----------------------------------|---|--|--|--------------------------------------|---------------------------------|
| ASSETS | | | | | |
| Segment assets | <u>1,229,311</u> | <u>1,921,541</u> | <u>338,192</u> | <u>169,224</u> | 3,658,268 |
| Interest in an associate | | | | | 808,718 |
| Interest in a joint venture | | | | | 57 |
| Tax recoverable | | | | | 309 |
| Bank balances and cash | | | | | 308,222 |
| Unallocated corporate assets | | | | | <u>128,032</u> |
| Consolidated assets | | | | | <u>4,903,606</u> |
| LIABILITIES | | | | | |
| Segment liabilities | <u>134,925</u> | <u>9,048</u> | <u>882</u> | <u>2,590</u> | 147,445 |
| Secured bank borrowings | | | | | 1,472,467 |
| Tax payable | | | | | 51,573 |
| Unallocated corporate liabilities | | | | | <u>1,676</u> |
| Consolidated liabilities | | | | | <u>1,673,161</u> |

At 31 March 2020

| | Property investment <i>HK\$'000</i> | Property development <i>HK\$'000</i> | Investment in securities <i>HK\$'000</i> | Loan financing <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|-----------------------------------|---|--|--|--------------------------------------|---------------------------------|
| ASSETS | | | | | |
| Segment assets | <u>1,286,098</u> | <u>2,108,506</u> | <u>166,770</u> | <u>289,930</u> | 3,851,304 |
| Interest in an associate | | | | | 788,883 |
| Interest in a joint venture | | | | | 62 |
| Tax recoverable | | | | | 530 |
| Bank balances and cash | | | | | 117,920 |
| Unallocated corporate assets | | | | | <u>99,430</u> |
| Consolidated assets | | | | | <u>4,858,129</u> |
| LIABILITIES | | | | | |
| Segment liabilities | <u>10,472</u> | <u>112,198</u> | <u>1,884</u> | <u>18,026</u> | 142,580 |
| Secured bank borrowings | | | | | 1,428,186 |
| Tax payable | | | | | 50,351 |
| Unallocated corporate liabilities | | | | | <u>1,191</u> |
| Consolidated liabilities | | | | | <u>1,622,308</u> |

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

- all assets are allocated to operating and reportable segments other than interest in an associate, interest in a joint venture, tax recoverable, bank balances and cash and other assets.
- all liabilities are allocated to operating and reportable segments other than secured bank borrowings, tax payable and other liabilities.

(c) Other segment information

For the year ended 31 March 2021

| | Property investment <i>HK\$'000</i> | Property development <i>HK\$'000</i> | Investment in securities <i>HK\$'000</i> | Loan financing <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|--|---|--|--|--------------------------------------|--------------------------------|---------------------------------|
| Amounts included in the measure of segment assets or segment results: | | | | | | |
| Capital additions | — | — | — | — | 196 | 196 |
| Depreciation of property, plant and equipment | 1,601 | 3,012 | 28 | — | 23 | 4,664 |
| Depreciation of right-of-use assets | — | 229 | 518 | 56 | — | 803 |
| Loss on changes in fair value of investment properties | 85,640 | — | — | — | — | 85,640 |
| Gain on changes in fair value of financial assets at FVTPL | — | — | (80,462) | — | — | (80,462) |
| Gain on change in fair value of financial assets at FVTPL upon modification | — | — | (73,520) | — | — | (73,520) |
| Impairment loss on loans receivable, net | — | — | — | 47,791 | — | 47,791 |
| Impairment loss on debt instruments at FVTOCI | — | — | 306 | — | — | 306 |
| Reversal of impairment loss on other debt instruments at amortised cost | — | — | (1,650) | — | — | (1,650) |
| Reversal of write-down on properties held for sale | — | (300) | — | — | — | (300) |
| Write-down on properties held for development for sale | — | 19,572 | — | — | — | 19,572 |

For the year ended 31 March 2020

| | Property investment <i>HK\$'000</i> | Property development <i>HK\$'000</i> | Investment in securities <i>HK\$'000</i> | Loan financing <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|--|---|--|--|--------------------------------------|--------------------------------|---------------------------------|
| Amounts included in the measure of segment assets or segment results: | | | | | | |
| Capital additions | 3,128 | — | — | — | 32 | 3,160 |
| Depreciation of property, plant and equipment | 1,602 | 1,350 | 28 | — | 1,676 | 4,656 |
| Depreciation of right-of-use assets | — | 350 | 518 | 342 | 56 | 1,266 |
| Loss on changes in fair value of investment properties | 196,888 | — | — | — | — | 196,888 |
| Loss on changes in fair value of financial assets at FVTPL | — | — | 28,824 | — | — | 28,824 |
| Impairment loss on loans receivable, net | — | — | — | 29,256 | — | 29,256 |
| Impairment loss on debt instruments at FVTOCI | — | — | 126 | — | — | 126 |
| Impairment loss on other debt instruments at amortised cost | — | — | 4,353 | — | — | 4,353 |
| Impairment loss on other receivables | — | — | — | 1,819 | — | 1,819 |
| Write-down on properties held for sale | — | 578 | — | — | — | 578 |
| Write-down on properties held for development for sale | — | 28,573 | — | — | — | 28,573 |

(d) Geographical information

The Group's operations, revenue from external customers and non-current assets are located in Hong Kong (place of domicile).

5. FINANCE COSTS

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|---------------------------------------|-------------------------|
| Interest on bank borrowings | 32,370 | 47,394 |
| Interest on lease liabilities | 45 | 105 |
| | 32,415 | 47,499 |
| Less: Amount capitalised in the cost of qualifying assets | (13,393) | (23,877) |
| | 19,022 | 23,622 |

6. PROFIT (LOSS) BEFORE TAXATION

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---|--------------------------------|------------------|
| Profit (loss) before taxation has been arrived at after charging: | | |
| Directors' emoluments | 7,320 | 7,142 |
| Other staff costs, including retirement benefits scheme contributions | 21,997 | 23,458 |
| Total staff costs | 29,317 | 30,600 |
| Cost of properties recognised as expense | 221,087 | — |
| Depreciation of property, plant and equipment | 4,664 | 4,656 |
| Depreciation of right-of-use assets | 803 | 1,266 |
| and after crediting: | | |
| Dividend income from listed investments | 1,928 | 2,282 |
| Government grants (<i>note</i>) | 1,897 | — |
| Interest income from | | |
| Other debt instruments at amortised cost | 1,140 | 5,391 |
| Debt instruments at FVTOCI | 670 | 1,979 |
| Bank and others | 191 | 1,825 |

Note: During the current year, the Group recognised government grants of HK\$1,897,000 (2020: nil) in respect of Covid-19-related subsidies, which are related to Employment Support Scheme provided by the Hong Kong Government.

7. TAXATION

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--------------------------------|-------------------------|-------------------------|
| The charge (credit) comprises: | | |
| Hong Kong Profits Tax | | |
| Charge for the year | 2,436 | 1,719 |
| Underprovision for prior years | <u>688</u> | <u>36</u> |
| | 3,124 | 1,755 |
| Deferred tax | <u>(6,092)</u> | <u>(2,632)</u> |
| | <u><u>(2,968)</u></u> | <u><u>(877)</u></u> |

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

8. DIVIDEND

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Dividend recognised as distribution during the year | | |
| Final dividend paid of nil per share for financial year ended 31 March 2020 (2020: HK\$0.05 per share for 2019) | <u>—</u> | <u>4,566</u> |

The directors of the Company do not recommend any final dividend for the years ended 31 March 2021 and 2020.

9. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

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

| | 2021 | 2020 |
|--|--------------------------|-------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Earnings (loss) for the purpose of calculating basic and diluted earnings (loss) per share profit (loss) for the year attributable to owners of the Company) | <u>22,308</u> | <u>(297,755)</u> |
| | 2021 | 2020 |
| Weighted average number of shares for the purpose of calculating basic and diluted earnings (loss) per share | <u>90,834,655</u> | <u>91,320,403</u> |

The computation of diluted earnings per share did not assume the conversion of the associate's outstanding convertible notes and share options since their exercise would result in increase in earnings per share for 2021.

The computation of diluted loss per share does not assume the conversion of the associate's outstanding convertible notes since their exercise would result in decrease in loss per share for 2020.

10. LOANS RECEIVABLE

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--------------------------------|-------------------------|-------------------------|
| Fixed-rate loans receivable | 217,258 | 260,358 |
| Variable-rate loans receivable | <u>6,535</u> | <u>9,379</u> |
| | 223,793 | 269,737 |
| Less: Impairment allowance | <u>(80,777)</u> | <u>(32,986)</u> |
| | <u>143,016</u> | <u>236,751</u> |
| Analysed as: | | |
| Current portion | 125,736 | 223,473 |
| Non-current portion | <u>17,280</u> | <u>13,278</u> |
| | <u>143,016</u> | <u>236,751</u> |
| Secured | 56,770 | 101,835 |
| Unsecured | <u>86,246</u> | <u>134,916</u> |
| | <u>143,016</u> | <u>236,751</u> |

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

At 31 March 2021, the range of interest rate on the Group's fixed-rate loans receivable is 2.3% to 12% (2020: 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 (2020: 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.

Impairment assessment

The management closely monitors the credit quality of loans receivable with gross carrying amount of HK\$223,793,000 at 31 March 2021 (2020: HK\$269,737,000). During the year ended 31 March 2021, a net impairment loss of HK\$47,791,000 (2020: HK\$29,256,000) was recognised in profit or loss. At 31 March 2021, the accumulated impairment allowance for loans receivable amounted to HK\$80,777,000 (2020: HK\$32,986,000).

11. TRADE AND OTHER RECEIVABLES

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Trade receivables: | | |
| 0–60 days | 2,690 | 2,586 |
| 61–90 days | 138 | 213 |
| | <u>2,828</u> | <u>2,799</u> |
| Prepayments | 5,000 | 3,556 |
| Interest receivable | 1,058 | 958 |
| Dividend receivable | — | 2 |
| Escrow deposit for properties held for sale | 4,622 | — |
| Accounts receivable from margin financing (<i>note</i>) | 22,450 | — |
| Other receivables and deposits | 2,260 | 1,884 |
| | <u><u>38,218</u></u> | <u><u>9,199</u></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. The aged analysis of trade receivables is determined based on invoice date which approximates revenue recognition date.

The management closely monitors the credit quality of trade and other receivables and considers trade and other receivables that are neither past due nor impaired to be of good credit quality.

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

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Trade payables | 4,290 | 5,508 |
| Retention payable (<i>note</i>) | 7,476 | 11,460 |
| Rental deposits received and rental received in advance | 8,936 | 9,944 |
| Deposit received for disposal of Junior Note | — | 15,480 |
| Interest payable | 2,563 | 419 |
| Accruals and other payables | 17,782 | 9,351 |
| | <u>41,047</u> | <u>52,162</u> |

Note: As at 31 March 2021, retention payable of HK\$7,476,000 (2020: HK\$11,460,000) is expected to be settled within twelve months after the end of the reporting period.

The aged analysis of trade payables determined based on invoice date at the end of the reporting period is as follows:

| | 2021 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> |
|--------------|-------------------------|-------------------------|
| 0–60 days | 2,350 | 5,508 |
| Over 90 days | 1,940 | — |
| | <u>4,290</u> | <u>5,508</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the year ended 31 March 2021, the Group's revenue amounted to approximately HK\$323,382,000 (2020: approximately HK\$63,633,000), representing an increase of approximately HK\$259,749,000 or approximately 408.2% as compared to last year.

The profit for the year attributable to the Company's owners was approximately HK\$22,308,000 (2020: loss of approximately HK\$297,755,000). The gross profit margin for the year was approximately 30.9%, compared to last year of approximately 96.2%, there was a decrease of approximately 65.3%.

The basic and diluted earnings per share amounted to HK\$0.25 for the year ended 31 March 2021, as compared with loss per share of HK\$3.26 for last year.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2021 (2020: nil).

BUSINESS REVIEW

During the year, 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. 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\$275,319,000 (2020: nil). The review of existing major projects of the Group is set out below:

Project Waterloo Road

The Group, through its wholly-owned subsidiary, owns the site 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 48,954 square feet. The construction of the superstructure works is undergoing and this project is expected to be completed and to be launched in late 2022.

Project Chatham Road North

The Company, through its wholly-owned subsidiary, held in excess of 80% in Nos. 470, 472, 474, 476 and 478 Chatham Road North, Kowloon, Hong Kong (“**Chatham Road North Building**”) as at 31 March 2021. 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**”) (Cap. 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 will be 100% owned by the Group and will be redeveloped into a composite building with residential and commercial use. The estimated attributable gross floor area after redevelopment is expected to be approximately 41,139 square feet. The demolition work is expected to commence in November 2021.

Details of the project of 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, 28 units released were sold and the aggregate contracted sales amounted to approximately HK\$416,346,000. During the year ended 31 March 2021, 23 units among the transactions have been completed and a revenue of approximately HK\$275,319,000 has been recorded for sale of properties.

PROPERTY INVESTMENT

As at 31 March 2021, the Group's portfolio of investment properties comprised of residential, commercial and industrial units located in Hong Kong.

During the year, the gross rental income of the Group was approximately HK\$32,815,000 (2020: approximately HK\$38,957,000), representing an approximately 15.8% decrease over the last year. The decrease in rental income was primarily attributable to the on-going of COVID-19 pandemic impact.

As at 31 March 2021, the occupancy rate of commercial units and industrial units of the Group's investment properties were 99.1% and 77.2% respectively. A loss on changes in fair value of investment properties of approximately HK\$85,640,000 (2020: approximately HK\$196,888,000) was recognised during the year. The segment reported a loss approximately HK\$71,954,000 for the year (2020: approximately HK\$178,691,000), representing a decrease in loss of approximately HK\$106,737,000 compared to last year.

SECURITIES INVESTMENT

The Group invested in a diversified portfolio of equity securities comprising blue-chip stocks and top-tier investments products to enhance its yields and seek gains. The Group takes into account the following criteria for investment decision: (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 2021, the Group's financial assets at fair value through profit or loss amounted to approximately HK\$360,322,000 (2020: approximately HK\$172,858,000). The stock markets were volatile during the year and the Group recorded a gain in the securities investment segment of approximately HK\$153,865,000 for the year (2020: loss of approximately HK\$24,385,000).

Details of the major listed equity securities as at 31 March 2021 were as follows:

| Company name (stock code) | Number of shares held | Approximate percentage held to the total issued share capital in the investment company | Investment cost/cost of acquisition <i>HK\$'000</i> | Dividend income for the year ended 31 March 2021 <i>HK\$'000</i> | Fair value gain for the year ended 31 March 2021 <i>HK\$'000</i> | Fair value at 31 March 2021 <i>HK\$'000</i> | Approximate percentage of total assets of the Group at 31 March 2021 |
|---|-----------------------|---|--|---|---|--|--|
| Best Food Holding Company Limited (“Best Food”) (1488) | 20,294,000 | 1.29% | 23,765 | — | 99 | 14,206 | 0.29% |
| Agricultural Bank of China Limited (1288) | 4,164,916 | 0.01% | 11,801 | 742 | — | 12,911 | 0.26% |
| Industrial and Commercial Bank of China Limited (“ICBC”) (1398) | 7,778,900 | 0.01% | 40,165 | 517 | 6,623 | 43,373 | 0.87% |
| China Construction Bank Corporation (“CCB”) (939) | 2,053,370 | 0.00% | 10,894 | — | 2,514 | 13,409 | 0.27% |
| China Sce Group Holdings Limited (1966) | 1,929,000 | 0.05% | 3,286 | 479 | 289 | 6,925 | 0.14% |
| Esprit Holdings Limited (330) | 1,600,000 | 0.08% | 17,695 | — | 192 | 1,232 | 0.02% |
| Others | — | — | 38,300 | 188 | 14,104 | 50,589 | 1.02% |
| Grand Total: | | | <u>145,906</u> | <u>1,926</u> | <u>23,821</u> | <u>142,645</u> | <u>2.87%</u> |

Purchases of CCB ELNs and disposals of CCB Shares

On 21 May 2020, the Company, through its wholly-owned subsidiary, purchased the equity-linked notes (“ELNs”) which was linked to shares in CCB (stock code: 939) in the principal amounts of HK\$50,000,000. The coupon rate for these ELNs was 15% per annum and through such purchase, the Group received a total interest income of approximately HK\$1,375,000 during the year under review. Details of the purchase were set out in the announcement of the Company dated 22 May 2020.

On 16 July 2020 and 28 July 2020, the Company, through its wholly-owned subsidiary, further purchased the CCB ELNs in principal amount of HK\$15,000,000 and HK\$15,000,000 respectively. The CCB ELNs matured on 9 October 2020 and 19 October 2020 respectively and the final share prices of CCB were below the strike price, where the Group was obliged to take delivery the underlying CCB shares according to the terms of the CCB ELNs.

During the year, the Group disposed of total 3,100,000 CCB shares on-market in a series of transactions conducted during the period from 24 February 2021 to 2 March 2021 for an aggregate gross sale proceeds of approximately HK\$19,635,000 (excluding transaction costs) and recognised a total gain of approximately HK\$3,915,000 from the disposal. Details of the purchases and disposals were set out in the announcements of the Company dated 17 July 2020 and 4 March 2021.

Purchase and Disposal of ICBC ELNs and disposal of ICBC Shares

On 24 June 2020, the Company, through its wholly-owned subsidiary, purchased the ELNs of ICBC (stock code: 1398) in the principal amounts of HK\$30,000,000. The ICBC ELNs matured on 15 September 2020 and the final share price of ICBC was below the strike price, where the Group was obliged to take delivery the underlying ICBC shares according to the terms of the ICBC ELNs.

During the year, the Group disposed of total of 3,100,000 ICBC shares on-market in a series of transactions conducted during the period from 24 February 2021 to 2 March 2021 for an aggregate gross sale proceeds of approximately HK\$16,231,000 (excluding transaction costs) and recognised a total gain of approximately HK\$2,529,000 from the disposal. Details of the purchase and disposal were set out in the announcements of the Company dated 24 June 2020 and 4 March 2021.

Purchase of Ping An ELNs and disposal of Ping An Shares

On 15 July 2020, the Company, through its wholly-owned subsidiary, purchased the ELNs of Ping An Insurance (Group) Company of China, Ltd. (“**Ping An**”) (stock code: 2318) in the principal amounts of HK\$15,000,000. The Ping An ELNs matured on 8 October 2020 and the final share price of Ping An was below the strike price, and the Group was obliged to take delivery the underlying Ping An shares according to the terms of the Ping An ELNs.

During the year, the Group disposed of total of 183,960 Ping An shares on-market in a series of transactions conducted during the period from 7 January 2021 to 8 January 2021 for an aggregate gross sale proceeds of approximately HK\$17,526,000 (excluding transaction costs). Details of the purchase and disposal were set out in the announcements of the Company dated 15 July 2020 and 12 January 2021.

Purchase of BOC ELNs and disposal of BOC Shares

On 30 July 2020, the Company, through its wholly-owned subsidiary, purchased ELNs of Bank of China Limited (“**BOC**”) (stock code: 3988) in the principal amounts of HK\$20,000,000. The BOC ELNs matured on 20 October 2020 and the final share price of BOC was below the strike price, and the Group was obliged to take delivery of the underlying BOC shares according to the terms of the BOC ELNs.

During the year, the Group disposed of total of 76,464,000 BOC shares on-market on 18 November 2020 for an aggregate gross sale proceeds of approximately HK\$20,951,000 (excluding transaction costs). After the disposal, the Group no longer owns any BOC shares. Details of the purchase were set out in the announcement of the Company dated 31 July 2020.

Purchase and Disposal of Alibaba Shares

During the period from 8 July 2020 to 15 July 2020, the Company, through its wholly-owned subsidiary, purchased an aggregate of 220,000 shares of Alibaba Group Holding Limited (“**Alibaba**”) (stock code: 9988) on-market for an aggregate purchase price of approximately HK\$53,752,000 (exclusive of transaction costs). Details of the purchase were set out in the announcement of the Company dated 15 July 2020. The Group disposed of such Alibaba shares during the year and recorded a realised gain of approximately HK\$2,246,000. As at 31 March 2021, the Group did not hold any Alibaba shares.

Investment in Eminence Shares

As at 1 April 2020, 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 255,887,665 shares of Eminence Enterprise Limited (“**Eminence**”) (stock code: 616), representing approximately 27.47% of the then total issued share capital of Eminence.

(a) Acquisition of Eminence shares in September 2020

On 4 September 2020, the Group had acquired additional equity interest in Eminence through on-market purchase of a total 19,800,000 shares at an aggregate consideration of approximately HK\$4,950,000 (exclusive of transaction costs), equivalent to an average price of approximately HK\$0.25 per Eminence Share. Upon completion of the acquisition, the Group’s interest in Eminence increased to 275,687,665 Eminence shares, representing approximately 29.60% of the total issued share capital of Eminence as of the date on 4 September 2020.

(b) 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 (which was despatched to Eminence’s independent shareholders 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 Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). 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. Upon completion of the Share Offer, Eminence becomes a subsidiary of the Company.

Details of the Share Offer were set out in the joint announcements of the Company and Eminence dated 11 February 2021, 1 March 2021, 19 March 2021, 26 March 2021, 7 April 2021 and 21 April 2021, the announcement of the Company dated 4 March 2021 and the circular of the Company dated 4 March 2021.

(c) 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 of this announcement.

(d) Subscription of Eminence Convertible Notes

On 1 March 2017, Eminence and Goodco entered into a subscription agreement in respect of the issue by Eminence of its 2017 (May) Convertible Note to Goodco in the principal amount of HK\$16,000,000 (“**2017 CN1**”). On 7 August 2017, Eminence and Goodco entered into a subscription agreement in respect of the issue by Eminence of its 2017 (September) Convertible Note to Goodco in the principal amount of HK\$28,200,000 (“**2017 CN2**”). On 17 June 2019, Eminence and Goodco entered into a subscription agreement in respect of the issue by Eminence of its 2019 Convertible Note to Goodco in the principal amount of HK\$70,000,000 (“**2019 CN**”).

On 18 September 2020, Eminence and Goodco entered into three deeds of amendment in respect of the proposed alteration of the terms of each of the aforesaid convertible notes (“**Proposed Alteration**”), pursuant to which both parties agreed that the conversion price of such convertible notes was revised to HK\$0.25 per Eminence share (subject to adjustment) and, the maturity date of the notes was extended to 28 August 2024 upon the deeds of amendment becoming unconditional. As a result of the Proposed Alteration, a total of 389,120,000 Eminence shares would be allotted and issued upon full conversion of the aforesaid convertible notes at the revised conversion price of HK\$0.25.

During the year, no exercise of the conversion rights under the aforesaid convertible notes held by Goodco was made and the outstanding principal amount of the aforesaid three notes as at 31 March 2021 was HK\$97,280,000 (the outstanding principal amount of 2017 CN1, 2017 CN2 and 2019 CN was HK\$16,000,000, HK\$11,280,000 and HK\$70,000,000 respectively). The aggregate fair value of the three notes was approximately HK\$199,944,000 as at 31 March 2021 (2020: approximately HK\$85,914,000). During the year, an unrealised fair value gain of approximately HK\$117,286,000 was recognised and the Group received a total interest income of approximately HK\$3,256,000 from such convertible notes.

LOAN FINANCING

For the year ended 31 March 2021, the Group recorded an interest income from the loan financing business amounting to approximately HK\$13,726,000 (2020: approximately HK\$23,487,000), representing approximately 4.2% of the total revenue of the Group. The decrease in interest income was primarily due to the decrease in average level of loans receivable as at 31 March 2021. Loss derived from loan financing business was approximately HK\$38,352,000 for the year ended 31 March 2021 (2020: approximately HK\$22,279,000). The carrying amount of loans receivable as at 31 March 2021 was approximately HK\$143,016,000 (2020: approximately HK\$236,751,000). At 31 March 2021, the net impairment allowance recognised in profit or loss amounted to approximately HK\$47,791,000 (2020: approximately HK\$29,256,000) in its loan financing business.

Below were the major transactions of the Group on loan financing business during the year:

(a) Co-lending Agreement

On 18 June 2019, Planetic International Limited (“**Planetic**”), a wholly-owned subsidiary of the Company, entered into a co-lending agreement with STI Partners Limited (“**STI**”) and China Yinsheng Finance Limited (“**China Yinsheng**”), pursuant to which, inter alia, Planetic, STI and China Yinsheng, as co-lenders, agreed to enter into a loan agreement with an independent third party, as borrower, and make available to the borrower, an aggregate loan of HK\$64,000,000 (of which the total commitment from Planetic was HK\$45,000,000 at an interest rate of 8.50% per annum) for a period of twelve (12) months from the drawdown date. Such loan was secured by charge on properties of the borrower. During the year, the Group received a total interest income from such lending of approximately HK\$366,000. The loan was fully repaid in May 2020.

(b) Sale of Junior Notes

Charming Flash Limited (“**Charming Flash**”), a wholly-owned subsidiary of the Company, as subscriber, entered into a junior notes subscription agreement dated 31 October 2018 with Golden Glow Limited (the “**Issuer**”), as issuer, pursuant to which Charming Flash subscribed for the fixed-rate unsecured junior notes (the “**Junior Notes**”) issued by the Issuer in the amount of US\$4,500,000 (equivalent to approximately HK\$35,100,000) at an interest rate of 14.65% per annum.

Charming Flash later entered into a tripartite agreement (the “**Tripartite Agreement**”) dated 20 February 2020 with Green Heyday Limited (“**Green Heyday**”) and the Issuer, under which Charming Flash agreed to sell and Green Heyday agreed to acquire, the Junior Notes at a consideration of US\$4,700,000 (equivalent to approximately HK\$36,660,000). The consideration will be paid by three (3) instalments. Charming Flash would have all rights attached or accruing to the Junior Notes, including the rights to receive all payments, dividends and distributions from the Junior Notes, until such time as it receives full payment of the consideration from Green Heyday and completes the sale and purchase of the Junior Notes under the Tripartite Agreement. As at 31 March 2021, US\$4,700,000 (equivalent to approximately HK\$36,480,000) of the consideration had been received by the Company. The Company is expected to recognise a gain of approximately US\$200,000 (equivalent to approximately HK\$1,560,000) from the sale of the Junior Notes, which is calculated on the basis of the difference between the face value of the Junior Notes of US\$4,500,000 (equivalent to approximately HK\$35,100,000) as at 20 February 2020 and the consideration of US\$4,700,000 (equivalent to approximately HK\$36,660,000).

Details of the transaction were set out in the announcements published by the Company dated 11 August 2017, 2 November 2018 and 20 February 2020 respectively.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations through internally generated cash flow and bank borrowings. As at 31 March 2021, the Group's bank borrowings amounted to approximately HK\$1,472,467,000 (2020: approximately HK\$1,428,186,000). The gearing ratio of the Group, calculated as a ratio of total bank borrowings to total equity, for the year was approximately 0.46 (2020: approximately 0.44).

As at 31 March 2021, the Group has net current assets of approximately HK\$1,871,702,000 (2020: approximately HK\$1,549,088,000). Current ratio was approximately 3.8 (2020: approximately 2.5). The bank balances and cash as at 31 March 2021 was approximately HK\$308,222,000 (2020: HK\$117,920,000), representing an increase of approximately 161.4% or approximately HK\$190,302,000 compared to the corresponding year of 2020.

As at 31 March 2021, the maturity profile of the Group's secured bank borrowings is set out below:

| | 31 March 2021 HK\$'000 | 31 March 2020 HK\$'000 |
|---|---------------------------------------|------------------------------|
| Carrying amount repayable as follows (based on the scheduled repayment dates set out in the loan agreements): | | |
| — within a period not exceeding one year | 468,010 | 823,275 |
| — within a period of more than one year but not exceeding two years | 45,896 | 237,787 |
| — within a period of more than two years but not exceeding five years | 756,611 | 133,492 |
| — within a period of more than five years | 201,950 | 233,632 |
| | 1,472,467 | 1,428,186 |
| <i>Less:</i> Amount due within one year shown under current liabilities | (468,010) | (823,275) |
| Amount due after one year shown under non-current liabilities | 1,004,457 | 604,911 |

CHARGES OF ASSETS

As at 31 March 2021, bank loans of the Group in the aggregate amount of approximately HK\$1,472,467,000 (2020: approximately HK\$1,428,186,000) which were secured by leasehold properties, investment properties, properties held for development for sale, properties held for sale, life insurance policy, 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\$3,142,046,000 (2020: approximately HK\$3,480,944,000). In addition, 19,800,000 Eminence shares with fair value of HK\$9,702,000 (2020: 71,500,000 Eminence shares with fair value of HK\$33,041,000) held by a subsidiary of the Group is pledged to a bank.

EXPOSURE ON FOREIGN EXCHANGE FLUCTUATIONS

Most of the Group's revenues and payments are denominated in Hong Kong dollars. 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 2021 (2020: nil).

CAPITAL EXPENDITURE

For the year ended 31 March 2021, the Group invested approximately HK\$196,000 (2020: approximately HK\$32,000) on the acquisition of property, plant and equipment, and had not invested on additions of investment properties (2020: approximately HK\$3,128,000).

CAPITAL COMMITMENTS

As at 31 March 2021, the Group had no capital commitments in respect of capital expenditure contracted for but not provided (2020: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

Acquisition and Termination of Acquisition of Above Ace and Success Edge From Eminence

On 5 November 2020 (as supplemented by a supplemental agreement dated 9 November 2020), the Company and Eminence entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”), pursuant to which, among other things, the Company conditionally agreed to purchase, and Eminence conditionally agreed to sell, the entire issued shares of Above Ace Limited (“**Above Ace**”) and Success Edge Limited (“**Success Edge**”), both being wholly-owned subsidiaries of Eminence, and Eminence agreed to procure the assignment of the sale loans owing by the two companies to Eminence to the Company at completion, at an aggregate consideration of HK\$1,100,000,000 (subject to adjustments). The sole material asset of Above Ace (through wholly-owned subsidiaries) is the properties located at Nos. 1B, 1C, 1D and 1E Davis Street, Kennedy Town, Hong Kong. The sole material asset of Success Edge (through wholly-owned subsidiaries) is the properties located at Nos. 93 and 95 Catchick Street, Kennedy Town, Hong Kong.

The acquisition constitutes a very substantial acquisition for the Company. The completion of the sale and purchase is subject to the approval of Eminence’s independent shareholders and the Shareholders, and is conditional on Eminence’s successful bid for the remaining share of Nos. 93 and 95 Catchick Street, Kennedy Town, Hong Kong in the public auction pursuant to the LCSRO. Eminence is the successful bidder at the auction held on 1 March 2021 and the acquisition of the remaining unit of Nos. 93 and 95 Catchick Street, Hong Kong was completed on 1 April 2021.

Upon completion of the Share Offer on 21 April 2021, Eminence became a subsidiary of the Company. Having reviewed the Company’s and Eminence’s respective businesses and operations, the Company and Eminence agreed to terminate the Sale and Purchase Agreement by entering into a termination agreement on 30 April 2021.

Details of the very substantial acquisition were set out in the announcements jointly published by the Company and Eminence dated 9 November 2020, 4 January 2021, 22 January 2021, 19 February 2021, 31 March 2021 and 30 April 2021.

Save as disclosed above, the Group had no material acquisition or disposal of subsidiaries or associates during the year ended 31 March 2021.

EVENTS AFTER REPORTING PERIOD

(1) Project Chatham Road North

The Company, through its wholly-owned subsidiary, won the bidding in respect of the Chatham Road North Building at the public auction held on 1 June 2021. The latest development of the Chatham Road North Building is set out in the section “Property Development” under the headed “Business Review” in this announcement.

(2) Investments in Eminence Shares

The Share Offer closed on 21 April 2021 and the Group has further acquired a total of 27,000,000 Eminence shares on 22 April 2021, details of which were set out in the section “Investments in Eminence Shares (b) Share Offer and (c) Acquisition of Eminence shares in April 2021” under the headed “Business Review” in this announcement.

(3) Termination of Acquisition of Above Ace and Success Edge

On 30 April 2021, the Company and Eminence entered into a termination agreement to terminate the Sale and Purchase Agreement, details of which were set out in the headed “Material Acquisitions and Disposals of Subsidiaries or Associated Companies” in this announcement.

(4) Discloseable Transaction — Acquisition of promissory notes

On 25 May 2021, Gainever Corporation Limited, an indirect 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 to be 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 the promissory notes 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. The acquisition constitutes a discloseable transaction for the Company under the Listing Rules, details of which were set out in the announcement of the Company dated 25 May 2021.

(5) Discloseable Transaction — Purchase of Best Food shares

During the period from 12 October 2020 to 15 June 2021, the Group, acquired an aggregate of 31,678,000 shares of Best Food (stock code: 1488) on the open market at an aggregate consideration of approximately HK\$20,000,000 (excluding stamp duty and transaction costs). Details of the purchase were set out in the announcement of the Company dated 16 June 2021.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

Despite the difficult year in 2020, the property market has been helping along by the government of Hong Kong Special Administration Region to relax its policy to support businesses and individuals to stimulus the economy in response to the COVID-19 pandemic.

Hong Kong's GDP grew 7.9% in the first quarter of 2021 from an all-time low of a 9.1% contraction in the corresponding period of last year. The Hong Kong economy recovered visibly in the first quarter of 2021. The launch of COVID-19 vaccination programmes strengthen of global pandemic prevention and control, it is anticipated that there will be a gradual recovery in property market and see the market stabilise in 2021, supported by the roll-out of the vaccine.

Nevertheless, COVID-19 pandemic remains a key source of uncertainty surrounding the global economic outlook, other uncertain factors, including Sino-US relations also warrant attention. The economy and property business in Hong Kong are still challenging this year. The Group is prudently optimistic on the prospects of the property market in Hong Kong and will devote resources and efforts in increasing and replenishing its land bank.

In line with the investment strategy, the Group will continue to identify appropriate investment opportunities that fit its objective and investment criteria to enhance its financial position and further value can be created for Shareholders.

The Group will continue to monitor the market changes closely and 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 Shareholders and strengthen every segment of its business.

EMPLOYEES

As at 31 March 2021, the Group had 27 employees (2020: 32). Staff costs (including Directors' emoluments) amounted to approximately HK\$29,317,000 for the year under review (2020: approximately HK\$30,600,000). 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 A.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 C.2.5

The issuer should have an internal audit function

The Group does not have an internal audit function. During the year under review, 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 since their appointment as a Director during the year and/or throughout the year ended 31 March 2021.

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 9,120,000 shares of its own ordinary shares on Stock Exchange for an aggregate consideration of approximately HK\$37,500,000 on 5 March 2021, 12 March 2021 and 15 March 2021 respectively. All the repurchased shares were subsequently cancelled by the Company on 15 March 2021 and 23 March 2021 respectively. 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 2020 annual general meeting of the Company held on 6 August 2020, 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 2021 and up to the date of this announcement, the total number of shares of the Company in issue was 82,200,403 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 ended 31 March 2021.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2021 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 ended 31 March 2021 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 "2021 AGM") will be held on Friday, 20 August 2021. A circular containing the notice of the 2021 AGM will be published and despatched to the Shareholders in July 2021.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the eligibility of the Shareholders to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Tuesday, 17 August 2021 to Friday, 20 August 2021, 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 2021 AGM. In order to qualify to attend and vote at the 2021 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 no later than 4:30 p.m. on Monday, 16 August 2021, 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 2021

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.