

## Accountants' Report

Shenzhen Trading Market Company Limited\*

深圳市集貿市場有限公司

(Incorporated in the People's Republic of China)

Years ended 31 March 2022, 2023 and 2024 and  
six months ended 30 September 2024



\* For identification purpose only



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**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SHENZHEN TRADING  
MARKET COMPANY LIMITED (深圳市集貿市場有限公司)  
TO THE DIRECTORS OF CHINA AGRI-PRODUCTS EXCHANGE LIMITED**

**Introduction**

We report on the historical financial information of Shenzhen Trading Market Company Limited (the "PRC JV") set out on pages 3 to 48, which comprises the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the PRC JV for each of the years ended 31 March 2022, 2023 and 2024, and the six months ended 30 September 2024 (the "Relevant Periods"), and the statements of financial position of the PRC JV as at 31 March 2022, 2023 and 2024 and 30 September 2024 and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages 3 to 48 forms an integral part of this report, which has been prepared for inclusion in the circular of China Agri-Products Exchange Limited (the "Company") dated 24 January 2025 (the "Circular") in connection with the acquisition of the entire equity interest of the PRC JV by a subsidiary of the Company (the "Acquisition").

**JV Directors' responsibility for the Historical Financial Information**

The directors of the PRC JV (the "JV Directors") are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the JV Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of the Circular in which the Historical Financial Information of the PRC JV is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the JV Directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

## Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the PRC JV as at 31 March 2022, 2023 and 2024 and 30 September 2024 and of the financial performance and cash flows of the PRC JV for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

## Review of interim comparative financial information

We have reviewed the interim comparative financial information of the PRC JV which comprises the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 September 2023 and other explanatory information (the "Interim Comparative Financial Information"). The JV Directors are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

## Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

### Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 3 have been made.

### Dividends

We refer to note 9 to the Historical Financial Information which contains information about the dividends paid or declared by the PRC JV in respect of the Relevant Periods.



Certified Public Accountants  
Hong Kong  
24 January 2025

## **I. HISTORICAL FINANCIAL INFORMATION**

### **Preparation of Historical Financial Information**

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

The financial statements of the PRC JV for the Relevant Periods, on which the Historical Financial Information is based, were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong Dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

# I. HISTORICAL FINANCIAL INFORMATION (continued)

## (A) STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 March			Six months ended 30 September	
		2022 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000 (unaudited)	2024 HK\$'000
Revenue	4	49,263	40,503	45,185	22,691	21,329
Cost of services provided		<u>(20,647)</u>	<u>(21,341)</u>	<u>(18,196)</u>	<u>(11,415)</u>	<u>(10,692)</u>
Gross profit		28,616	19,162	26,989	11,276	10,637
Other income and gains	5	12,279	10,659	58,181	2,286	1,718
Administrative expenses		( 15,258)	( 16,433)	( 16,151)	( 6,876)	( 7,176)
Finance costs	7	( 790)	( 352)	( 425)	( 234)	( 152)
Fair value losses on owned investment properties		<u>( 16,169)</u>	<u>( 13,542)</u>	<u>( 16,282)</u>	<u>( 11,118)</u>	<u>( 3,261)</u>
Profit/(loss) before tax	6	8,678	( 506)	52,312	( 4,666)	1,766
Income tax credit/(expense)	8	<u>( 2,203)</u>	<u>50</u>	<u>( 13,126)</u>	<u>1,697</u>	<u>( 474)</u>
PROFIT/(LOSS) FOR THE YEAR/PERIOD		<u>6,475</u>	<u>( 456)</u>	<u>39,186</u>	<u>(2,969)</u>	<u>1,292</u>
OTHER COMPREHENSIVE INCOME/(LOSS)						
<i>Other comprehensive income/ (loss) that will not be reclassified to profit or loss in subsequent periods:</i>						
Exchange differences on translation of foreign operations		<u>50</u>	<u>( 23,374)</u>	<u>( 14,598)</u>	<u>( 7,299)</u>	<u>6,798</u>
Other comprehensive income/(loss) for the year/period		<u>50</u>	<u>( 23,374)</u>	<u>( 14,598)</u>	<u>( 7,299)</u>	<u>6,798</u>
Total comprehensive income/(loss) for the year/period		<u>6,525</u>	<u>( 23,830)</u>	<u>24,588</u>	<u>( 10,268)</u>	<u>8,090</u>

# I. HISTORICAL FINANCIAL INFORMATION (continued)

## (B) STATEMENTS OF FINANCIAL POSITION

		31 March 2022 HK\$'000	31 March 2023 HK\$'000	31 March 2024 HK\$'000	30 September 2024 HK\$'000
	Notes				
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	10	5,432	3,998	2,929	2,414
Investment properties	11	287,203	241,826	215,403	212,117
Other assets	15	58,433	54,048	89,160	91,120
Total non-current assets		<u>351,068</u>	<u>299,872</u>	<u>307,492</u>	<u>305,651</u>
<b>CURRENT ASSETS</b>					
Trade receivables	13	1,069	1,892	1,432	1,581
Prepayments, deposits and other receivables	14	2,469	3,064	7,096	7,442
Cash and bank balances	16	59,732	55,251	57,749	65,166
Total current assets		<u>63,270</u>	<u>60,207</u>	<u>66,277</u>	<u>74,189</u>
<b>CURRENT LIABILITIES</b>					
Other payables and accruals	17	25,277	20,857	14,239	23,302
Tax payable		27,318	26,558	39,649	40,839
Total current liabilities		<u>52,595</u>	<u>47,415</u>	<u>53,888</u>	<u>64,141</u>
<b>NET CURRENT ASSETS</b>		<u>10,675</u>	<u>12,792</u>	<u>12,389</u>	<u>10,048</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>361,743</u>	<u>312,664</u>	<u>319,881</u>	<u>315,699</u>
<b>NON-CURRENT LIABILITIES</b>					
Other payables	17	13,439	6,483	3,432	1,403
Deferred tax liabilities	18	36,885	28,980	21,991	21,070
Total non-current liabilities		<u>50,324</u>	<u>35,463</u>	<u>25,423</u>	<u>22,473</u>
<b>Net assets</b>		<u>311,419</u>	<u>277,201</u>	<u>294,458</u>	<u>293,226</u>
<b>EQUITY</b>					
Share capital	19	31,347	31,347	31,347	31,347
Reserves	20	280,072	245,854	263,111	261,879
<b>Total equity</b>		<u>311,419</u>	<u>277,201</u>	<u>294,458</u>	<u>293,226</u>

# I. HISTORICAL FINANCIAL INFORMATION (continued)

## (C) STATEMENTS OF CHANGES IN EQUITY

	Share capital HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2021	31,347	7,719	12,300	260,111	311,477
Profit for the year	-	-	-	6,475	6,475
Other comprehensive income for the year:					
Exchanges difference on translation of the financial statements	-	50	-	-	50
Total comprehensive income for the year	-	50	-	6,475	6,525
Transfer to statutory reserve	-	-	1,010	( 1,010)	-
Dividend declared	-	-	-	( 6,583)	( 6,583)
At 31 March 2022 and 1 April 2022	31,347	7,769*	13,310*	258,993*	311,419
Loss for the year	-	-	-	( 456)	( 456)
Other comprehensive loss for the year:					
Exchanges difference on translation of the financial statements	-	( 23,374)	-	-	( 23,374)
Total comprehensive loss for the year	-	( 23,374)	-	( 456)	( 23,830)
Transfer to statutory reserve	-	-	857	( 857)	-
Dividend declared	-	-	-	( 10,388)	( 10,388)
At 31 March 2023	31,347	( 15,605)*	14,167*	247,292*	277,201

# I. HISTORICAL FINANCIAL INFORMATION (continued)

## (C) STATEMENTS OF CHANGES IN EQUITY (continued)

	Share capital HK\$'000	Exchange reserve HK\$'000	Statutory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2023	31,347	( 15,605)	14,167	247,292	277,201
Profit for the year	-	-	-	39,186	39,186
Other comprehensive loss for the year: Exchanges difference on translation of the financial statements	-	(14,598)	-	-	(14,598)
Total comprehensive income/(loss) for the year	-	(14,598)	-	39,186	24,588
Transfer to statutory reserve	-	-	1,036	( 1,036)	-
Dividend declared	-	-	-	( 7,331)	( 7,331)
At 31 March 2024 and 1 April 2024	31,347	( 30,203)*	15,203*	278,111*	294,458
Profit for the period	-	-	-	1,292	1,292
Other comprehensive income for the period: Exchanges difference on translation of the financial statements	-	6,798	-	-	6,798
Total comprehensive income for the period	-	6,798	-	1,292	8,090
Dividend declared	-	-	-	( 9,322)	( 9,322)
At 30 September 2024	<u>31,347</u>	<u>( 23,405)*</u>	<u>15,203*</u>	<u>270,081*</u>	<u>293,226</u>



**I. HISTORICAL FINANCIAL INFORMATION (continued)**

**(C) STATEMENTS OF CHANGES IN EQUITY (continued)**

	Share capital HK\$'000 (unaudited)	Exchange reserve HK\$'000 (unaudited)	Statutory reserve HK\$'000 (unaudited)	Retained profits HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
At 1 April 2023	31,347	( 15,605)	14,167	247,292	277,201
Loss for the period	-	-	-	( 2,969)	( 2,969)
Other comprehensive loss for the period: Exchanges difference on translation of the financial statements	-	( 7,299)	-	-	( 7,299)
Total comprehensive loss for the period	-	( 7,299)	-	( 2,969)	( 10,268)
Dividend declared	-	-	-	(7,331)	(7,331)
At 30 September 2023	<u>31,347</u>	<u>( 22,904)</u>	<u>14,167</u>	<u>236,992</u>	<u>259,602</u>

\* These reserve accounts comprise the reserves of HK\$280,072,000, HK\$245,854,000, HK\$263,111,000, and HK\$261,879,000 as at 31 March 2022, 2023, and 2024, and 30 September 2024, respectively, in the statements of financial position.

# I. HISTORICAL FINANCIAL INFORMATION (continued)

## (D) STATEMENTS OF CASH FLOWS

		Year ended 31 March			Six months ended 30 September	
	Notes	2022 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000 (unaudited)	2024 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Profit/(loss) before tax		8,678	( 506)	52,312	( 4,666)	1,766
Adjustments for:						
Depreciation for property, plant and equipment		1,292	1,419	1,612	806	626
Losses on disposal of items of property, plant and equipment		-	10	34	14	1
Fair value losses on owned investment properties		16,169	13,542	16,282	11,118	3,261
Gain on disposal of investment properties		-	-	( 52,588)	-	-
Fair value losses on sub-leased investment properties		6,188	10,240	8,394	4,552	4,027
Finance costs	7	790	352	425	234	152
Bank interest income	5	( 294)	( 695)	( 1,087)	( 389)	( 274)
Operating cash flows before movements in working capital		32,823	24,362	25,384	11,669	9,559
Decrease/(increase) in trade receivables		( 1,069)	( 823)	460	1,891	( 149)
Decrease/(increase) in prepayments, deposit and other receivables		778	( 595)	( 4,032)	( 608)	( 346)
Increase/(decrease) in other payables and accruals		(500)	(202)	(1,522)	(6,388)	4,820
Cash generated from operations		32,032	22,742	20,290	6,564	13,884
Tax paid		( 3,406)	( 5,356)	( 4,974)	( 399)	( 740)
Net cash flows generated from operating activities		28,626	17,386	15,316	6,165	13,144
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
Bank interest received	5	294	695	1,087	389	274
Purchase of items of property, plant and equipment		(1,051)	(573)	(993)	(421)	(82)
Additions to investment properties		(2,410)	(9)	-	-	-
Proceed from disposal of property, plant and equipment		-	169	215	14	3
Placement of non-pledged time deposits with original maturity of over three months		-	(30,000)	-	-	-
Net cash flows generated from/(used in) investing activities		(3,167)	(29,718)	309	(18)	195
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>						
Interest paid		( 790)	( 352)	( 425)	( 234)	( 152)
Dividends paid		( 6,583)	( 10,388)	( 7,331)	-	-
Principal portion of lease payments		( 2,266)	( 1,742)	( 2,482)	( 1,296)	( 1,335)
Net cash flows used in financing activities		( 9,639)	( 12,482)	( 10,238)	( 1,530)	( 1,487)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		15,820	( 24,814)	5,387	4,617	11,852

# I. HISTORICAL FINANCIAL INFORMATION (continued)

## (D) STATEMENTS OF CASH FLOWS (continued)

	2022	Year ended 31 March		Six months ended 30 September	
	HK\$'000	2023	2024	2023	2024
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	15,820	( 24,814)	5,387	4,617	11,852
Cash and cash equivalents at beginning of year/period	50,672	59,732	25,251	25,251	27,749
Effect of foreign exchange rate changes	( 6,760)	( 9,667)	2,889	( 1,096)	( 4,435)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	<u>59,732</u>	<u>25,251</u>	<u>27,749</u>	<u>28,772</u>	<u>35,166</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	59,732	25,251	27,749	28,772	35,166
Non-pledged time deposits	-	30,000	30,000	30,000	30,000
Cash and bank balances as stated in the statement of financial position	59,732	55,251	57,749	58,772	65,166
Less: Non-pledged time deposits with original maturity of over three months	-	(30,000)	(30,000)	(30,000)	(30,000)
Cash and cash equivalents as stated in the statement of cash flows	<u>59,732</u>	<u>25,251</u>	<u>27,749</u>	<u>28,772</u>	<u>35,166</u>

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

The PRC JV is a limited liability company established in the People's Republic of China (the "PRC"). The registered office of the PRC JV is located at the 7th Floor of Wenjin Building, No.10 Beidou Road, Luohu District, Shenzhen.

The PRC JV is principally engaged in management and sub-licensing of Chinese wet markets in Shenzhen.

The PRC JV is owned as to 50% by Regal Smart Investment Limited ("Regal Smart"), 40.79% by Shenzhen Agricultural Power Group Co., Ltd. ("Shenzhen Agricultural Power"), a joint stock company established in the PRC with limited liability and its shares are listed on the Shenzhen Stock Exchange, and 9.21% by Shenzhen Fruit and Vegetable Trading Co., Ltd. ("SZ Fruit"). Regal Smart is an indirect wholly-owned subsidiary of Wang On Group Limited which is a company incorporated in Bermuda with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited. SZ Fruit is a directly wholly-owned subsidiary of Shenzhen Agricultural Power.

### 2. ACCOUNTING POLICIES

#### 2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA. All HKFRSs effective for the accounting period commencing from 1 April 2024, together with the relevant transitional provisions, have been early adopted by the PRC JV throughout the Relevant Periods and the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for investment properties which has been measured at fair value. The Historical Financial Information is presented in HK\$ and all values are rounded to the nearest thousand except when otherwise indicated.

#### 2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The PRC JV has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in the Historical Financial Information.

HKFRS 18	<i>Presentation and Disclosure in Financial Statements</i> <sup>3</sup>
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> <sup>2</sup>
Amendments to HKAS 21	<i>Lack of Exchangeability</i> <sup>1</sup>
<i>Annual Improvements to HKFRS Accounting Standards - Volume 11</i>	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10, and HKAS 7 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2026

<sup>3</sup> Effective for annual/reporting periods beginning on/after 1 January 2027

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Further information about those HKFRSs that are expected to be applicable to the PRC JV is described below.

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRSs. HKFRS 18 and the consequential amendments to other HKFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The PRC JV is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of its Historical Financial Information.

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the PRC JV's Historical Financial Information.

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the PRC JV's Historical Financial Information.

*Annual Improvements to HKFRS Accounting Standards – Volume 11* set out amendments to HKFRS 1, HKFRS 7 (and the accompanying *Guidance on implementing HKFRS 7*), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the PRC JV are as follows:

- *HKFRS 7 Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing HKFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the PRC JV's Historical Financial Information.
- *HKFRS 9 Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the PRC JV's Historical Financial Information.
- *HKFRS 10 Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the PRC JV's Historical Financial Information.
- *HKAS 7 Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the PRC JV's Historical Financial Information.

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Based on the PRC JV's assessment completed to date, these revised HKFRSs are not expected to have a significant impact on the results of operations, financial position, or presentation of the financial statements.

### 2.3 MATERIAL ACCOUNTING POLICY INFORMATION

#### Fair value measurement

The PRC JV measures its investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the PRC JV. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The PRC JV uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the PRC JV determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

#### Related parties

A party is considered to be related to the PRC JV if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the PRC JV;
  - (ii) has significant influence over the PRC JV; or
  - (iii) is a member of the key management personnel of the PRC JV or of a parent of the PRC JV;
- or
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the PRC JV are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the PRC JV are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the PRC JV or an entity related to the PRC JV;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the PRC JV or to the parent of the PRC JV.



## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### Property, plant and equipment and depreciation

Property, plant and equipment included owned assets which meet the definition of property, plant and equipment and are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the PRC JV recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of owned property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for depreciation are as follows:

#### Owned assets

Office equipment	20%
Motor vehicles	12.5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant and equipment including significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### Leases

The PRC JV assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### **The PRC JV as a lessee**

The PRC JV applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The PRC JV recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The right-of-use assets which meet the definition of investment property are initially measured at cost and subsequently measured at fair value in accordance with the PRC JV's policy for "Investment properties".

When the right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the PRC JV's policy for "Investment properties".

#### ***Lease liabilities***

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the PRC JV and payments of penalties for termination of a lease, if the lease term reflects the PRC JV exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the PRC JV uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The PRC JV's lease liabilities are included in other payables and accruals.

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### Leases (continued)

##### **The PRC JV as a lessor**

When the PRC JV acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease. Leases in which the PRC JV does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the PRC JV allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in profit or loss so as to provide a constant periodic rate of return over the lease terms.

When the PRC JV is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the PRC JV applies the on-balance sheet recognition exemption, the PRC JV classifies the sublease as an operating lease.

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### Financial assets

##### **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the PRC JV's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the PRC JV has applied the practical expedient of not adjusting the effect of a significant financing component, the PRC JV initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the PRC JV has applied the practical expedient are measured at the transaction price determined under HKFRS 15 *Revenue from Contracts with Customers*.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The PRC JV's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the PRC JV commits to purchase or sell the asset

##### **Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

##### **Financial assets at amortised cost**

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### Financial assets (continued)

##### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the PRC JV's statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the PRC JV has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the PRC JV has transferred substantially all the risks and rewards of the asset, or (b) the PRC JV has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the PRC JV has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the PRC JV continues to recognise the transferred asset to the extent of the PRC JV's continuing involvement. In that case, the PRC JV also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the PRC JV has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the PRC JV could be required to repay.

##### **Impairment of financial assets**

The PRC JV recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the PRC JV expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

##### **General approach**

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the PRC JV assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the PRC JV compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The PRC JV considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### Financial assets (continued)

##### **General approach (continued)**

The PRC JV considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the PRC JV may also consider a financial asset to be in default when internal or external information indicates that the PRC JV is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the PRC JV.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and net investments in sublease which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

##### **Simplified approach**

For trade receivables (including lease receivables) that do not contain a significant financing component or when the PRC JV applies the practical expedient of not adjusting the effect of a significant financing component, the PRC JV applies the simplified approach in calculating ECLs. Under the simplified approach, the PRC JV does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The PRC JV has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

#### Financial liabilities

##### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables at amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The PRC JV's financial liabilities include financial liabilities included in other payables and accruals.

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### Financial liabilities (continued)

##### **Subsequent measurement**

The subsequent measurement of financial liabilities depends on their classification as follows:

##### *Financial liabilities at amortised cost (other payables)*

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

##### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

##### **Offsetting of financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### Cash and bank balances

Cash and bank balances in the statements of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits, as defined above.

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the PRC JV operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with interests in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with interests in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.



## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the PRC JV has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### Revenue recognition

##### **Revenue from contracts with customers**

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the PRC JV expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the PRC JV will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the PRC JV and the customer at contract inception. When the contract contains a financing component which provides the PRC JV with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

##### *Property management and ancillary services*

Revenue from the provision of property management and ancillary services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the PRC JV.

##### **Revenue from other sources**

Rental income and sub-licensing fee is recognised on a time proportion basis over the lease terms.

##### **Other income**

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### Translation of foreign currencies

The Historical Financial Information is presented in Hong Kong dollars, while the functional currency of the PRC JV is RMB. The PRC JV determines its own functional currency and items included in the Historical Financial Information are measured using that functional currency. Foreign currency transactions recorded by the PRC JV are initially recorded using its functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the PRC JV initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the PRC JV determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the statements of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates of the year.

#### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

### 2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### Other Assets

Other Assets are the rights to receive the new properties under a relocation arrangement, further details of which are given in note 15 to the Historical Financial Information. Such assets, being the consideration to be received upon disposal of the original properties under the relocation arrangement, are initially recognised at their fair value. Subsequent to the initial recognition, Other Assets are stated at cost less any impairment losses.

#### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for a non-financial asset is required (other than investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

## **II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**

### **3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of the PRC JV's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### **Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are, described below.

#### **Valuation of investment properties**

Investment properties are revalued at the end of the reporting period on a market value, existing use basis by independent professionally qualified valuers. Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from the estimated rental value of the relevant properties and appropriate capitalisation rates are considered and assumptions that are mainly based on market conditions existing at the end of the reporting period are used. Further details of the valuation are included in note 11 to the Historical Financial Information.

#### **Valuation of Other Assets**

Other Assets are initially recognised at their fair values according to the valuation performed by independent professionally qualified valuers on existing use basis. Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, information from the estimated rental value of the relevant properties and appropriate gross market yield are considered and assumptions that are mainly based on market conditions existing at the initial recognition of the Other Assets are used. Further details of the valuation are included in note 15 to the Historical Financial Information.

#### **Impairment assessment of non-financial assets**

The PRC JV assesses whether there are any indicators of impairment of all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The directors of the PRC JV conducts the impairment assessment by comparing the net carrying amount of other assets with its fair value as determined based on the valuation which involved certain assumptions, including the rental value per square metre. The assumptions used in the valuation have involved significant management judgement. For calculation of value in use of other non-financial assets, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 4. REVENUE

An analysis of the PRC JV's revenue is as follows:

	2022	Year ended 31 March		Six months ended 30 September	
	HK\$'000	2023	2024	2023	2024
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Revenue from contracts with customers:	17,189	14,405	15,868	7,893	8,019
Revenue from other sources:					
Sub-licensing fee income	10,742	7,386	10,692	4,348	4,256
Gross rental income from investment property operating leases	21,332	18,712	18,625	10,450	9,054
	32,074	26,098	29,317	14,798	13,310
Total revenue	49,263	40,503	45,185	22,691	21,329

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 4. REVENUE (continued)

#### (a) Disaggregated revenue information from contracts with customers

	Year ended 31 March			Six months ended 30 September	
	2022	2023	2024	2023	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
<b>Type of services</b>					
Revenue from property management and ancillary services	<u>17,189</u>	<u>14,405</u>	<u>15,868</u>	<u>7,893</u>	<u>8,019</u>
<b>Timing of revenue recognition</b>					
Services transferred over time	<u>17,189</u>	<u>14,405</u>	<u>15,868</u>	<u>7,893</u>	<u>8,019</u>

#### (b) Performance obligations

Information about the PRC JV's performance obligations is summarised below:

##### *Revenue from property management and ancillary services*

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services.

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 5. OTHER INCOME AND GAINS

An analysis of the PRC JV's other income and gains is as follows:

	Year ended 31 March			Six months ended 30 September	
	2022	2023	2024	2023	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Bank interest income	294	695	1,087	389	274
PRC government grant (note)	10,234	5,627	3,195	1,302	598
Gain on disposal of investment properties	-	-	52,588	-	-
Others	1,751	4,337	1,311	595	846
Total other income and gains	<u>12,279</u>	<u>10,659</u>	<u>58,181</u>	<u>2,286</u>	<u>1,718</u>

*Note:*

PRC government grants represent various form of subsidies granted to the PRC JV by the local governmental authorities in the PRC for compensation and expenses incurred by the PRC JV. These grants are generally made for business support and awarded to enterprises on a discretionary basis. The PRC JV received these government grants for the business support on its investments in the Chinese wet markets in Shenzhen. There are no unfulfilled conditions or contingencies relating to these grants.

### 6. PROFIT/(LOSS) BEFORE TAX

The PRC JV's profit/(loss) before tax is arrived at after charging/(crediting):

	Year ended 31 March			Six months ended 30 September	
	2022	2023	2024	2023	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Other cost of services provided*	13,697	10,525	9,029	6,427	6,193
Fair value losses of sub-leased investment properties*	6,188	10,240	8,394	4,552	4,027
Depreciation of property, plant and equipment	1,292	1,419	1,612	806	626
Losses on disposal of items of property, plant and equipment	-	10	34	14	1
Directors' remuneration	172	151	127	63	66
Staff costs	18,651	18,391	16,782	8,229	7,060
Less: Amounts included in cost of services provided	<u>(8,707)</u>	<u>(8,428)</u>	<u>(7,339)</u>	<u>(3,835)</u>	<u>(3,209)</u>
Total	<u>9,944</u>	<u>9,963</u>	<u>9,443</u>	<u>4,394</u>	<u>3,851</u>
Direct operating expenses arising from rental-earning investment properties*	<u>762</u>	<u>576</u>	<u>773</u>	<u>436</u>	<u>472</u>

\* These expenses are included in "Cost of services provided" on the face on the statements of profit or loss and other comprehensive income.



## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 7. FINANCE COSTS

	Year ended 31 March			Six months ended 30 September	
	2022	2023	2024	2023	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Interest on lease liabilities	<u>790</u>	<u>352</u>	<u>425</u>	<u>234</u>	<u>152</u>

### 8. INCOME TAX

The PRC JV is subject to the PRC corporate income tax ("CIT") at a rate of 25% during the Relevant Periods.

	Year ended 31 March			Six months ended 30 September	
	2022	2023	2024	2023	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Current - CIT	7,559	4,596	18,089	1,649	1,852
Deferred (note 18)	<u>(5,356)</u>	<u>(4,646)</u>	<u>(4,963)</u>	<u>(3,346)</u>	<u>(1,378)</u>
Total tax charge/(credit) for the year/period	<u>2,203</u>	<u>(50)</u>	<u>13,126</u>	<u>(1,697)</u>	<u>474</u>

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory tax rate to the tax expense at the effective tax rate is as follows:

	Year ended 31 March			Six months ended 30 September	
	2022	2023	2024	2023	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Profit/(loss) before tax	<u>8,678</u>	<u>(506)</u>	<u>52,312</u>	<u>(4,666)</u>	<u>1,766</u>
Tax at the statutory tax rate of 25%	2,170	(127)	13,078	(1,167)	442
Income not subject to tax	(1,621)	(2,805)	(2,370)	(1,235)	(1,075)
Expenses non-deductible for tax	<u>1,654</u>	<u>2,882</u>	<u>2,418</u>	<u>705</u>	<u>1,107</u>
Tax charge/(credit) for the year/period	<u>2,203</u>	<u>(50)</u>	<u>13,126</u>	<u>(1,697)</u>	<u>474</u>

### 9. DIVIDENDS

	Year ended 31 March			Six months ended 30 September	
	2022	2023	2024	2023	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Dividends	<u>6,583</u>	<u>10,388</u>	<u>7,331</u>	<u>7,331</u>	<u>9,322</u>

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 10. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicle HK\$'000	Office equipment HK\$'000	Total HK\$'000
<b>31 March 2022</b>			
At 1 April 2021:			
Cost	599	7,047	7,646
Accumulated depreciation	<u>(178)</u>	<u>(1,791)</u>	<u>(1,969)</u>
Net carrying amount	<u>421</u>	<u>5,256</u>	<u>5,677</u>
At 1 April 2021, net of accumulated depreciation			
Additions	-	1,051	1,051
Depreciation provided during the year	(70)	(1,222)	(1,292)
Exchange realignment	<u>(1)</u>	<u>(3)</u>	<u>(4)</u>
At 31 March 2022, net of accumulated depreciation	<u>350</u>	<u>5,082</u>	<u>5,432</u>
At 31 March 2022:			
Cost	599	8,111	8,710
Accumulated depreciation	<u>(249)</u>	<u>(3,029)</u>	<u>(3,278)</u>
Net carrying amount	<u>350</u>	<u>5,082</u>	<u>5,432</u>
<b>31 March 2023</b>			
At 1 April 2022:			
Cost	599	8,111	8,710
Accumulated depreciation	<u>(249)</u>	<u>(3,029)</u>	<u>(3,278)</u>
Net carrying amount	<u>350</u>	<u>5,082</u>	<u>5,432</u>
At 1 April 2022, net of accumulated depreciation			
Additions	-	573	573
Depreciation provided during the year	(66)	(1,353)	(1,419)
Disposals	-	(179)	(179)
Exchange realignment	<u>(26)</u>	<u>(383)</u>	<u>(409)</u>
At 31 March 2023, net of accumulated depreciation	<u>258</u>	<u>3,740</u>	<u>3,998</u>
At 31 March 2023:			
Cost	554	7,758	8,312
Accumulated depreciation	<u>(296)</u>	<u>(4,018)</u>	<u>(4,314)</u>
Net carrying amount	<u>258</u>	<u>3,740</u>	<u>3,998</u>

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 10. PROPERTY, PLANT AND EQUIPMENT (continued)

	Motor vehicle HK\$'000	Office equipment HK\$'000	Total HK\$'000
<b>31 March 2024</b>			
At 1 April 2023:			
Cost	554	7,758	8,312
Accumulated depreciation	<u>(296)</u>	<u>(4,018)</u>	<u>(4,314)</u>
Net carrying amount	<u>258</u>	<u>3,740</u>	<u>3,998</u>
At 1 April 2023, net of accumulated depreciation			
Additions	-	993	993
Depreciation provided during the year	(63)	(1,549)	(1,612)
Disposals	-	(249)	(249)
Exchange realignment	<u>(13)</u>	<u>(188)</u>	<u>(201)</u>
At 31 March 2024, net of accumulated depreciation	<u>182</u>	<u>2,747</u>	<u>2,929</u>
At 31 March 2024:			
Cost	525	7,302	7,827
Accumulated depreciation	<u>(343)</u>	<u>(4,555)</u>	<u>(4,898)</u>
Net carrying amount	<u>182</u>	<u>2,747</u>	<u>2,929</u>
<b>30 September 2024</b>			
At 1 April 2024:			
Cost	525	7,302	7,827
Accumulated depreciation	<u>(343)</u>	<u>(4,555)</u>	<u>(4,898)</u>
Net carrying amount	<u>182</u>	<u>2,747</u>	<u>2,929</u>
At 1 April 2024, net of accumulated depreciation			
Additions	-	82	82
Depreciation provided during the period	(31)	(595)	(626)
Disposals	-	(4)	(4)
Exchange realignment	<u>4</u>	<u>29</u>	<u>33</u>
At 30 September 2024, net of accumulated depreciation	<u>155</u>	<u>2,259</u>	<u>2,414</u>
At 30 September 2024:			
Cost	537	7,360	7,897
Accumulated depreciation	<u>(382)</u>	<u>(5,101)</u>	<u>(5,483)</u>
Net carrying amount	<u>155</u>	<u>2,259</u>	<u>2,414</u>

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 11. INVESTMENT PROPERTIES

	2022 HK\$'000	As at 31 March 2023 HK\$'000	2024 HK\$'000	As at 30 September 2024 HK\$'000
Carrying amount at beginning of year/period	295,298	287,203	241,826	215,403
Additions for owned properties	2,410	9	-	-
Additions for sub-leased properties (note 15)	-	-	11,136	-
Net losses from fair value adjustments for owned properties	(16,169)	(13,542)	(16,282)	(3,261)
Net losses from fair value adjustments for sub-leased properties	(6,188)	(10,240)	(8,394)	(4,027)
Exchange realignment	<u>11,852</u>	<u>(21,604)</u>	<u>(12,883)</u>	<u>4,002</u>
Carrying amount at end of year/period	<u>287,203</u>	<u>241,826</u>	<u>215,403</u>	<u>212,117</u>

The PRC JV's investment properties represent retail properties situated in the Mainland China.

The investment properties were revalued by Cushman & Wakefield Limited, an independent professionally qualified valuer, on 31 March 2022, 2023 and 2024 and 30 September 2024. The JV Directors decide which external valuer to be responsible for the external valuations of the PRC JV's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 12 to the Historical Financial Information.

#### Fair value hierarchy

For the Relevant Periods, the fair value measurement of the investment properties of the PRC JV was categorised within Level 3 of the fair value hierarchy.

The following table illustrates the fair value measurement of the PRC JV's investment properties:

	Fair value measurement using significant unobservable inputs (Level 3)			As at
	2022 HK\$'000	As at 31 March 2023 HK\$'000	2024 HK\$'000	30 September 2024 HK\$'000
Recurring fair value measurement for:				
Owned commercial properties	240,742	209,114	181,584	181,656
Sub-leased commercial properties	<u>46,461</u>	<u>32,712</u>	<u>33,819</u>	<u>30,461</u>
Total commercial properties	<u>287,203</u>	<u>241,826</u>	<u>215,403</u>	<u>212,117</u>

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 11. INVESTMENT PROPERTIES (continued)

#### Fair value hierarchy (continued)

During the Relevant Periods, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties as during the Relevant Periods:

	<u>Valuation techniques</u>	<u>Significant unobservable inputs</u>	<u>Range</u>
Commercial properties	Investment method (refer to below)	Estimated rental value per square metre and per month	31 March 2022: HK\$80 to HK\$540 31 March 2023: HK\$85 to HK\$459 31 March 2024: HK\$75 to HK\$436 30 September 2024: HK\$78 to HK\$420
		Capitalisation rate	31 March 2022: 5% to 7% 31 March 2023: 5% to 7% 31 March 2024: 5% to 7% 30 September 2024: 5% to 7%

The valuation of investment properties was based on the investment method by capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary rental income potential of the property.

Significant increases/(decreases) in estimated rental value in isolation would result in a significantly higher/(lower) fair value of the investment properties. Significant increases/(decreases) in the capitalisation rate in isolation would result in a significantly lower/(higher) fair value of the investment properties.

Generally, a change in the assumption made for the estimated rental value is accompanied by an opposite change in the capitalisation rate.

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 12. LEASES

#### The PRC JV as a lessee

The PRC JV has lease contracts for commercial properties which generally have lease terms of 6 years to 10 years.

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

The carrying amount of the PRC JV's right-of-use assets during the year are disclosed in note 11 to the Historical Financial Information.

#### (b) Lease liabilities

The carrying amounts of lease liabilities (included under other payables and accruals) and the movements during the year are as follows:

	2022 HK\$'000	As at 31 March 2023 HK\$'000	2024 HK\$'000	As at 30 September 2024 HK\$'000
Carrying amount at beginning of year/period	13,990	11,689	8,456	5,553
COVID-19-related rent concessions from Lessors	-	(751)	-	-
Accretion of interest recognised during the year/period	790	352	425	152
Payments	( 3,056)	( 2,094)	( 2,907)	( 1,487)
Lease modification	-	( 849)	-	-
Exchange realignment	( 35)	109	( 421)	98
	<u>11,689</u>	<u>8,456</u>	<u>5,553</u>	<u>4,316</u>
Carrying amount at end of year/period	<u>11,689</u>	<u>8,456</u>	<u>5,553</u>	<u>4,316</u>
Analysis into:				
Current portion	2,547	2,600	2,717	2,913
Non-current portion	<u>9,142</u>	<u>5,856</u>	<u>2,836</u>	<u>1,403</u>
	<u>11,689</u>	<u>8,456</u>	<u>5,553</u>	<u>4,316</u>
Carrying amount at end of year/period	<u>11,689</u>	<u>8,456</u>	<u>5,553</u>	<u>4,316</u>

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 12. LEASES (continued)

#### The PRC JV as a lessor

The PRC JV leases its investment properties (note 11) under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the PRC JV during the Relevant Periods are included in note 4 to the Historical Financial Information.

At the end of the reporting period, the undiscounted lease payments receivable by the PRC JV in future periods under non-cancellable operating leases with its tenants are as follows:

	2022	As at 31 March		As at
	2022	2023	2024	30 September
	HK\$'000	HK\$'000	HK\$'000	2024
				HK\$'000
Within one year	38,818	33,518	31,991	14,500
After one year but within two years	3,952	3,380	3,511	910
After two year but within three years	2,573	2,703	1,818	947
After three year but within four years	-	1,917	945	984
After four year but within five years	-	-	983	762
After five years	-	-	249	-
Total	<u>45,343</u>	<u>41,518</u>	<u>39,497</u>	<u>18,103</u>

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 13. TRADE RECEIVABLES

The PRC JV's trade receivables arise from leasing of investment properties and provision of ancillary services. The PRC JV normally requires its customers to make payment of monthly charges in advance in relation to the leasing of investment properties.

Since the PRC JV's trade receivables are related to a number of diversified customers, there is no significant concentration of credit risk. The PRC JV does not hold any collateral or other credit enhancements over its trade receivable balances, except for security deposits paid by the tenants. All trade receivables are non-interest-bearing. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

The PRC JV closely monitors trade receivables balance due more than 30 days. Those trade receivables, due more than 30 days, with financial difficulties, declining credit standing or poor historical payment pattern will be considered as default. The PRC JV will write off these unrecovered receivables after all possible means of debt recovery activities.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2022	As at 31 March		As at
	2022	2023	2024	30 September
	HK\$'000	HK\$'000	HK\$'000	2024
				HK\$'000
Within 30 days	<u>1,069</u>	<u>1,892</u>	<u>1,432</u>	<u>1,581</u>

The PRC JV's tenant normally settle their bills in a timely manner and the PRC JV's trade receivables as at the end of the Relevant Periods are less than 30 days past due. As such, the PRC JV's exposure to credit risk is insignificant and the JV Directors were of the opinion that the ECLs for these trade receivables are minimal.

### 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022	As at 31 March		As at
	2022	2023	2024	30 September
	HK\$'000	HK\$'000	HK\$'000	2024
				HK\$'000
Other receivables	1,610	2,345	6,283	6,714
Deposits	761	705	668	646
Prepayments	<u>98</u>	<u>14</u>	<u>145</u>	<u>82</u>
Total prepayments, deposits and other receivables	<u>2,469</u>	<u>3,064</u>	<u>7,096</u>	<u>7,442</u>

The carrying amount of deposits and other receivables approximated to their fair value as at 31 March 2022, 2023, 2024 and 30 September 2024. Their recoverability was assessed with reference to the credit status of the debtors. Where applicable, an impairment analysis is performed at each reporting date by considering the expected credit losses, which are estimated by applying the probability of default approach with reference to the risks of default of the counterparties. As at 31 March 2022, 2023 and 2024 and 30 September 2024, the loss allowance was assessed to be minimal.



## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 15. OTHER ASSETS

	2022 HK\$'000	As at 31 March 2023 HK\$'000	2024 HK\$'000	As at 30 September 2024 HK\$'000
Rights to the New Properties	<u>58,433</u>	<u>54,048</u>	<u>89,160</u>	<u>91,120</u>

In July 2020 and November 2023, the PRC JV entered into two separated relocation compensation agreements (the "Relocation Compensation Agreements") with two domestic developers, which are independent third parties (the "Developers") for redeveloping two of the PRC JV's investment properties. Pursuant to the Relocation Compensation Agreements, the PRC JV shall surrender its investment properties. The Developers, in return, agreed to (i) compensate the PRC JV with new properties in a form of new commercial properties (the "New Properties") within 72 months; (ii) provide temporary properties for the PRC JV to continue its operations until the handover of the New Properties; (iii) compensate the PRC JV for the loss of business and relocation and decoration costs (collectively the "Cash Compensation").

The PRC JV derecognised the investment properties of HK\$27,520,000 during the year ended 31 March 2021. According to the terms of the Relocation Compensation Agreements, the PRC JV recognised (i) the New Properties as "Other Asset" of HK\$58,433,000 and HK\$37,841,000, (ii) the receivables in relation to the Cash Compensation of HK\$10,590,000 and HK\$3,611,000; and (iii) investment properties in relation to the temporary properties of HK\$13,998,000 and HK\$11,136,000, during the year ended 31 March 2021 and 2024, respectively. Other Assets are initially recognised at their fair value and subsequently carried at cost less impairment.

#### Fair value hierarchy

The cost under initial recognition of the Other Assets has been determined based on its fair value according to the valuation, using the investment method performed by Cushman & Wakefield Limited, an independent professionally qualified valuer. The fair value measurement of the Other Assets of the PRC JV was categorised within Level 3 of the fair value hierarchy.

Below is a summary of the valuation technique used and the key inputs to the valuation of the initial recognition of the Other Assets:

	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Range</u>
Other Assets	Investment method	Estimated rental value per square metre and per month	July 2020: HK\$197 November 2023: HK\$180
		Gross market yield	July 2020: 6% November 2023: 6%

The valuation of the Other Assets was based on the investment method by capitalisation of net rental income derived from existing tenancies with allowance for the potential reversionary market rent of the New Properties.

A significant increase/(decrease) in the estimated rental value per square metre in isolation would result in a significantly higher/(lower) fair value of the Other Assets. A significant increase/(decrease) in the gross market yield in isolation would result in a significantly lower/(higher) fair value of the Other Assets.

To the best of the knowledge, information and belief of the JV Directors, having made all reasonable enquiries, the PRC JV does not expect any obstacles to receive the New Properties and the Cash Compensation from the Developer throughout the Relevant Periods.

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 16. CASH AND BANK BALANCES

At 31 March 2022, 2023 and 2024 and 30 September 2024, the bank balances of the PRC JV denominated in RMB amounted to HK\$59,732,000, HK\$55,251,000, HK\$57,749,000 and HK\$65,166,000, respectively. RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the PRC JV is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The carrying amounts of the bank balances approximate to their fair values. All the bank balances are deposited with creditworthy banks with no recent history of default.

### 17. OTHER PAYABLES AND ACCRUALS

	2022	As at 31 March		As at
	2022	2023	2024	30 September
	HK\$'000	HK\$'000	HK\$'000	2024
				HK\$'000
Deposits received	9,995	9,022	8,053	7,865
Receipt in advance	3,597	2,592	937	694
Accruals	36	21	-	-
Lease liabilities (note 12(b))	11,689	8,456	5,553	4,316
Deferred income (note (a))	10,393	3,975	596	-
Other payables (note (b))	3,006	3,274	2,532	2,508
Dividend payable	-	-	-	9,322
	<u>38,716</u>	<u>27,340</u>	<u>17,671</u>	<u>24,705</u>
Less: Other payables classified as non-current liabilities	<u>(13,439)</u>	<u>(6,483)</u>	<u>(3,432)</u>	<u>(1,403)</u>
Current portion	<u>25,277</u>	<u>20,857</u>	<u>14,239</u>	<u>23,302</u>

Notes:

- (a) Deferred income represented the receipt of one-off PRC government subsidies granted to the PRC JV by the local government authority in Mainland China in relation to the renovation and upgrades of investment properties. The grants received for which related expense has not yet been undertaken are included in deferred income.
- (b) Other payables are non-interest-bearing and repayable on demand.

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 18. DEFERRED TAX

The movements in deferred tax liabilities and assets during the Relevant Periods are as follows:

#### (a) Deferred tax liabilities

	Accelerated tax depreciation HK\$'000	Fair value adjustments of investment properties HK\$'000	Total HK\$'000
Gross deferred tax liabilities at 1 April 2021	10,949	37,154	48,103
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 8)	(334)	(5,589)	(5,923)
Exchange realignment	<u>(131)</u>	<u>(2,242)</u>	<u>(2,373)</u>
Gross deferred tax liabilities at 31 March 2022	10,484	29,323	39,807
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 8)	712	(5,946)	(5,234)
Exchange realignment	<u>(18)</u>	<u>(3,461)</u>	<u>(3,479)</u>
Gross deferred tax liabilities at 31 March 2023	11,178	19,916	31,094
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 8)	586	(6,169)	(5,583)
Exchange realignment	<u>(634)</u>	<u>(1,498)</u>	<u>(2,132)</u>
Gross deferred tax liabilities at 31 March 2024	11,130	12,249	23,379
Deferred tax charged/(credited) to the statement of profit or loss during the period (note 8)	110	(1,822)	(1,712)
Exchange realignment	<u>405</u>	<u>77</u>	<u>482</u>
Gross deferred tax liabilities at 30 September 2024	<u>11,645</u>	<u>10,504</u>	<u>22,149</u>

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 18. DEFERRED TAX (continued)

#### (b) Deferred tax assets

	Lease liabilities HK\$'000
Gross deferred tax assets at 1 April 2021	3,359
Deferred tax charged to the statement of profit or loss during the year (note 8)	(567)
Exchange realignment	<u>130</u>
Gross deferred tax assets at 31 March 2022	2,922
Deferred tax charged to the statement of profit or loss during the year (note 8)	(588)
Exchange realignment	<u>(220)</u>
Gross deferred tax assets at 31 March 2023	2,114
Deferred tax charged to the statement of profit or loss during the year (note 8)	(620)
Exchange realignment	<u>(106)</u>
Gross deferred tax assets at 31 March 2024	1,388
Deferred tax charged to the statement of profit or loss during the period (note 8)	(334)
Exchange realignment	<u>25</u>
Gross deferred tax assets at 30 September 2024	<u><u>1,079</u></u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the PRC JV for financial reporting purposes:

	2022 HK\$'000	As at 31 March 2023 HK\$'000	2024 HK\$'000	As at 30 September 2024 HK\$'000
Net deferred tax liabilities recognised in the statement of financial position	<u>36,885</u>	<u>28,980</u>	<u>21,991</u>	<u>21,070</u>

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 19. SHARE CAPITAL

	2022 '000	As at 31 March 2023 '000	2024 '000	As at 30 September 2024 '000
Capital fully paid up (in RMB)	<u>31,225</u>	<u>31,225</u>	<u>31,225</u>	<u>31,225</u>
Equivalent to HK\$	<u>31,347</u>	<u>31,347</u>	<u>31,347</u>	<u>31,347</u>

### 20. RESERVES

The amounts of the PRC JV's reserves and the movements therein for the Relevant Periods are presented in the statements of changes in equity on page 6 to 8 of the Historical Financial Information.

#### (a) Exchange reserve

The PRC JV's exchange fluctuation reserve comprises all relevant exchange differences arising from the translation of the financial statements of the PRC JV. The reserve is dealt with in accordance with the accounting policies set out in note 2.3 to the Historical Financial Information.

#### (b) Statutory reserve

Pursuant to the relevant laws and regulations in PRC, a portion of the profits of the PRC JV in PRC has been transferred to the statutory reserve which are restricted to use.

### 21. NOTE TO THE STATEMENTS OF CASH FLOWS

#### Major non-cash transactions

During the year ended 31 March 2024, the Group had non-cash additions to Other Assets and investment properties of HK\$37,841,000 and HK\$11,136,000, respectively, in respect of the Relocation Compensation Agreements, further details of which are given in note 15 to the Historical Financial Information.

### 22. RELATED PARTY TRANSACTIONS

In addition to the transaction disclosed elsewhere in the Historical Financial Information, the PRC JV had the following transactions with related parties during the Relevant Periods:

#### (a) Outstanding balances with shareholders:

Details of the PRC JV's dividend payable to shareholders are included in note 17 to the Historical Financial Information.

#### (b) Compensation of key management personnel of the PRC JV

Details of the PRC JV's director emoluments are included in note 6 to the Historical Financial Information.

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 23. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets and liabilities of the PRC JV as at the end of each of the Relevant Periods were financial assets stated at amortised cost and financial liabilities stated at amortised cost, respectively.

### 24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, trade receivables and financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial asset and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

During the Relevant Periods, there was no transfer of fair value measurement between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and financial liabilities.

### 25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The PRC JV's financial instruments comprise cash and bank balances, trade receivables and financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals. Details of these financial instruments are disclosed in the respective notes to the Historical Financial Information.

The main risks arising from the PRC JV's financial instruments are credit risk, liquidity risk and interest rate risk. These risks are managed by the PRC JV 's financial management policies and practices described below:

#### *Credit risk*

It is the PRC JV's policy that all customers are required to pay deposits in advance of the rental of properties. In addition, the PRC JV does not have any significant credit risk as the credit given to any individual or corporate entity is not significant. The PRC JV performs appropriate and sufficient credit verification procedures for every credit sale transaction to minimise credit risk. There is no significant concentration of credit risk within the PRC JV.

The credit risk of the PRC JV's financial assets, which mainly comprise bank balances, trade receivables and financial assets included in prepayments, deposit and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Financial assets measured at amortised cost are all classified under stage 1 for measurement of ECLs except for trade receivables which apply the simplified approach in calculating ECLs. The loss allowance provision for cash and bank balances, trade receivables and financial assets included in prepayments, deposit and other receivables were not significant as at 31 March 2022, 2023 and 2024 and 30 September 2024.

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### *Liquidity risk*

The PRC JV aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The PRC JV finances its working capital requirements through funds generated from operations and bank deposits.

The table below summarises the maturity profile of the PRC JV's non-derivative financial liabilities at each end of each of Relevant Periods based on contractual undiscounted payments, based on contractual and undiscounted payments.

	On demand or within 1 year HK\$'000	1 to 2 years HK\$'000	3 to 5 years HK\$'000	Total HK\$'000
<b>31 March 2022</b>				
Lease liabilities	3,197	3,292	6,718	13,207
Financial liabilities included in other payables and accruals (excluding lease liabilities)	13,001	-	-	13,001
<b>Total</b>	<b>16,198</b>	<b>3,292</b>	<b>6,718</b>	<b>26,208</b>

	On demand or within 1 year HK\$'000	1 to 2 years HK\$'000	3 to 5 years HK\$'000	Total HK\$'000
<b>31 March 2023</b>				
Lease liabilities	3,045	3,136	3,077	9,258
Financial liabilities included in other payables and accruals (excluding lease liabilities)	12,296	-	-	12,296
<b>Total</b>	<b>15,341</b>	<b>3,136</b>	<b>3,077</b>	<b>21,554</b>

	On demand or within 1 year HK\$'000	1 to 2 years HK\$'000	3 to 5 years HK\$'000	Total HK\$'000
<b>31 March 2024</b>				
Lease liabilities	2,974	2,801	118	5,893
Financial liabilities included in other payables and accruals (excluding lease liabilities)	10,585	-	-	10,585
<b>Total</b>	<b>13,559</b>	<b>2,801</b>	<b>118</b>	<b>16,478</b>

	On demand or within 1 year HK\$'000	1 to 2 years HK\$'000	3 to 5 years HK\$'000	Total HK\$'000
<b>30 September 2024</b>				
Lease liabilities	3,085	1,423	-	4,508
Financial liabilities included in other payables and accruals (excluding lease liabilities)	19,695	-	-	19,695
<b>Total</b>	<b>22,780</b>	<b>1,423</b>	<b>-</b>	<b>24,203</b>

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

### 25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### *Interest rate risk*

The PRC JV's exposures to interest rate risk on bank balances are considered insignificant by management. As at each of the Relevant Periods, if the interest rates had been 50 basis points higher/lower, which was considered reasonably possible by management, with all other variables held constant, there is no material impact on profit after tax for the periods/years or other components of the PRC JV's equity.

#### *Capital management*

The PRC JV's objectives for managing its capital are to ensure that the PRC JV will be able to continue as a going concern in order to provide returns for shareholders and to maintain optimal capital structure to reduce the cost of capital. The PRC JV's overall strategy remains unchanged throughout the Relevant Periods.



### **III. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the PRC JV in respect of any period subsequent to 30 September 2024.