

# ALTUS.

Altus Holdings Limited

*incorporated in the Cayman Islands with limited liability*

Stock Code : 8149

## FY2021 ANNUAL REPORT



## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (the “**Directors**”) of Altus Holdings Limited (the “**Company**”), collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Arnold Ip Tin Chee (*Chairman*)  
Mr. Chang Sean Pey  
Ms. Leung Churk Yin Jeanny

#### Independent non-executive Directors

Mr. Chao Tien Yo  
Mr. Chan Sun Kwong  
Mr. Lee Shu Yin

### AUDIT COMMITTEE

Mr. Chan Sun Kwong (*Chairman*)  
Mr. Chao Tien Yo  
Mr. Lee Shu Yin

### REMUNERATION COMMITTEE

Mr. Lee Shu Yin (*Chairman*)  
Mr. Chao Tien Yo  
Mr. Chan Sun Kwong  
Mr. Arnold Ip Tin Chee

### NOMINATION COMMITTEE

Mr. Chao Tien Yo (*Chairman*)  
Mr. Chan Sun Kwong  
Mr. Lee Shu Yin  
Mr. Arnold Ip Tin Chee

### COMPLIANCE OFFICER

Ms. Leung Churk Yin Jeanny

### COMPANY SECRETARY

Ms. Tse Sui Man

### AUTHORISED REPRESENTATIVES

Mr. Arnold Ip Tin Chee  
Mr. Chang Sean Pey

### REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

21 Wing Wo Street  
Central, Hong Kong

### HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### AUDITOR

SHINEWING (HK) CPA LIMITED  
43rd Floor, Lee Garden One  
33 Hysan Avenue  
Causeway Bay  
Hong Kong

## CORPORATE INFORMATION

### PRINCIPAL BANKERS

Bank of Communication Co., Ltd. Hong Kong Branch  
20 Pedder Street, Central  
Hong Kong

Dah Sing Bank Limited  
Everbright Centre  
108 Gloucester Road  
Hong Kong

Hang Seng Bank Limited  
83 Des Voeux Road Central  
Hong Kong

Mizuho Bank, Ltd.  
1-1-5 Uchisaiwaicho  
Chiyoda-ku  
Tokyo  
Japan

The Tokyo Star Bank, Limited  
Akasaka Star Gate Plaza  
3-5, Akasaka 2-chome  
Minato-ku  
Tokyo  
Japan

Kumamoto Daiichi Shinkin Bank  
10-29, Hanabata-cho, Chuo-ku  
Kumamoto-shi  
Kumamoto  
Japan

The Bank of Fukuoka, Ltd.  
5-28, Kuromon, Chuo-ku  
Fukuoka-shi  
Fukuoka  
Japan

### COMPANY WEBSITE

[www.altus.com.hk](http://www.altus.com.hk)

### STOCK CODE

8149

## CHAIRMAN'S STATEMENT

Dear Stakeholders,

First and foremost, I would like to wish you well and safe.

As I write, COVID-19 is continuing to plague the world. This immediately followed the mass social unrest in Hong Kong the year before, upending the equity capital markets as we knew it.

Our team have been most agile in adapting to remote working arrangements. We are extremely grateful now that everyone is healthy and happily back together in the office.

Whilst some sectors have thrived under the pandemic, our focus sector, the SME sector, has been hard hit. Together with changes in market regulations, players in the SME sector are left with much uncertainty.

Uncertainty comes with opportunities. The unprecedented challenges and uncertainties in the past year have demanded a critical evaluation of our own limitations and capabilities.

I am pleased to report that the entire Altus team have demonstrated the readiness to take on challenges, remaining completely open to new ideas, opportunities, and to set new goals for the business. Our core team of corporate financiers have not only grown in experience but also continued to build on their business network. Above all, I find their persistence and confidence in our ability to overcome challenging circumstances reflect a mindset that is our most valued asset.

We took the opportunity to revisit the services we offer and the direction of our business. It is with pleasure that I introduce you to our regrouped repertoire of consultancy and advisory services, most of which you are already familiar with. Corporate finance and equity capital market services comprise our core advisory services, as we continue to help our clients navigate the changing financial market environment. Our special situation services assist decision makers determine their commercial goals, and identify the best available strategies. Whilst this is an activity we have all along been doing, it is an area where our team can apply their commercial experience and skill set with added focus. We have established a new entity and dedicated platform, Altus.ST, to specifically address such demand. Lastly, our investment services provide investment advice, particularly relating to the Japanese real estate market.

With invaluable assistance from our colleagues and partners in Japan, our investment portfolio in Japan has reliably and steadily contributed to our financial performance, providing much needed financial stability. This is not an easy achievement. We are most grateful for their ingenuity and hard work. They have ensured that all daily leasing, renovation work, rental negotiations in the most unusual and difficult working environment, can be carried on throughout the various cities in which our portfolio is located. We will continue our strategy of seeking appropriate opportunities to add to our portfolio.

I am grateful that with such remarkable team efforts, we have a clear path ahead, on which we will aim our next steps.

Once again, I would like to express my heartfelt thanks to our colleagues, our partners in Japan, our clients and bankers for their continual understanding, contribution and support. Last and not least, I would like to thank our shareholders who place their trust in us all.

Yours sincerely,

**Arnold Ip Tin Chee**

*Chairman and Executive Director*

Hong Kong, 22 June 2021

## FINANCIAL HIGHLIGHTS

A summary of the results and of the assets and liabilities of the Company and its subsidiaries (together, the “**Group**”) for the last five financial years, as extracted from the audited consolidated financial statements for the year ended 31 March 2020 (“**FY2020**”) in the 2020 annual report and the audited consolidated financial statements in this annual report (the “**Annual Report**”) are as follows:

	For the year ended 31 March				
	2021 HK\$' 000	2020 HK\$' 000	2019 HK\$' 000	2018 HK\$' 000	2017 HK\$' 000
Revenue	59,266	59,666	77,655	70,961	51,761
Profit before tax	11,790	3,920	36,754	32,555	20,730
Profit (loss) for the year attributable to owners of the Company					
– Reported	6,294	494	29,746	26,295	12,356
– Underlying <sup>(Note 1)</sup>	12,686	7,502 <sup>(Note 2)</sup>	13,207 <sup>(Note 2)</sup>	15,491	(7,861) <sup>(Note 3)</sup>

### Notes:

- Underlying profit (loss) for the year attributable to owners of the Company excludes the net effect of fair value changes of investment properties, net of deferred taxation charged.
- During FY2020 and for the year ended 31 March 2019, underlying net profit had been arrived at after charging expenses related to the proposed transfer of listing of the shares of the Company to the Main Board of the Stock Exchange (the “**Proposed Transfer**”) of approximately HK\$0.3 million and HK\$2.0 million respectively.
- For the year ended 31 March 2017, underlying net loss had been arrived at after charging non-recurring expenses related to the listing of shares of the Company on GEM of the Stock Exchange of approximately HK\$11.3 million.

	As at 31 March				
	2021 HK\$' 000	2020 HK\$' 000	2019 HK\$' 000	2018 HK\$' 000	2017 HK\$' 000
Total assets	713,478	730,309	695,499	706,836	571,267
Total liabilities	249,315	264,115	232,460	254,828	172,548
Net assets	464,163	466,194	463,039	452,008	398,719

## OPERATION REVIEW AND FINANCIAL REVIEW

### REVIEW OF OPERATIONS

The Group focuses on corporate finance and other consultancy services and proprietary investments. In respect of corporate finance and other consultancy services, the Group primarily offers sponsorship, financial advisory, compliance advisory, equity capital market consulting, special situations consulting and investment consulting services to its clients. For proprietary investments, the Group invests in real estate in Japan and Hong Kong and derives rental income therefrom, as well as in securities to derive dividend income therefrom and aims for capital gain.

#### Corporate finance and other consultancy services

The Group recorded corporate finance and other consultancy services revenue of approximately HK\$19.6 million for the year ended 31 March 2021 (“FY2021”), representing a decrease of approximately 10.8% from approximately HK\$22.0 million in FY2020. A breakdown of the corporate finance and other consultancy services revenue of the Group is as follows:

	For the year ended 31 March					
	2021			2020		
	Revenue	% of corporate	Number	Revenue	% of corporate	Number
	HK\$' 000	finance	of active	HK\$' 000	finance	of active
		and other	engagements		and other	engagements
		consultancy	(Note)		consultancy	(Note)
		services revenue			services revenue	
Sponsorship	5,203	27%	5	10,829	49%	7
Financial advisory	8,912	45%	55	5,255	24%	38
Compliance advisory	4,457	23%	10	5,259	24%	12
Others	1,025	5%	24	624	3%	13
<b>Total</b>	<b>19,597</b>	<b>100%</b>		<b>21,967</b>	<b>100%</b>	

*Note:* Active engagements represent corporate finance and other consultancy services engagements from which the Group had derived income during the relevant financial year. It excludes intra-group revenue received by Altus Capital Limited (“**Altus Capital**”), a wholly-owned subsidiary of the Company, for acting as joint sponsors of the Proposed Transfer, as well as for acting as financial adviser to the Company.

Revenue derived from sponsorship engagements decreased in FY2021 in line with the lower number of active engagements. All of the active sponsorship engagements in FY2021, were, amongst others, being vetted by regulators or were in preparation for submission of listing application during FY2021. Three of the active engagements had lapsed and were discontinued during FY2021, while there were also fewer number of new sponsorship engagements secured during FY2021 as the initial public offering (“**IPO**”) market for small and medium enterprises, which the Group primarily focuses on, was overall subdued.

The drop in revenue from sponsorship engagements was partially offset by higher revenue from a higher number of financial advisory engagements as more M&A transactions such as general offers and privatisations were observed, as market players take advantage of depressed valuations. Revenue derived from financial advisory engagements during FY2021 increased by 69.6% from approximately HK\$5.3 million in FY2020 to approximately HK\$8.9 million in FY2021, which was attributable to the higher number and average price of the engagements.

Revenue from other services increased in FY2021 due to higher number of active engagements, in particular, for acting as listing agent(s) for the offering of exchange traded funds.



## OPERATION REVIEW AND FINANCIAL REVIEW

### Proprietary investments

As at 31 March 2021, the Group had a portfolio of 26 investment properties in Japan and one investment property in Hong Kong. This investment property portfolio contributed rental income of approximately HK\$39.7 million in FY2021. In addition to the above, the Group also owns its principal place of business at 21 Wing Wo Street, Central, Hong Kong which is classified as property, plant and equipment.

### Japan

A summary of the investment properties in Japan as at 31 March 2021 are as follows:

				Appraised value as at 31 March 2021 JPY million	Appraised value as at 31 March 2020 JPY million	Average occupancy in FY2021 (by revenue)	
Property name	Location	Net rentable area (sq.ft.)	Number of units				
1.	Ark Palace Hiragishi	Sapporo	14,485	54	401	402	96%
2.	Kitano Machikado GH	Sapporo	1,572	8	45	45	100%
3.	LC One	Sapporo	6,582	26	139	139	91%
4.	Liberty Hills GH <i>(Note)</i>	Sapporo	926	8	41	–	93%
5.	Libress Hiragishi	Sapporo	11,554	36	184	184	90%
6.	Nouvelle 98	Sapporo	13,790	38	232	231	92%
7.	Rakuyukan 36	Sapporo	18,046	38	316	316	100%
8.	Relife GH	Sapporo	750	6	33	33	100%
9.	Shinoro House GH	Sapporo	918	6	36	36	100%
10.	South 1 West 18 Building	Sapporo	15,529	37	275	275	90%
11.	T House	Sapporo	6,751	24	145	146	88%
12.	Tommy House Hiragishi	Sapporo	8,782	28	162	161	91%
13.	Uruoi Kawanone	Sapporo	15,930	65	667	664	96%
14.	White Building A & B	Sapporo	13,523	55	239	239	97%
15.	Wisteria-S	Sapporo	5,997	19	146	146	100%
16.	City Court Suginami	Hakodate	13,640	44	207	207	95%
17.	Azabu Sendaizaka Hills	Tokyo	12,046	7	1,460	1,430	93%
18.	Azabu Juban Crown Building	Tokyo	2,248	5	248	248	98%
19.	Residence Motoki	Fukuoka	11,992	12	299	294	100%
20.	Wealth Fujisaki	Fukuoka	7,390	10	173	173	96%
21.	KD Shinshigai Building	Kumamoto	4,463	3	275	275	87%
22.	Rise Shimodori EXE	Kumamoto	14,159	35	484	485	94%
23.	Rise Fujisakidai	Kumamoto	13,891	36	414	415	92%
24.	Rise Kumamoto Station South	Kumamoto	10,116	20	211	212	97%
25.	Rise Shimodori	Kumamoto	13,619	36	458	458	80%
26.	Kagoshima Tenmonkan Building	Kagoshima	6,541	1	547	548	100%

## OPERATION REVIEW AND FINANCIAL REVIEW

*Note:* This property was acquired in April 2020.

Save for Kagoshima Tenmonkan Building and KD Shinshigai Building which are solely used for retail purpose, the investment properties of the Group in Japan are generally for residential purposes.

### ***Hong Kong***

The investment property in Hong Kong is an office unit at Duddell Street, Central with saleable area of approximately 2,267 sq.ft.. It had been leased out throughout FY2021. This property's appraised value as at 31 March 2021 was HK\$76.0 million.

As at 31 March 2021, the Group had a portfolio of securities investment in Hong Kong with the market value of approximately HK\$1.2 million. Approximately HK\$0.1 million and HK\$0.3 million dividend income and gain on disposal of financial assets at fair value through profit or loss was recognised respectively in FY2021.

### **Compliance with laws and regulations**

The Group has put in place compliance and risk management policies and procedures, and members of the executive and senior management are delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements. These policies and procedures are reviewed regularly. As far as the board of directors of the Company (the “**Board**”) is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the businesses and operations of the Group.

### **Environmental policies and performance**

The Group is committed to building an environmental-friendly corporation by paying close attention to reducing consumption of energy and natural resources. The Group strives to minimise its environmental impact by saving electricity through maximising the use of natural lighting, increasing the energy efficiency of equipment such as air conditioner, minimising paper consumption through disseminating information via electronic ways and re-cycling single-sided printed paper etc. Employees have been following the above practices whenever possible during day-to-day operation.

For further information in relation to environmental, social and governance performance of the Company during FY2021, please refer to the upcoming Environmental, Social and Governance Report, which will be released shortly and published on the respective websites of GEM of the Stock Exchange and the Company.

During FY2021, the Group has not been the subject of any environmental claims, lawsuits, penalties or disciplinary actions.

### **Employees and remuneration policy**

Please refer to section headed “Employees and remuneration policy” under “Directors’ Report” of this Annual Report for details.

# OPERATION REVIEW AND FINANCIAL REVIEW

## FINANCIAL REVIEW

### Review of operating results

A review of certain items of the operating results of the Group are set out below.

#### Revenue

The Group recorded revenue of approximately HK\$59.3 million in FY2021 compared with approximately HK\$59.7 million in FY2020, representing a slight decrease of approximately 0.7%. While revenue from proprietary investments increased, a 10.8% decrease in revenue from corporate finance and other consultancy services resulted in this overall revenue decrease.

#### *Corporate finance and other consultancy services*

Revenue from corporate finance and other consultancy services decrease from approximately HK\$22.0 million in FY2020 to approximately HK\$19.6 million in FY2021 mainly attributable to the lower revenue from sponsorship services which had reduced from approximately HK\$10.8 million in FY2020 to approximately HK\$5.2 million in FY2021. There were fewer number of active engagements during FY2021 as IPO activities for our target market of small-medium enterprises had been generally subdued. Several of our engagements were discontinued for reasons such as uncertain market conditions and financial performance of applicants and regulatory hurdles. The Group also secured fewer new sponsorship engagements.

The effects of the above were partially offset by higher revenue generated from financial advisory services in a more active M&A market during FY2021. There were higher number of active financial advisory engagements during FY2021 despite there also been more competition among service providers.

#### *Proprietary investments*

The higher revenue from proprietary investments in FY2021 was mainly attributable to higher rental revenue from Japan due to the additions of Relife GH in August 2019 and KD Shinshigai Building in November 2019, Wisteria-S in March 2020 and Liberty Hills GH in April 2020 to the portfolio. These properties provided full year contribution to rental revenue in FY2021. Overall, the occupancy rate for properties in Japan decreased slightly from 94.3% in FY2020 to 93.8% in FY2021 mainly affected by the departure of a restaurant tenant at KD Shinshigai Building and a lower occupancy rate at Rise Shimodori where a number of tenants were employees in hospitality industry. These sectors have been most affected by the COVID-19 pandemic situation.

The Group recorded lower property expenses of approximately HK\$13.6 million in FY2021 as compared with HK\$15.4 million in FY2020. Such decrease in property expenses was primarily due to the absence of the repair and maintenance expenses incurred in FY2020 of approximately HK\$2.5 million in relation to a fire accident that occurred in November 2018 at City Court Suginami.

Meanwhile, the property in Hong Kong was fully occupied during FY2020 and occupied at all material times during FY2021.

#### Other income

The Group had other income of approximately HK\$2.0 million in FY2021 mainly from government subsidies received under the Hong Kong Government Employment Support Scheme, and forfeited tenant deposit. Other income was lower than in FY2020 as during FY2020, the Group received a one-off insurance compensation of approximately HK\$2.5 million relating to the fire accident at City Court Suginami, and a reversal of impairment losses on accounts receivables relating to corporate finance and other consultancy services rendered of approximately HK\$1.5 million.

## OPERATION REVIEW AND FINANCIAL REVIEW

### Net decrease in fair value of investment properties

The Group recorded a net decrease in fair value of investment properties of approximately HK\$4.1 million in FY2021 as compared to a net decrease of approximately HK\$5.3 million in FY2020. In particular, a fair value decrease of HK\$6.0 million was recorded for our Hong Kong investment property at Duddell Street, Central in line with a weaker commercial property market during FY2021. In Japan, the net increase in fair value of investment properties of approximately HK\$1.9 million was contributed mainly by fair value increases of Liberty Hill GH and Azabu Sendaizaka Hills.

### Administrative and operating expenses

Administrative and operating expenses decreased from approximately HK\$34.7 million in FY2020 to approximately HK\$27.1 million in FY2021. Such decrease was due to a reduction in executive directors' remuneration from approximately HK\$8.2 million in FY2020 to approximately HK\$3.7 million in FY2021 following lower discretionary bonus paid to them, as well as lower staff costs to approximately HK\$11.4 million in FY2021 from approximately HK\$14.0 million in FY2020 as a result of a decrease in headcount. There were also (i) a decrease in share based payments in relation to share options from approximately HK\$0.5 million in FY2020 to nil in FY2021; and (ii) lower travelling and advertising expenses of approximately HK\$0.1 million in FY2021 compared with approximately HK\$0.8 million in FY2020.

### Profit for the year

The profit of the Group for the year increased to approximately HK\$7.1 million in FY2021 from approximately HK\$1.5 million in FY2020. By excluding the net effect of changes in the valuation of investment properties, the Group recorded an underlying net profit for the year attributable to the owners of the Company of approximately HK\$12.7 million in FY2021 as compared with approximately HK\$7.5 million in FY2020. The improvement in FY2021 was mainly underpinned by higher rental revenue and to a lesser extent, a one-off government subsidies, and with the Group incurring lower administrative and operating expenses relating to directors' remuneration and staff costs as explained above.

### Liquidity, financial resources and capital structure

The operations of the Group are mainly financed by shareholders' equity, bank loans and cash generated from operations.

	As at 31 March 2021 HK\$' 000	As at 31 March 2020 HK\$' 000
Current assets	41,490	44,924
Current liabilities	81,296	83,548
Current ratio (time) <i>(Note 1)</i>	0.5	0.5
Gearing ratio (%) <i>(Note 2)</i>	43.5	46.7

#### Notes:

1. Current ratio is calculated by dividing current assets by current liabilities as at the end of the respective financial year.
2. Gearing ratio is calculated by dividing total debt by total equity as at the end of the respective financial year.

## OPERATION REVIEW AND FINANCIAL REVIEW

The Group recorded net current liabilities of approximately HK\$39.8 million as at 31 March 2021 as compared with approximately HK\$38.6 million as at 31 March 2020.

The Directors are satisfied that the liquidity of the Group can be maintained. Details are set out in note 2 to the audited consolidated financial statements of this Annual Report.

Gearing ratio as at 31 March 2021 was approximately 43.5% compared to 46.7% as at 31 March 2020. The lower gearing ratio was due to a decrease in total interest bearing loans of the Group from approximately HK\$217.8 million as at 31 March 2020 to approximately HK\$201.8 million as at 31 March 2021. Such decrease in total interest bearing loans of the Group as at 31 March 2021 were in line with the regular loan principal repayment conducted in FY2021.

### ***Cash balance***

As at 31 March 2021, the Group had cash and bank balances amounted to approximately HK\$34.8 million (31 March 2020: approximately HK\$39.4 million) of which approximately HK\$25.9 million was held in JPY deposited in licenced banks in Hong Kong and Japan.

### ***Foreign exchange and interest rate exposures***

The Group manages its foreign exchange exposure by monitoring the matching of the currencies of its debts with (i) the collateral assets; and (ii) the debt servicing income derived from its business activities. In FY2021, loans to be serviced by rental income generated from or secured by properties in Japan were denominated in JPY and serviced by income from Japan denominated in JPY; meanwhile, loans secured by properties (for investment and self-occupation) in Hong Kong were serviced by income derived from Hong Kong denominated in HK\$. Due to the weakness of JPY over FY2021, a negative exchange difference arising on translation of foreign operations of approximately HK\$8.3 million was recorded during FY2021 (FY2020: positive exchange difference of approximately HK\$4.5 million).

To mitigate risks associated with fluctuations of interest rates for some of the loans in Japan with variable interest rates, the Group had entered into derivative financial instruments as a means to effectively fix the interest rate. As at 31 March 2021, the aggregate outstanding amount in relation to such borrowings amounted to approximately HK\$20.0 million (31 March 2020: approximately HK\$31.1 million).

### ***Bank borrowings***

Total interest bearing loans of the Group decreased from approximately HK\$217.8 million as at 31 March 2020 to approximately HK\$201.8 million as at 31 March 2021. These loans carry fixed and variable interest rates ranging from 1.09% to 4.86% per annum.

As at 31 March 2021, approximately HK\$73.2 million (31 March 2020: approximately HK\$76.7 million) of interest bearing loans of the Group had variable interest rates. By excluding the impact of net change in fair value of investment properties, the underlying interest coverage ratio as at 31 March 2021 was 4.4 times (31 March 2020: 2.9 times).

### ***Material acquisition and disposal of subsidiaries, associates and joint ventures***

Please refer to the section headed “Material acquisition and disposal of subsidiaries, associates and joint ventures” of this Annual Report.

## OPERATION REVIEW AND FINANCIAL REVIEW

### *Charges on the assets of the Group*

As at 31 March 2021, (i) both the properties in Hong Kong; and (ii) all the properties in Japan (save for Kitano Machikado GH, Liberty Hill GH, Rakuyukan 36, Relife GH and Shinoro House GH), had been charged in favour of banks and financial institutions in Hong Kong and Japan for loans obtained from them.

### *Capital commitments/Contingent liabilities*

As at 31 March 2021, the Group did not have any significant capital commitments and contingent liabilities.

### *Principal risk and uncertainty*

The key risks and uncertainties to which the Group is subject are set out in sections headed “Operation review and financial review”, “Directors report” and in the notes to audited consolidated financial statements. A short summary is provided as follows:

- I. Risks associated with the corporate finance and other consultancy activities, include amongst others,
  - (i) the business of the Group being subject to fluctuations in financial performance due to (i) corporate finance and other consultancy transactions being project-based in nature; and (ii) milestone payment arrangement;
  - (ii) the business of the Group depending on the continuing efforts of the executive and senior management;
  - (iii) the Group being exposed to risks associated with retention and recruitment of licensed personnel; and
  - (iv) the Group being subject to extensive regulatory requirements, non-compliance with which, or changes in these regulatory requirements, may affect the business operations and financial results.
- II. Risks associated with the proprietary investments activities, include amongst others,
  - (i) income earned from, and the value of, the properties may be adversely affected by a number of factors, including general downturn of the economy and the timeliness of tenant’s payment of rent etc.;
  - (ii) unforeseen ad-hoc maintenance and repairs in respect of physical damage to the properties may disrupt the operations of the properties and collection of rental income or otherwise result in an adverse impact on the financial condition of the Group;
  - (iii) investment performance being susceptible to fluctuations in the value of foreign currencies, in particular, the JPY;
  - (iv) the properties in Japan may be affected by the introduction of new laws and changes in the laws and regulations in Japan; and
  - (v) risks associated with the Japanese tokumei kumiai arrangement (the “**TK Arrangement**”).

## OPERATION REVIEW AND FINANCIAL REVIEW

### OUTLOOK AND STRATEGY

The COVID-19 pandemic, which first started over 18 months ago, is still ravaging various parts of the world. Situation in Hong Kong appears comparatively stable, with people adapting to the new way of life such as face mask-wearing, working-from-home and shorter restaurant operating hours.

#### **Advisory and consulting**

More pertinent to our advisory and consulting business, the Hong Kong financial markets have been relatively stable since the beginning of 2021, where the Hang Seng Index has hovered between the 27,500 and 30,000 levels. Total funds raised from Hong Kong's equity market reached HK\$416 billion in the five months to May 2021, including HK\$184 billion from IPOs. These represent over 7 times and about 3 times of the amount raised compared to the corresponding period in 2020. On further scrutiny, the number of IPOs however decreased from 55 in the first five months of 2020 to 39 in the first five months of 2021, and with popularity skewed towards larger IPOs of technology, media and telecom and bio-technology related enterprises. This is to a certain extent at the expense of small and medium enterprises ("SME") IPOs, which the sponsorship business of the Group primarily focuses on, and we expect such trend may persist in the short term, thus affecting our IPO pipeline.

In response, we have strengthened our competence on equity capital market consulting to provide a full suite of equity capital market fund raising and M&A advisory service from sourcing potential buyers/sellers/investors, coordinating deal negotiation process to the closing of deals. Our special situations consulting services provide strategic support and assistance for asset/debt recovery, corporate investigations, crisis and media management, as well as litigation support. The aim is also to diversify from customary financial advisory services where there has been intense competition on fees. The Group also embarked on an initiative to reinforce the awareness of our existing and new services to both our established and potential customers.

That said, these new areas of business may take time to develop before giving rise to noticeable results. For this reason and given the capricious COVID-19 pandemic situation, the management remains cautious as to the outlook of our advisory and consulting business segment in the coming financial year.

#### **Proprietary investments**

As the time of writing, our proprietary investments consist principally of a portfolio of residential and, to a lesser extent commercial properties in Japan. We also own an office unit in Central, Hong Kong. We also maintain a small portfolio of the listed securities.

#### ***Hong Kong***

Continuing a trend since early 2020, the office market in the Central business district remained subdued, where effective rent in April 2021 for overall Central area decreased by 14.1% year-on-year, and 1.1% month-on-month. If such weakness persists, there may be further downward pressure on the value of our investment property. The existing tenancy runs till June 2023 and will continue to contribute rental income in the coming financial year.

## OPERATION REVIEW AND FINANCIAL REVIEW

For investment in securities, we shall continue to adopt both long term strategies of value investments with dividend returns, as well as shorter term strategies of seeking trading profits, in particular in subscribing for Hong Kong IPOs.

### *Japan*

Despite tumultuous economic conditions, the effects on values of multi-family residential real estate market in Japan has been nominal – likely underpinned by a “flight to safety” mentality. Our residential portfolio was able to maintain stable occupancy and rental rates in the past financial year, and the management expects this overall trend to continue.

More specifically, the COVID-19 pandemic affected a couple of our portfolio properties which cater to retail purposes or the tenants of whom are mainly employees in hospitality industry. In the past year, we have adopted a flexible approach towards rental adjustment requests from tenants whose businesses were affected. We expect to continue with such practical approach.

The inability to travel and conduct due diligence has put on hold the strategy of expanding the property portfolio. The Directors will nevertheless continuously look out for investment opportunities in the market.

Looking forward to the current financial year, barring unforeseen circumstances, the Directors expect stable rental income to contribute to the profitability of the Group and do not foresee significant changes in value of our property portfolio.

### **Overall Conclusion**

The Directors observe that global economies and financial markets have generally stabilised, despite the continuing COVID-19 pandemic. That said, there remain lingering uncertainties on the outlook of the Group’s two business segments, in particular, the advisory and consulting segment. The Directors believe the Group shall therefore continue to be prudent in monitoring its operating revenue, expenses and cashflow.



# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

The Board recognises the importance of good corporate governance, as well as corporate transparency and accountability. Therefore, the Company aims to establish and maintain good corporate governance practices and is committed to achieving high standard of corporate governance to maximise shareholders' interests while taking into account the interests of other stakeholders as a whole.

## CORPORATE GOVERNANCE PRACTICES

The shares of the Company were listed on GEM on 17 October 2016 (the “**Listing Date**”). The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as contained in Appendix 15 to the GEM Listing Rules during FY2021. During FY2021, the Company had, where applicable, complied with the applicable code provisions as set out in the CG Code.

## CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors in respect of the shares of the Company (the “**Code of Conduct**”). The Company had made specific enquiry with the Directors and all Directors confirmed that they had fully complied with the required standard of dealings set out in the Code of Conduct and there was no event of non-compliance during FY2021 and up to the date of this Annual Report (the “**Relevant Period**”).

## BOARD OF DIRECTORS

As at the date of this Annual Report, the Board comprises three executive Directors and three independent non-executive Directors. Details of their composition by category are as follows:

### *Executive Directors*

Mr. Arnold Ip Tin Chee (*Chairman*)

Mr. Chang Sean Pey

Ms. Leung Churk Yin Jeanny

### *Independent non-executive Directors*

Mr. Chao Tien Yo

Mr. Chan Sun Kwong

Mr. Lee Shu Yin

Biographical details of the Directors are set out in the section headed “Biographical details of directors and senior management” of this Annual Report. Save as disclosed the relationship between Directors and senior management as set out in section headed “Disclosure of relationship” of this Annual Report, there was no relationship (including financial, business, family or other material and relevant relationship(s)) between Board members.

# CORPORATE GOVERNANCE REPORT

## RESPONSIBILITIES OF THE BOARD

The Board supervises the overall management and administration of the business of the Group and ensures that it acts in the best interests of the shareholders of the Company (the “Shareholders”) while taking into account the interests of other stakeholders as a whole. The Board is primarily responsible for overall development, strategic planning, reviewing and monitoring the business performance, approving the financial statements and annual budgets, internal controls and risk management as well as supervising the management of the Group. Execution of operational matters and the powers thereof are delegated to the executive Directors and senior management by the Board. The Board is regularly provided with management update reports to give a balanced and understandable assessment of the performance, position, recent development and prospects of the Group.

According to the code provision C.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates. During FY2021, the executive Directors have provided to all the other members of the Board updates on any material changes to the position and prospects of the Group, which are considered to be sufficient to provide general updates of the performance of the Group, position and prospects to the Board members and allow them to give a balanced and understandable assessment of the same for the purposes of code provision C.1.2 of the CG Code.

The Board is of the view that the various experiences and professional qualifications of both the executive Directors and the independent non-executive Directors have provided balanced skills, experience and expertise for the businesses of the Group.

The Company has taken out directors and officers liability insurance to cover liabilities arising from any legal action against the Directors.

## CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the CG Code states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company currently has not appointed any chief executive.

The Board currently comprises three executive Directors and three independent non-executive Directors with diverse qualifications and experience which ensure that the Board has a strong element of independence in its composition for its decision making. The Board also considers the day-to-day management of business has been properly delegated to different individuals.

Mr. Arnold Ip Tin Chee is the chairman of the Company, who provides leadership and governance of the Board and ensures that all key and relevant issues are deliberated in a timely manner. He is responsible for the overall management and administration of the business and daily operations of the Group as executive Director. Mr. Chang Sean Pey and Ms. Leung Churk Yin Jeanny, the executive Directors, are responsible for the overall development, strategic planning and major business decisions of the Group. The Board is regularly provided with management updates to allow its members to give a balanced and understandable assessment of the performance, position, recent development and prospects of the Group. Therefore, the Board considers that there is sufficient balance of executive authority, and that executive authority is not concentrated in the hands of any one individual.

# CORPORATE GOVERNANCE REPORT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors are mainly responsible for advising on issues such as corporate governance, audit, remuneration and nomination of Directors and senior management. In compliance with Rules 5.05A and 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board. The Group has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to the requirements under Rule 5.09 of the GEM Listing Rules. Based on such confirmation, the Company is of the view that all the independent non-executive Directors have met the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and considers that they are independent.

## BOARD COMMITTEES

The Board has established three committees, namely the audit committee (the “**Audit Committee**”), remuneration committee (the “**Remuneration Committee**”) and nomination committee (the “**Nomination Committee**”) on 26 September 2016, to oversee particular aspects of the affairs of the Group. Each of the three committees has sufficient resources, and its specific terms of reference that are approved by the Board relating to its responsibilities, duties, powers and functions, are published on the respective websites of GEM of the Stock Exchange and the Company.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance at the expenses of the Company. The Board committees will regularly report to the Board on decisions or recommendations made.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the corporate governance functions under code provision D.3.1 of the CG Code. Its responsibilities include:

- (i) developing and reviewing the policies and practices of the Group on corporate governance;
- (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management;
- (iii) reviewing and monitoring the policies and practices of the Group on compliance with legal and regulatory requirements;
- (iv) reviewing and monitoring the Code of Conduct and compliance manual applicable to employees and Directors; and
- (v) reviewing the compliance with the CG Code and relevant disclosure of the Group.

The Board has reviewed and discussed the above matters and corporate governance policy and practice of the Group and is satisfied with its effectiveness during FY2021.

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE

The Company has established the Audit Committee pursuant to a resolution of the Board passed on 26 September 2016 with written terms of reference in compliance with the CG Code and Rule 5.28 of the GEM Listing Rules. The primary duties of the Audit Committee are (i) to make recommendations to the Board on the appointment and removal of external auditors; (ii) to review the financial statements and render advice in respect of financial reporting; (iii) to oversee internal control procedures and corporate governance of the Group; (iv) to supervise internal control and risk management systems of the Group; and (v) to monitor continuing connected transactions (if any).

The Audit Committee currently consists of all of our three independent non-executive Directors, namely Mr. Chao Tien Yo, Mr. Chan Sun Kwong and Mr. Lee Shu Yin and the chairman is Mr. Chan Sun Kwong, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

The following is a summary of work performed by the Audit Committee during the Relevant Period:

- (a) reviewed the unaudited financial statements for three months ended 30 June 2020, six months ended 30 September 2020 and nine months ended 31 December 2020;
- (b) reviewed the audited financial statements for FY2020 and FY2021;
- (c) monitored the financial controls, internal control and risk management systems of the Group;
- (d) reviewed the remuneration and the appointment and the terms of engagement of the external auditor and internal control consultant;
- (e) reviewed the audit scope proposed by the external auditor and its independence; and
- (f) reviewed the effectiveness of internal audit function.

The attendance record of the members of the Audit Committee at meetings during FY2021 is set out below:

<b>Name of members</b>	<b>Attendance/No. of Meetings</b>
Mr. Chan Sun Kwong ( <i>Chairman</i> )	5/5
Mr. Chao Tien Yo	5/5
Mr. Lee Shu Yin	5/5

## REMUNERATION COMMITTEE

The Company has established the Remuneration Committee pursuant to a resolution of the Board passed on 26 September 2016 with written terms of reference in compliance with the CG Code and Rules 5.34 and 5.35 of the GEM Listing Rules. The primary duties of the Remuneration Committee are (i) to review and make recommendations to the Board on the overall remuneration policy and structure relating to all Directors, senior management and the general staff of the Company; (ii) to determine other remuneration-related matters, including benefits in-kind and other compensation payable to the Directors; and (iii) to determine the performance-based remunerations and to establish a formal and transparent procedure for developing policy in relation to remuneration. The Remuneration Committee adopted the model described in code provision B.1.2 (c)(i).

## CORPORATE GOVERNANCE REPORT

The Remuneration Committee currently consists of one executive Director, Mr. Arnold Ip Tin Chee, and all three independent non-executive Directors, namely Mr. Chao Tien Yo, Mr. Chan Sun Kwong and Mr. Lee Shu Yin. It is currently chaired by Mr. Lee Shu Yin.

Two Remuneration Committee meetings were held during FY2021 to consider the bonus payments and remuneration package for the Directors and senior management, to review the remuneration policy and structure of the Directors and senior management and determine remuneration package of the Directors and senior management. The attendance record of the members of the Remuneration Committee at meetings is set out below:

<b>Name of members</b>	<b>Attendance/No. of meetings</b>
Mr. Lee Shu Yin ( <i>Chairman</i> )	2/2
Mr. Chao Tien Yo	2/2
Mr. Chan Sun Kwong	2/2
Mr. Arnold Ip Tin Chee	2/2

## NOMINATION COMMITTEE

The Group has established the Nomination Committee pursuant to a resolution of the Board passed on 26 September 2016 with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are (i) to review the structure, size, composition and diversity of the Board on a regular basis; (ii) to identify individuals suitably qualified to become Board members; (iii) to assess the independence of independent non-executive Directors; (iv) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors; and (v) to make recommendations to the Board regarding the candidates to fill vacancies on the Board.

The Nomination Committee currently consists of one executive Director, Mr. Arnold Ip Tin Chee, and all three independent non-executive Directors, namely Mr. Chao Tien Yo, Mr. Chan Sun Kwong and Mr. Lee Shu Yin. It is currently chaired by Mr. Chao Tien Yo.

# CORPORATE GOVERNANCE REPORT

One Nomination Committee meeting was held during FY2021 to consider the retirement and re-election of Directors, to review the annual confirmation and assess the independence of the independent non-executive directors, the current structure, size and diversity of the Board, the board diversity policy and the contribution required from a director to perform his/her responsibility. The attendance record of the members of the Nomination Committee at meeting during FY2021 is set out below:

<b>Name of members</b>	<b>Attendance/No. of Meeting</b>
Mr. Chao Tien Yo ( <i>Chairman</i> )	1/1
Mr. Chan Sun Kwong	1/1
Mr. Lee Shu Yin	1/1
Mr. Arnold Ip Tin Chee	1/1

## NOMINATION POLICY

The nominations were made in accordance with objective criteria (including gender, age, cultural and education background, professional experience, reputation for integrity, accomplishment and experience in the business of the Group, commitment in respect of available time and relevant interest and other factors as considers appropriate) with due regard for the benefits of diversity, as set out in the board diversity policy. For re-election of existing Directors or proposing candidates to stand for election at a general meeting, the Nomination Committee would make recommendation of candidates for the Board's consideration and approval.

## BOARD DIVERSITY

The Board has adopted a board diversity policy, which is published on the website of the Company and recognises the benefits of a Board that possesses a balance of skills set, experience, expertise and diversity of perspectives appropriate for the strategies of the Company. The Board's composition reflects a good use of differences in the skills, regional and industrial experience, background, gender and other qualities and contribute to the effectiveness of the Board. The Board is also satisfied with contributions from Directors during the Relevant Period.

## TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of our executive Directors has entered into a service agreement with the Company on 26 September 2016 for an initial term of three years commencing from the Listing Date which shall continue thereafter. Either party may terminate the service agreement by giving to the other not less than three months' prior notice in writing at any time during the initial term and thereafter.

Each of the independent non-executive Directors has signed a letter of appointment on 26 September 2016 for a term of three years commencing from the Listing Date which shall continue thereafter. The independent non-executive Directors may terminate their letter of appointment by giving a minimum of three months' notice in writing to the Company.

According to Article 84 of the articles of association of the Company (the "**Articles**"), one-third of the Directors for the time being (or, if the number of Directors is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at an annual general meeting of the Company ("**AGM**") at least once every three years. In the upcoming AGM, one executive Director and one independent non-executive Director, being Ms. Leung Churk Yin Jeanny and Mr. Chan Sun Kwong respectively, would retire and be subject to re-election.

# CORPORATE GOVERNANCE REPORT

## BOARD MEETINGS

Code provision A.1.1 of the CG Code states that Board meeting should be held at least four times each year at approximately quarterly intervals with active participation, either in person or through electronic means of communication by the majority of the Directors entitled to be present. The Board delegates necessary powers and authorities to the executive Directors to facilitate the efficient day-to-day management of the businesses of the Group. Directors who are considered having conflict of interests or material interests in proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting on the relevant resolutions subject to certain exceptions set out in the Articles. The company secretary is responsible for facilitating the Board process as well as communications among Board members. Any Director, Audit Committee member, Remuneration Committee member and Nomination Committee member of the Company may take independent professional advice at the expense of the Company should they so wish.

The attendance record of each Director at Board meetings during FY2021 is set out below:

<b>Name of Directors</b>	<b>Attendance/No. of Meetings</b>
Mr. Arnold Ip Tin Chee ( <i>Chairman</i> )	8/8
Mr. Chang Sean Pey	8/8
Ms. Leung Churk Yin Jeanny	8/8
Mr. Chao Tien Yo	8/8
Mr. Chan Sun Kwong	8/8
Mr. Lee Shu Yin	8/8

As stated in code provision A.1.3, notice of regular Board meetings will be given to all Directors at least 14 days prior to the scheduled Board meeting. For all other Board meetings, reasonable notice would be given.

## GENERAL MEETINGS

The latest Shareholders' meetings of the Company were the annual general meeting and extraordinary general meeting which were both held on 7 August 2020 at Artyzen Club at 401A, 4/F Shun Tak Centre (near China Merchant Tower), 200 Connaught Road Central, Hong Kong. The attendance record of each Directors at the above general meetings during FY2021 is set out below:

<b>Name of Directors</b>	<b>Attendance/No. of Meetings</b>
Mr. Arnold Ip Tin Chee ( <i>Chairman</i> )	2/2
Mr. Chang Sean Pey	2/2
Ms. Leung Churk Yin Jeanny	2/2
Mr. Chao Tien Yo	2/2
Mr. Chan Sun Kwong	2/2
Mr. Lee Shu Yin	2/2

## CORPORATE GOVERNANCE REPORT

### TRAINING FOR DIRECTORS AND COMPANY SECRETARY AND CONTINUING PROFESSIONAL DEVELOPMENT

According to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. For FY2021, each Director attended training at courses, seminars or talks provided by professional, which covered amongst other topics, the CG Code, as well as the GEM listed company's and directors' continuing obligations. In addition, during the Relevant Period, each of the Directors has from time to time reviewed updates on laws, rules and regulations which might be relevant to their roles, duties and functions as a director of a listed company.

Ms. Tse Sui Man, the company secretary of the Company, has complied with the relevant training requirement under Rule 5.15 of the GEM Listing Rules during the Relevant Period.

### AUDITOR'S REMUNERATION

The remuneration paid/payable to the auditor of the Group for FY2021 is set out as follows:

<b>Services rendered</b>	<b>HK\$</b>
Audit service	700,000
Non-audit services <i>(Note)</i>	103,000
<b>Total</b>	<b>803,000</b>

*Note:* Non-audit services include taxation related services and other services.

### COMPANY SECRETARY

Please refer to the section headed "Biographical details of directors and senior management" of this Annual Report for biographical details of the company secretary of the Company.

### COMPLIANCE OFFICER

Ms. Leung Churk Yin Jeanny, an executive Director, was appointed as the compliance officer of the Company on 8 April 2016. Please refer to the section headed "Biographical details of directors and senior management" of this Annual Report for biographical details of the compliance officer of the Company.



# CORPORATE GOVERNANCE REPORT

## DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare the financial statements for FY2021 which give a true and fair view of the state of affairs of the Group. In preparing the consolidated financial statements for FY2021, the Board has selected suitable accounting policies and applied them consistently, and made judgments and estimates that are fair and reasonable.

As at 31 March 2021, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the ability of the Group to continue as a going concern. Therefore, the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The responsibility of the external auditors is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. The independent auditor's report by external auditor, SHINEWING (HK) CPA LIMITED, about their reporting responsibility on the consolidated financial statements of the Group is set out in the independent auditor's report of this Annual Report.

## REMUNERATION OF EXECUTIVE DIRECTORS AND SENIOR MANAGEMENT

Details of the Directors' remuneration and five highest paid individuals' emoluments are set out in note 15 to the audited consolidated financial statements of this Annual Report.

Details of the executive Director's and senior management's emoluments by band are set out as follows:

	<b>Number of executive Directors and senior management</b>
HK\$0 – HK\$1,000,000	3
HK\$1,000,001 – HK\$2,000,000	3
Above HK\$2,000,000	1
<b>Total</b>	<b>7</b>

## SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

An annual general meeting shall be held each year and at the place as may be determined by the Board. Each general meeting, other than the annual general meeting, shall be called an extraordinary general meeting.

The annual general meeting will provide a forum for the Board and the Shareholders to communicate. The Board will answer questions raised by Shareholders at the AGM. For the purpose of effective communication, the Company also includes the latest information relating to the Group on its website at <http://www.altus.com.hk>.

## CORPORATE GOVERNANCE REPORT

There are no provisions in the Articles for members to put forward new resolutions at general meetings. However, members of the Company who wish to propose resolutions are requested to follow Article 58 of the Articles to make a requisition for an extraordinary general meeting. According to Article 58 of the Articles, any one or more members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

The requisition must be deposited for the attention of the Board or the company secretary of the Company via mail to the principal place of business of the Company in Hong Kong at 21 Wing Wo Street, Central, Hong Kong or via email (co.sec@altus.com.hk), requiring an extraordinary general meeting to be called by the Board and specifying the business that the shareholder(s) wish to discuss.

If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The procedures for proposing a person for election as a director of the Company is published on the website of the Company.

The dividend policy of the Company is to strike a balance between maintaining sufficient capital to grow its businesses and rewarding shareholders of the Company. According to the dividend policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

- (i) the general financial condition of the Group;
- (ii) the actual and future operations and liquidity positions of the Group;
- (iii) the future cash requirements and availability;
- (iv) any restrictions on payment of dividends that may be imposed by the lenders of the Group;
- (v) the general market conditions; and
- (vi) any other factor that the Board deems appropriate.

### CONSTITUTIONAL DOCUMENTS

The Company adopted the amended and restated Memorandum of Association of the Company and Articles on 26 September 2016 to comply with the GEM Listing Rules in Hong Kong.

A copy of the amended and restated Memorandum of Association of the Company and Articles is published on the respective websites of GEM of the Stock Exchange and the Company.

During FY2021, there has been no change in the Memorandum of Association of the Company and Articles.

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROLS

It is the responsibility of the Board to ensure that a sound and effective risk management and internal control system is in place for safeguarding the interests of the Shareholders. The Board has overall responsibility for the risk management and internal control system of the Group. However, such systems are designed to manage the risk of the Group within an acceptable risk profile, rather than to eliminate the risk of failure to achieve business objectives of the Group, and can only provide reasonable assurance and not absolute assurance against material misstatement or loss.

For FY2021, the Board conducted an annual review of the effectiveness of the risk management and internal control system, which covered the areas of financial, operational, compliance and risk management. The Board considered the system of the Group to be adequate and effective. As at the date of this Annual Report, the Group has engaged an independent internal control consultant to review the effectiveness of the internal control system and perform internal audit function of the Group. The internal control consultant has directly reported to the Audit Committee. Going forward, the Directors will continue to regularly assess and review the effectiveness of the risk management and internal control system of the Group.

The Group has also established a set of risk management policies and measures. The risk management process of the Group starts with identifying the major risks associated with its business, industry and market in the ordinary course of business. The Board and senior management are responsible for identifying and analysing the risks associated with their respective functions, preparing and measuring risk mitigation plans and reporting the status of risk management.

## INSIDE INFORMATION

With respect to procedures and internal controls for handling and dissemination of inside information, the Company is required to disclose inside information as soon as reasonably practicable in accordance with the Securities and Futures Ordinance and the GEM Listing Rules, has included in compliance manual and ensures, through consideration of outcome by senior management, appropriate handling and dissemination of inside information.

## PROCEDURES FOR RAISING ENQUIRIES

Written enquiries may be sent to the Company or the Board through the company secretary of the Company whose contact details are as follows:

Address: 21 Wing Wo Street, Central, Hong Kong  
Fax: (852) 2522 6992  
E-mail: [co.sec@altus.com.hk](mailto:co.sec@altus.com.hk)

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Arnold Ip Tin Chee (葉天賜) (“Mr. Ip”)**, aged 58, founded our Group in September 2000. Mr. Ip is charged with (i) formulating the corporate strategy and overall business development of the Group; (ii) overseeing the operational (including corporate finance and other consultancy activities) and financial matters of our Group; (iii) handling compliance matters; and (iv) client referrals and relationship management. Mr. Ip also acts as chairman of the investment committee of the Company and is able to draw from his experiences in the disciplines of corporate finance and fund management (as further elaborated below) to ensure that the investment activities are in line with our investment strategy and business development plan. Mr. Ip is also a member of Remuneration Committee and Nomination Committee of the Company.

Mr. Ip obtained a Bachelor of Arts degree and a Master of Arts degree from the University of Cambridge in the United Kingdom in June 1984 and November 1988 respectively. Subsequently, he joined Standard Chartered Asia Limited and had acted as a director. Mr. Ip later joined Yuanta Securities (Hong Kong) Company Limited and had been a director until January 2001. In September 2000, Mr. Ip founded our Group. Throughout the 2000s, he helped found and oversee the management teams of several funds as well as Saizen REIT, a real estate investment trust previously listed in Singapore, which focused on Japanese real estate investment property. Mr. Ip was the chairman and non-executive director of Japan Residential Assets Manager Limited, the manager of Saizen REIT, from July 2007 to August 2018.

Mr. Ip is currently licensed by the Securities and Futures Commission (“SFC”) to act as a responsible officer to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (“SFO”). He is also a principal of Altus Capital for sponsorships. He was admitted to membership of The Institute of Chartered Accountants in England and Wales in July 1988. Mr. Ip is the spouse of Ms. Ho Shuk Yee Samantha, a member of our senior management.

Mr. Ip’s directorships in other companies listed on the Stock Exchange are set out below:

Company	Principal business during tenure	Position	Period
Pioneer Global Group Limited (stock code: 0224)	Investment holdings	Independent non-executive director	23 June 1999 to present
Pak Fah Yeow International Limited (stock code: 0239)	Manufacture, marketing and distribution of medicated embrocation under “Hoe Hin” brand and property and treasury investment	Independent non-executive director	8 September 2004 to present
Sam Woo Construction Group Limited (stock code: 3822)	Provision of foundation works and ancillary services	Independent non-executive director	15 September 2014 to present
Icicle Group Holdings Limited (stock code: 8429)	Provision of marketing production and ancillary services	Independent non-executive director	16 November 2017 to present

Mr. Ip is also a director of a number of subsidiaries of the Group. He is also a director of, Flying Castle Limited and Kinley Hecico Holdings Limited (“KHHL”), substantial shareholders of the Company, which have interest in the shares of the Company as disclosed in the section of “Substantial shareholders’ interests and short positions in the shares and underlying shares of the Company and other members of the Group”.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Chang Sean Pey (曾憲沛) (“Mr. Chang”)**, aged 49, has been with our Group since February 2001. Mr. Chang works with the chairman of our Board to oversee the overall operations, strategic direction and business development of the Group and is responsible for (i) managing daily operations and supervising staff; (ii) providing advisory and consulting services; (iii) handling compliance matters; and (iv) client referrals and relationship management. Mr. Chang, with experience in advisory and consulting as well as real estate investment and divestment, is a member of investment committee of the Group.

After graduating from the National University of Singapore in Singapore with a Degree of Bachelor of Engineering (Mechanical) in July 1996, Mr. Chang began his career as a management trainee, and thereafter worked in the corporate finance services division of the investment banking department at the Development Bank of Singapore Limited, specialising in fund raising activities in the equity capital markets from July 1996 to April 2000 where his last position was manager. In April 2000, he joined a former subsidiary of our Group in Hong Kong. Throughout the 2000s, he was also involved in overseeing the management teams of several funds as well as Saizen REIT, a real estate investment trust previously listed in Singapore, which focused on Japanese real estate investment property.

Mr. Chang is currently licensed by the SFC to act as a responsible officer to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. He is also a principal of Altus Capital for sponsorships.

Mr. Chang is also a director of a number of subsidiaries of our Group.

**Ms. Leung Churk Yin Jeanny (梁綽然) (“Ms. Leung”)**, aged 56, was appointed as a Director on 3 March 2016 and was redesignated as an executive Director on 8 April 2016. Ms. Leung works with the chairman of our Board to oversee our overall operations, strategic direction and business development and in her capacity as compliance officer, oversees all compliance matters. She provides advisory and consulting services to our clients and is responsible for management of the transaction teams as well as client referral and relationship management. Ms. Leung is also a member of investment committee of the Group. She is able to draw on her vast experience in advisory and consulting services, as well as executive management in listed entities as further elaborated below, in carrying out this role.

Prior to joining the Group, Ms. Leung has garnered over 30 years of experience in the corporate finance advisory and commercial field in Greater China, having worked at Standard Chartered Asia Limited, JP Morgan Securities (Asia) Limited, Yuanta Securities (Hong Kong) Company Limited and Access Capital Limited. Jeanny had also participated in regulatory work at the Listing Division of The Stock Exchange of Hong Kong Limited for four years. She is also an experienced business executive and served as executive director for several main board listed companies in Hong Kong. Ms. Leung obtained a degree of Bachelor of Science from the University of Toronto in Canada.

Ms. Leung is currently licensed by the SFC to act as a responsible officer to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under SFO. She is also a principal of Altus Capital for sponsorships.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Leung also holds the position of director in another company listed on the Stock Exchange, as set out below:

Company	Principal business during tenure	Position	Period
Top Form International Limited (stock code: 333)	Design, manufacture and distribution of ladies' intimate apparel, principally brassieres	Independent non-executive director	19 September 2008 to present

Ms. Leung is also a director of a number of subsidiaries of our Group.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chao Tien Yo (趙天岳) (“Mr. Chao”)**, aged 66, joined the Company as an independent non-executive Director. He is the chairman of Nomination Committee and member of Audit Committee and Remuneration Committee of the Company. Mr. Chao qualified as a solicitor in England and Wales in October 1983 and in Hong Kong in March 1984. After a legal career of over thirty years with international and Hong Kong law firms, he retired from professional private legal practice in 2015. He serves now as Chief Legal Officer with CPG Overseas Company Limited. Mr. Chao holds the degrees of Bachelor of Arts, Bachelor of Linguistics and Master of Arts from the University of Hong Kong, the University of Manchester and the University of Keele, respectively.

**Mr. Chan Sun Kwong (陳晨光) (“Mr. Chan”)**, aged 54, joined the Company as an independent non-executive Director. He is the chairman of Audit Committee and member of Remuneration Committee and Nomination Committee of the Company.

Mr. Chan obtained a diploma of business administration from the Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University). He is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Chartered Governance Institute, the Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. He is an accredited mediator of The Hong Kong Mediation Centre. Mr. Chan has over 25 years of experience in accounting, auditing, banking and company secretarial fields.

**Mr. Lee Shu Yin (李樹賢) (“Mr. Lee”)**, aged 54, joined the Company as an independent non-executive Director. He is the chairman of Remuneration Committee and member of Nomination Committee and Audit Committee of the Company. Mr. Lee has over twenty years of experience in real estate, corporate finance, investment and management. He is currently the chief executive of Asiasec Properties Limited, prior to which he was an executive director of Tian An China Investments Limited. He was the chief investment officer of Grand River Properties (China) Ltd, a company he co-founded in 2003. Mr. Lee's experience includes serving as a vice president and director of JP Morgan Securities Limited/Robert Fleming Securities while based in London, New York and Boston and as an executive director of Goldman Sachs International in Hong Kong. He obtained a Degree of Master of Science in Finance in September 1999 from the London Business School of the University of London in the United Kingdom, and Bachelor of Arts Degree and Bachelor of Science Degree from Stanford University (officially the Leland Stanford Junior University) in the United States in June 1989. Mr. Lee was accredited as a chartered financial analyst by the Institute of Chartered Financial Analysts.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee also holds or held the position of director in another companies listed on the Stock Exchange, as set out below:

Company	Principal business during tenure	Position	Period
Tian An China Investments Company Limited (stock code: 0028)	Development of apartments, villas, office buildings and commercial properties, property investment and property management in the PRC	Non-executive director Executive director	18 March 2011 to 14 June 2017 15 June 2017 to 3 January 2018
Asiasec Properties Limited (stock code: 0271)	Investment in properties	Chief Executive Executive director	4 January 2018 to present

## DISCLOSURE OF RELATIONSHIPS

Save for Mr. Ip and Ms. Ho, an executive Director and a member of the senior management of the Group respectively, who are spouses, each of our Directors and senior management are independent from and not related to any of our Directors or senior management.

Save as disclosed above and elsewhere in this Annual Report, each of our Directors confirmed with respect to himself/herself that: (i) apart from our Company, he/she has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) save as disclosed in the section headed “Directors’ Report” in this Annual Report, he/she does not have any interests in the shares within the meaning of Part XV of the SFO; (iii) there is no other information that should be disclosed for himself/herself pursuant to Rule 17.50(2) of the GEM Listing Rules; and (iv) to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters with respect to the Directors that need to be brought to the attention of the Shareholders as at the date of this Annual Report.

## SENIOR MANAGEMENT

**Ms. Ho Shuk Yee Samantha (何淑懿) (“Ms. Ho”)**, aged 57, joined our Group in May 2014. In her capacity as chief investment officer and a member of the investment committee, Ms. Ho is responsible for advising the executive Directors on our investment strategy and assessing and making decision on the purchase and/or disposal of our investment in accordance with our investment strategy. Ms. Ho has 30 years’ of experience in the finance industry, specialising in fund management. Prior to joining our Group, she had served as a director of the board of Hong Kong Securities and Investment Institute from December 2008 to December 2014. She had acted as investment director at Invesco Hong Kong Limited from November 2004 to August 2012. From April 2003 to June 2004, she was a licensed representative for Manulife Asset Management (Hong Kong) Limited. Her other experience prior to this includes working at SEB Investment Management from January 1994 to March 2000 and Jardine Fleming Securities Limited from October 1989 to December 1993.

Ms. Ho obtained a degree of Master of Business Administration from UCLA Anderson School of Management in June 1988 and a degree of Bachelor of Arts from Bryn Mawr College in the United States in May 1985. She is a chartered financial analyst accredited by The Institute of Chartered Financial Analysts in September 1998 in addition to being licensed under the SFC to act as a responsible officer to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. Ms. Ho has also been a senior fellow of the Hong Kong Securities & Investment Institute since September 2014. Ms. Ho is the spouse of Mr. Ip, our chairman and an executive Director.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Ms. Khoo Wing Pui Charlotte (邱詠培) (“Ms. Khoo”)**, aged 32, joined our Group in September 2011 and currently serves as our Group Senior Manager and executive director of Altus Capital. Alongside her duties as Altus Capital’s principal for sponsorships and responsible officer for Type 6 (advising on corporate finance) regulated activities, which involve supervising and leading the execution of corporate finance and other consultancy projects, clients’ relationship management and project origination, she is also responsible for talent cultivation, business development and continuous enhancement of our practices and processes.

Prior to joining our Group, Ms. Khoo worked at KPMG Tax Limited where her last position was as a tax consultant. She obtained a degree of Bachelor of Science (Hons) in Economics from University College London in the United Kingdom in August 2010. Ms. Khoo is a certified public accountant of the Hong Kong Institute of Certified Public Accountants. She is licensed to carry out Type 6 (advising on corporate finance) regulated activities as a responsible officer and Type 1 (dealing in securities) regulated activities as a licensed representative under the SFO.

**Mr. Tam Ho Kei Leo (譚浩基) (“Mr. Tam”)**, aged 36, joined our Group in October 2014 and currently serves as an assistant director. Mr. Tam provides corporate finance and other consultancy services to our clients and oversees the day-to-day execution work of transaction teams. In addition, he assists (i) the investment committee on the implementation of our investment strategy, the ongoing monitoring and review of our investment portfolio; and (ii) the executive management with regards to internal control matters. In May 2007, he obtained a degree of Bachelor of Commerce in Accounting and International Business from The University British Columbia in Canada. From September 2007 to April 2014, he worked at Ernst & Young where his last position was an audit manager. Mr. Tam has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since January 2013. He is licensed to carry out Type 6 (advising on corporate finance) regulated activity as a responsible officer and Type 1 (dealing in securities) and Type 9 (asset management) regulated activities as a licensed representative under the SFO.

**Ms. Tse Sui Man (謝瑞敏) (“Ms. Tse”)**, aged 32, joined us in September 2017 as a financial controller and also become our company secretary in December 2017. Ms. Tse is responsible for the review of finance and accounting functions and company secretarial matters of the Group. In July 2012, she obtained a degree of Bachelor of Business Administration (Hons) in Accountancy and Management Information System from City University of Hong Kong. Prior to joining our Group, Ms. Tse had served as an audit senior associate with PricewaterhouseCoopers, CPA from December 2013 to August 2016. Ms. Tse is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

### COMPANY SECRETARY

**Ms. Tse (謝瑞敏)** is our company secretary. For details of their background, please refer to the paragraph headed “Senior Management” above.

### COMPLIANCE OFFICER

**Ms. Leung (梁緯然)** was appointed as the compliance officer (pursuant to Rule 5.19 of the GEM Listing Rules) of our Company on 8 April 2016. Please refer to the paragraph headed “Executive Directors” above for details about Ms. Leung’s qualifications and experience.

### AUTHORISED REPRESENTATIVES

Mr. Ip and Mr. Chang are the authorised representatives of our Company for the purpose of the GEM Listing Rules. Please refer to the paragraphs headed “Executive Directors” above for details about Mr. Ip’s and Mr. Chang’s qualifications and experience.



## DIRECTORS' REPORT

The Directors are pleased to present their report and the audited consolidated financial statements of the Company and the Group for FY2021.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the provision of corporate finance and other consultancy services and proprietary investments. Details of the principal activities of its subsidiaries are set out in note 36 to the audited consolidated financial statements. There were no significant changes in the nature of the principal activities of the Group during FY2021.

### PRINCIPAL PLACE OF BUSINESS

The Company is a limited liability company incorporated in the Cayman Islands and its principal place of business is 21 Wing Wo Street, Central, Hong Kong.

### BUSINESS REVIEW

Discussion and analysis of the business of the Group, outlook of the business and the analysis of the performance of the Group for FY2021, important events affecting the Group, principal risks and uncertainties and environmental policy and performance of the Group can be found out in the sections headed "Chairman's statement" and "Operation review and financial review" of this Annual Report.

### RESULTS AND DIVIDEND

The results of the Group for FY2021 are set out in the section headed "Consolidated Statement of Profit or Loss and Other Comprehensive Income" of this Annual Report.

The Board had recommended an interim dividend of Hong Kong 0.1 cent per share for the six months ended 30 September 2020 (for six months ended 30 September 2019: Hong Kong 0.2 cent per share) which was paid on Wednesday, 23 December 2020.

In light of the need to exercise financial discipline as mentioned above, the Board does not recommend the payment of any final dividend for FY2021 (FY2020: Hong Kong 0.1 cent).

### ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming AGM will be held at 9:30 a.m. on Friday, 6 August 2021. The register of members of the Company will be closed from Tuesday, 3 August 2021 to Friday, 6 August 2021 (the "Closure Period"), both days inclusive, for the purposes of determining the entitlements of the Shareholders to attend and vote at the forthcoming AGM. During this Closure Period, no transfer of the shares of the Company will be registered. In order to qualify for attending and voting at the AGM, all duly completed transfer forms, accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 2 August 2021.

## DIRECTORS' REPORT

### KEY RELATIONSHIP WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

The Group maintains a good relationship with customers, suppliers and employees. If there is any complaint from customers and suppliers, it will be reported to the management. The Group also ensures that all remuneration of employees are regularly reviewed.

### SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the last five years is set out in the section headed "Financial highlights" of this Annual Report.

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during FY2021 are set out in note 18 to the audited consolidated financial statements of this Annual Report.

### PROPERTIES

Particulars of properties held by the Group as at 31 March 2021 are set out on pages 140 to 142.

### INVESTMENT PROPERTIES

The investment properties were revalued at 31 March 2021 and a fair value change of approximately HK\$4,065,000 has been debited to the consolidated statement of profit or loss and other comprehensive income.

Details of the movements during the year in the investment properties of the Group are set out in note 19 to the audited consolidated financial statements of this Annual Report.

### SHARE CAPITAL

Details of the movements in the share capital of the Company for FY2021 are set out in note 29 to the audited consolidated financial statements of this Annual Report.

### RESERVES

Details of the movements in the reserves of the Company and the Group are set out in note 35 to the audited consolidated financial statements of this Annual Report.

## **DIRECTORS' REPORT**

### **DISTRIBUTABLE RESERVES**

As at 31 March 2021, there was no reserve available for distribution to the members of the Company.

### **PURCHASE, SALES OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY**

During FY2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed shares of the Company.

### **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

During FY2021, there was no material acquisition and disposal of subsidiaries, associates and joint ventures of the Company. Details are set out in note 30 to the audited consolidated financial statements of this Annual Report.

### **DIRECTORS**

The Directors during the Relevant Period were:

#### *Executive Directors*

Mr. Arnold Ip Tin Chee (*Chairman*)

Mr. Chang Sean Pey

Ms. Leung Churk Yin Jeanny

#### *Independent non-executive Directors*

Mr. Chao Tien Yo

Mr. Chan Sun Kwong

Mr. Lee Shu Yin

According to Article 84 of the Articles, one-third of the Directors for the time being (or, if the number of Directors is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at an AGM at least once every three years. Any Director appointed to fill a casual vacancy shall, subject to Article 83, hold office only until the next following general meeting of the Company and such Director shall then be eligible for re-election at the relevant general meeting by the Shareholders. In the upcoming AGM, one executive Director and one independent non-executive Director, namely Ms. Leung Churk Yin Jeanny and Mr. Chan Sun Kwong respectively, will retire by rotation and be subject to re-election at the AGM.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules.

### **DIRECTORS' AND SENIOR MANAGEMENT MEMBERS' BIOGRAPHIES**

Biographical details of the Directors and the senior management members of the Group are set out in the section headed "Biographical details of directors and senior management" of this Annual Report.

## DIRECTORS' REPORT

### DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, being Mr. Arnold Ip Tin Chee, Mr. Chang Sean Pey and Ms. Leung Churk Yin Jeanny, entered into a service agreement with the Company on 26 September 2016 for an initial term of three years commencing from the Listing Date which shall continue thereafter. Either party may terminate the service agreement by giving to the other not less than three months' prior notice in writing at any time during the initial term and thereafter.

Each of the independent non-executive Directors, being Mr. Chao Tien Yo, Mr. Chan Sun Kwong and Mr. Lee Shu Yin, entered into a letter of appointment with the Company on 26 September 2016 for a term of three years commencing from the Listing Date which shall continue thereafter and may terminate their letter of appointment by giving a minimum of three months' notice in writing to the Company.

None of the Directors who are proposed for re-election at the AGM has an unexpired service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### PERMITTED INDEMNITY PROVISION

According to Article 164 of the Articles, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duties; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against the Directors during FY2021 and such permitted indemnity provision for the benefits of the Directors is currently in force.

### CONTRACTS OF SIGNIFICANCE

Save as those disclosed in note 34 to the audited consolidated financial statement, there was no transaction, arrangement or contract of significance in relation to the business of the Group to which any member of the Group was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, during FY2021.

Save as those disclosed in note 34 to the audited consolidated financial statement, there was no contract of significance between the Company, or any of its subsidiaries, and a controlling Shareholder or any of its subsidiaries during FY2021.

Save as those disclosed in note 34 to the audited consolidated financial statement, there was no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries during FY2021.

## DIRECTORS' REPORT

### CONTRACTUAL ARRANGEMENT

Saved for the property “Rakuyukan 36”, the Group has adopted tokumei kumiai structure (the “TK Structure”) for its investments in Japan’s properties.

A TK Arrangement is a contractual arrangement defined in the Commercial Code of Japan. As disclosed under the paragraph headed “Common Japanese real estate investment structures for foreigners” in the section headed “Regulatory overview” of the prospectus of the Company dated 30 September 2016 (the “Prospectus”), the TK Structure is one of the typical investment structures adopted by foreign investors when investing in Japan, utilised primarily for (i) tax benefits; (ii) non-recourse financing advantage; (iii) control over acquisition and disposal of properties; and (iv) limited legal liability.

For further details of the TK Arrangement, please refer to the section headed “Our TK Arrangements” of the Prospectus.

### EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2021, the Group had 21 staff (31 March 2020: 26). The remuneration policy of the Group takes into consideration the relevant Director’s or member of senior management’s duties, responsibilities, experiences, skills, time commitment, performance of the Group and are made with reference to those paid by comparable companies. Its employees are remunerated with monthly salaries and discretionary bonuses based on individual performance, market performance, our profit of the Group as a whole and comparable market levels. Apart from salary payments, other staff benefits include share awards, provident fund contributions, medical insurance coverage, other allowances and benefits.

### DIRECTORS’ REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS AND REMUNERATION POLICY

Details of the Directors’ remuneration and five highest paid individuals of the Group are set out in note 15 to the audited consolidated financial statements. The remuneration policy of the Company can be found in the above section headed “Employees and Remuneration Policy” in this Annual Report. The Remuneration Committee has reviewed the overall remuneration policy and structure relating to all Directors and senior management members of the Group with reference to the operating results and individual performance of the Group.

### MANAGEMENT CONTRACTS

During FY2021 and up to the date of this Annual Report, other than the service contracts of the Directors, the Company did not enter into or have any management and administrative contracts in respect of the whole or any substantial part of the principal businesses of the Company.

## DIRECTORS' REPORT

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2021, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered into the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

#### Interest or short positions in the shares of the Company:

Name of Director	Capacity and nature of interest	Number of shares interested <sup>(Note 2)</sup>	Approximate percentage of the total issued share capital of the Company (%)
Mr. Ip <sup>(Note 1)</sup>	Beneficiary of a trust	557,200,000 (L)	69.4
	Beneficial owner	1,250,000 (L)	0.2
	Interest of a spouse	1,250,000 (L)	0.2
Mr. Chang	Beneficial owner	22,400,000 (L)	2.8
Ms. Leung	Beneficial owner	9,400,000 (L)	1.2

#### Notes:

1. KHHL is deemed to be interested in 557,200,000 shares of the Company in long position through its wholly-owned subsidiary, Flying Castle Limited. KHHL is owned as to 20.0% by Ms. Chan Kit Lai, Cecilia (“**Ms. Chan**”) and as to 80.0% by Landmark Trust Switzerland SA (“**the Trustee**”) on behalf of The Hecico 1985 Trust, of which Ms. Chan is the founder and Mr. Ip and Ms. Lam Ip Tin Wai Chyvette (“**Ms. Ip**”) are beneficiaries. By virtue of the SFO, the Trustee, Ms. Chan, Mr. Ip and Ms. Ip are deemed to be interested in all the shares of the Company held by KHHL. Mr. Ip, the spouse of Ms. Ho, is deemed to be interested in 1,250,000 shares of the Company held by Ms. Ho by virtue of SFO.
2. The letter “L” denotes a long position in the shares of the Company.

## DIRECTORS' REPORT

### Interests in associated corporations of the Company:

Name	Name of associated corporation	Capacity and nature of interest	Number of shares interested <sup>(Note 1)</sup>	Approximate percentage of shareholding (%)
Mr. Ip	KHHL <sup>(Note 2)</sup>	Beneficiary of a trust	204 (L)	80.0
	I Corporation <sup>(Note 3)</sup>	Interest of spouse	14 (L)	20.0
Ms. Leung	Residence Motoki Investment Limited (“Residence”)	Beneficial owner	20 (L)	0.33
Mr. Chang	Residence	Beneficial owner	10 (L)	0.17

#### Notes:

- The letter “L” denotes a long position in the shares of these associated corporations of the Company.
- KHHL is deemed to be interested in the Company in long position through its wholly-owned subsidiary, Flying Castle Limited. KHHL is owned as to 20% by Ms. Chan and as to 80% by the Trustee on behalf of The Heecico 1985 Trust, of which Mr. Ip is one of the beneficiaries. By virtue of the SFO, Mr. Ip is deemed to be interested in the shares of KHHL held by the Trustee.
- Pursuant to the SFO, Mr. Ip, the spouse of Ms. Ho, is deemed to be interested in the shares of I Corporation held by Ms. Ho.

Save as disclosed above, as at 31 March 2021, none of the Directors and chief executives of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed “Directors’ and chief executives’ interests and short positions in the shares, underlying shares and debentures of the Company and it’s associated corporations” above and “Share option scheme” below, at no time during FY2021 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executives of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

## DIRECTORS' REPORT

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND OTHER PERSON'S INTEREST IN OTHER MEMBERS OF THE GROUP

As at 31 March 2021, substantial shareholders (not being the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO and other persons had interests in the other members of the Group as follows:

#### (a) Interests or short positions in the shares of the Company

Name of shareholder	Capacity and nature of interest	Number of shares interested <sup>(Note 1)</sup>	Approximate percentage of the total issued share capital of the Company (%)
Flying Castle Limited <sup>(Note 2)</sup>	Beneficial owner	557,200,000 (L)	69.4
KHHL <sup>(Note 2)</sup>	Interest in a controlled corporation	557,200,000 (L)	69.4
The Trustee <sup>(Note 2)</sup>	Trustee	557,200,000 (L)	69.4
Ms. Chan <sup>(Note 2)</sup>	Founder of a discretionary trust	557,200,000 (L)	69.4
	Beneficial owner	1,250,000 (L)	0.2
Mr. Ip <sup>(Note 2)</sup>	Beneficiary of a trust	557,200,000 (L)	69.4
	Beneficial owner	1,250,000 (L)	0.2
	Interest of spouse	1,250,000 (L)	0.2
Ms. Ip <sup>(Note 2)</sup>	Beneficiary of a trust	557,200,000 (L)	69.4
	Beneficial owner	1,250,000 (L)	0.2
Ms. Ho <sup>(Note 3)</sup>	Interest of spouse	558,450,000 (L)	69.5
	Beneficial owner	1,250,000 (L)	0.2
Yuanta Asia Investment Limited	Beneficial owner	44,250,000 (L)	5.5



## DIRECTORS' REPORT

### Notes:

- The letter "L" denotes a long position in the shares of the Company.
- KHHL is deemed to be interested in the Company in long position through its wholly-owned subsidiary, Flying Castle Limited. KHHL is owned as to 20.0% by Ms. Chan and as to 80.0% by The Trustee on behalf of The Hecico 1985 Trust, of which Ms. Chan is the founder and Mr. Ip and Ms. Ip are beneficiaries. By virtue of the SFO, the Trustee, Ms. Chan, Mr. Ip and Ms. Ip are deemed to be interested in all the shares of the Company held by KHHL. By virtue of SFO, Mr. Ip, the spouse of Ms. Ho, is deemed to be interested in 1,250,000 shares of the Company held by Ms. Ho.
- Pursuant to the SFO, Ms. Ho, the spouse of Mr. Ip, is deemed to be interested in all the shares of the Company in which Mr. Ip is interested or deemed to be interested.

### (b) Interests or short positions in other members of the Group

Name of shareholder	Name of member of the Group	Capacity and nature of interest	Number of shares interested <sup>(Note)</sup>	Percentage of shareholding (%)
Ms. Ho	I Corporation	Beneficial owner	14 (L)	20.0
Mr. Henry Shih	Smart Tact Property Investment Limited	Beneficial owner	922 (L)	10.0
	Residence	Beneficial owner	600 (L)	10.0
	Lynton Gate Limited	Beneficial owner	1 (L)	10.0
	EXE Rise Shimodori Investor Limited	Beneficial owner	12 (L)	10.0
Mr. Richard Lo	Residence	Interest in controlled corporations	600 (L)	10.0

Note: The letter "L" denotes a long position in the shares.

Save as disclosed above, the Directors and chief executives of the Company are not aware that there is any party who, as at 31 March 2021, had or deemed to have, an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

## DIRECTORS' REPORT

### SHARE OPTION SCHEME

The purpose of the share option scheme approved and adopted by the Company through shareholder resolution passed on 26 September 2016 is for the Group to attract, retain and motivate talented persons to strive for future developments and expansion of the Group. The share option scheme will expire on 26 September 2026.

Unless otherwise cancelled or amended, the Board shall be entitled at any time within the period of 10 years from the date of adoption of the share option scheme to make an offer to (i) any executive or non-executive Director including any independent non-executive Director or any employee (whether full-time or part-time) of any member of the Group; (ii) any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any employee or business associate of the Group; (iii) any adviser or consultant (in the areas of legal, technical, financial or corporate management) to the Group; (iv) any provider of goods and/or services to the Group; and (v) any other person who the Board considers, in its sole discretion, has contributed to the Group to take up options (together, the “**Participants**”).

The total number of shares which may be issued upon exercise of all options to be granted under the share option scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the Listing Date, being 80,000,000 shares, representing 10% of the total issued share capital as at the date of this Annual Report, (or such numbers of shares as shall result from a subdivision or a consolidation of such 80,000,000 shares from time to time). Subject to Shareholders' approval in general meeting, the Board may (i) refresh this limit at any time to 10% of the shares in issue as at the date of the approval by the Shareholders in general meeting; and/or (ii) grant options beyond the 10% limit to Participants specially approved by the Shareholders in general meeting and the Participants are specifically identified by the Company before such approval is sought.

The total number of shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue. Any further grant of options to a Participant in excess of the 1% limit shall be subject to approval by Shareholders in general meeting with such Participant and his or her close associates (or his or her associates if such Participant is a connected person) abstaining from voting. The total number of shares issued and to be issued upon exercise of the option granted to a substantial shareholder or an independent non-executive Director shall not exceed 0.1% of total issued share capital and HK\$5 million.

Offer of an option shall be deemed to have been accepted by the grantee when the duplicate of the relevant offer letter comprising acceptance of the option duly signed by the grantee together with a remittance in favor of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company within 28 days from the date of the offer.

The subscription price for the shares under the share option scheme shall be a price determined by the Board at its sole discretion and notified to the Participant and shall be no less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an option is granted; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date on which an option is granted; and (iii) the nominal value of a share.

During FY2021, no share options were granted by the Company and there was no share option outstanding under the share option scheme as at 31 March 2021.

## DIRECTORS' REPORT

### SHARE AWARDS

During FY2021, the movement of share awards granted are as follows:

Date of grant	Grantee(s)	Notes	Number of new shares of the Company awarded	Number of respective shares awarded		Lapsed during FY2021	To be vested and issued as at 31 March 2021
				Vested and issued as at 1 April 2020	Vested and issued during FY2021		
25 June 2018	An executive director of a wholly-owned subsidiary of the Group and an employee of the Group who is an independent third party	1	4,800,000 (the "2018 Share Awards")	2,240,000	1,280,000	–	1,280,000
3 July 2019	An executive director of a wholly-owned subsidiary of the Group	2	750,000 (the "2019 Connected Grant")	–	750,000	–	–
	Eight employees of the Group who are independent third parties		1,190,000 (the "2019 Selected Employees Grant")	150,000	1,040,000	–	–
26 June 2020	An executive director of a wholly-owned subsidiary of the Group	3	1,600,000 (the "2020 Connected Grant")	–	–	–	1,600,000
	Eleven employees of the Group who are independent third parties		2,230,000 (the "2020 Selected Employees Grant")	–	290,000	430,000	1,510,000
			10,570,000	2,390,000	3,360,000	430,000	4,390,000

#### Notes:

- Details of the 2018 Share Awards were set out in the circular of the Company dated 20 July 2018. Relevant approvals were obtained at an extraordinary general meeting of the Company held on 8 August 2018.
- Details of the 2019 Connected Grant and 2019 Selected Employees Grant were set out in the circular of the Company dated 22 July 2019. Relevant approvals were obtained at an extraordinary general meeting of the Company held on 8 August 2019.
- Details of the 2020 Connected Grant and 2020 Selected Employees Grant were set out in the circular of the Company dated 23 July 2020. Relevant approvals were obtained at an extraordinary general meeting of the Company held on 7 August 2020.

On 31 December 2020, the Board has resolved, subject to approval of shareholders at the extraordinary general meeting of the Company to be convened immediately after the conclusion or the adjournment of the annual general meeting of the Company to be held on 6 August 2021, to award conditionally an aggregate of 720,000 new shares of the Company to 16 grantees. All the grantees are employees of the Group and are independent third parties.

## DIRECTORS' REPORT

### EQUITY-LINKED AGREEMENTS

Save as “Share option scheme” and “Share awards” disclosed above, no equity-linked agreements that will or may result in the Company issuing shares nor require the Company to enter into an agreement that will or may result in the Company issuing shares was entered into by the Company during FY2021.

### CONNECTED TRANSACTIONS

The Company has complied with disclosure requirements, to the extent they are not waived by the Stock Exchange, in accordance with Chapter 20 of the GEM Listing Rules with respect to the connected transactions entered into by the Group during FY2021. A summary of connected transaction entered into by the Group during FY2020 and FY2021 is contained in note 30 and 37 to the audited consolidated financial statements in this Annual Report.

A summary of the related party transactions entered into by the Group during FY2021 is contained in note 34 to the audited consolidated financial statements in this Annual Report. The transactions summarised in such note do not fall under the definition of “connected transactions” or “continuing connected transactions” under Chapter 20 of the GEM Listing Rules.

### COMPETING INTERESTS

Save as disclosed in the section headed “Deed of non-competition” below and the Prospectus, none of the Directors, substantial shareholders and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group during FY2021 and the Relevant Period.

## DIRECTORS' REPORT

### DEED OF NON-COMPETITION

On 26 September 2016, each of the controlling shareholders of the Company (the “**Controlling Shareholders**”), namely KHHL, Ms. Chan, Mr. Ip and Ms. Ip had entered into a deed of non-competition (the “**Deed of Non-Competition**”) in favour of the Company (for itself and as trustee for each of its subsidiaries), pursuant to which the Controlling Shareholders had jointly and severally, irrevocably and unconditionally undertaken to and covenanted with the Company that during the continuation of the Deed of Non-Competition he/she/it would not, and would procure that his/her/its close associates (other than any member of the Group) would not, whether on his/her/its own account or in conjunction with or on behalf of any person, firm or company, whether directly or indirectly, carry on a business, or be interested or involved or engaged in or acquire or hold any right or interest, or otherwise involved in (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise and whether for profit, reward or otherwise) any business, which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged in by the Group (including but not limited to (i) the provision of corporate finance services, and (ii) property investment activities in Japan, Hong Kong and any other country or jurisdiction). Further details of the Deed of Non-Competition are set out in the section headed “Relationship with our Controlling Shareholders” of the Prospectus.

The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the abovementioned Deed of Non-Competition have been complied with by the Controlling Shareholders up to the date of this Annual Report.

### LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

On 12 March 2021, an existing lender of the Group, Hang Seng Bank Limited, has pursuant to its periodic review, agreed to replace the previous facilities with a revised revolving loan facility and property instalment loan in aggregate amount of HK\$34,150,000 to the indirect wholly-owned subsidiary of the Company, Starich Resources Limited (“**Starich**”). The bank facilities letter (the “**Hang Seng Facility Letter**”) was signed on 12 March 2021.

On 2 July 2019, the Group entered into a bank facility letter (the “**Dah Sing Facility Letter**”) under which Dah Sing Bank Limited agreed to make available to Starich a revolving loan facility in the amount of HK\$60,000,000 for investment and working capital purposes. The availability of the Dah Sing Facility Letter is subject to the periodic review of the bank.

Under the Hang Seng Facility Letter and Dah Sing Facility Letter mentioned above, the Company has undertaken that (i) Mr. Ip shall remain as chairman of the Board and maintain control over the management and business of the Company; and (ii) his beneficial interest in the Company, as required to be disclosed pursuant to the disclosure requirements under the GEM Listing Rules and the SFO, should be maintained at not less than 60.0%.

### MAJOR CUSTOMERS

The top five customers of the Group for FY2021 were corporate finance and other consultancy services clients and they in aggregate accounted for approximately HK\$7.0 million (FY2020: approximately HK\$11.5 million), representing approximately 11.9% (FY2020: approximately 19.2%) of the total revenue of the Group. The largest customer of the Group for FY2021 accounted for approximately HK\$2.2 million or 3.8% of total revenue.

As at the date of this Annual Report, as far as the Company is aware, none of the Directors, their close associates or any Shareholder, owning more than 5.0% of the share capital of the Company, had any interest in the customers of the Group as mentioned above.

## DIRECTORS' REPORT

### NO CHANGE OF AUDITORS

There is no change in auditors of the Group for the preceding three years.

### MAJOR TENANTS AND SUPPLIERS

The Group leases units of its properties to individuals and corporations in Japan and Hong Kong. The property portfolio of the Group accounts for an insignificant share of the overall Japanese real estate market. During FY2021, the Group leased an office unit in Hong Kong to two independent third parties under two separate lease agreements for two different periods during FY2021. The aggregate rental revenue received from these two parties accounted for approximately 2.6% of total revenue (FY2020: 3.2%).

The Group engages property and asset managers to assist with the management and maintenance of its properties in Japan. In this regard, the suppliers are all based in Japan. During FY2021, services obtained from the largest supplier and the five largest suppliers of the Group accounted for approximately 7.4% and 15.1% of property expenses respectively, as compared with approximately 4.6% and 11.5% for FY2020.

As at the date of this Annual Report, so far as the Company is aware, none of the Directors, their close associates or any Shareholder, owning more than 5% of the share capital of the Company, had any interest in the tenants and suppliers of the Group as mentioned above.

### SUFFICIENCY OF PUBLIC FLOAT

Based on public information available to the Company and to the best knowledge of the Directors as at the date of this Annual Report, the Company has maintained the public float as required under GEM Listing Rules since the Listing Date.

### PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

### DONATIONS

During FY2021, nil donation (FY2020: HK\$17,000) was made by the Group.

### AUDITOR

The consolidated financial statements for FY2021 has been audited by SHINEWING (HK) CPA LIMITED. SHINEWING (HK) CPA LIMITED will retire and being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming AGM.

Since the incorporation of the Company up to the date of this Annual Report, there has been no change in auditor of the Company.

By order of the Board  
**Arnold IP Tin Chee**  
*Chairman and Executive Director*

Hong Kong, 22 June 2021

# INDEPENDENT AUDITOR'S REPORT



SHINEWING (HK) CPA Limited  
43/F., Lee Garden One  
33 Hysan Avenue  
Causeway Bay, Hong Kong

## TO THE SHAREHOLDERS OF ALTUS HOLDINGS LIMITED

*(incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Altus Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) set out on pages 50 to 139, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITOR'S REPORT

## Valuation of investment properties

Refer to note 19 to the consolidated financial statements and the accounting policies on page 63.

### **The key audit matter**

The directors of the Company have estimated the fair value of the Group's investment properties amounted to approximately HK\$626,178,000 as at 31 March 2021 with a net decrease in fair value of investment properties of approximately HK\$4,065,000 recorded in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 March 2021. Independent external valuations were obtained in respect of the entire portfolio in order to support management's estimates.

We consider valuation of investment properties as a key audit matter because of its significance to the consolidated financial statements and the valuations are dependent on certain key assumptions that require significant judgment including capitalisation rates and recent market transactions.

### **How the matter was addressed in our audit**

Our audit procedures in relation to the valuation of investments properties included assessing the valuation methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry in Hong Kong and Japan. We had also checked, on a sample basis, the accuracy and relevance of the input data used.

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



## INDEPENDENT AUDITOR'S REPORT

### RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

## INDEPENDENT AUDITOR'S REPORT

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Hon Kei, Anthony.

**SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

**Wong Hon Kei, Anthony**

Practising Certificate Number: P05591

Hong Kong

22 June 2021

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

	<i>Notes</i>	2021 HK\$' 000	2020 HK\$' 000
Revenue	9	59,266	59,666
Other income	11	2,025	4,464
Net decrease in fair value of investment properties	19	(4,065)	(5,272)
Changes in fair value of derivative financial liabilities		(79)	27
Property expenses		(13,636)	(15,411)
Administrative and operating expenses		(27,111)	(34,693)
Share of results of an associate		27	39
Finance costs	12	(4,637)	(4,900)
Profit before tax		11,790	3,920
Income tax expense	13	(4,664)	(2,470)
Profit for the year	14	7,126	1,450
<b>Other comprehensive (expense) income for the year</b>			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translating of foreign operations		(8,309)	4,451
Share of translation reserve of an associate		(1)	(2)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Change in fair value of financial assets at fair value through other comprehensive income		133	(468)
Other comprehensive (expense) income for the year		(8,177)	3,981
Total comprehensive (expense) income for the year		(1,051)	5,431
Profit for the year attributable to:			
Owners of the Company		6,294	494
Non-controlling interests		832	956
		7,126	1,450
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(1,532)	3,839
Non-controlling interests		481	1,592
		(1,051)	5,431
Earnings per share based on profit attributable to owners of the Company (reported earnings per share)	17	(HK cent)	(HK cent)
– Basic		0.79	0.06
– Diluted		0.78	0.06
Earnings per share excluding the net effect of fair value changes of investment properties, net of deferred taxation charged (underlying earnings per share)	17	(HK cents)	(HK cent)
– Basic		1.58	0.94
– Diluted		1.57	0.93

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020 AND 2021

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	18	40,377	41,440
Investment properties	19	626,178	638,521
Interest in an associate	20	419	393
Financial assets at fair value through other comprehensive income	21	1,624	1,491
Club memberships		1,718	1,718
Deferred tax asset	28	1,505	1,505
Right-of-use asset	22	–	61
Prepayment	23	167	256
		<b>671,988</b>	<b>685,385</b>
<b>Current assets</b>			
Trade and other receivables	23	5,337	4,841
Deposits placed in financial institutions	24	1,367	642
Bank balances and cash	24	34,786	39,441
		<b>41,490</b>	<b>44,924</b>
<b>Current liabilities</b>			
Trade and other payables	25	12,293	12,165
Lease liability	22	–	63
Tax payable		4,277	4,404
Secured bank borrowings	26	64,726	66,916
		<b>81,296</b>	<b>83,548</b>
<b>Net current liabilities</b>		<b>(39,806)</b>	<b>(38,624)</b>
<b>Total assets less current liabilities</b>		<b>632,182</b>	<b>646,761</b>
<b>Non-current liabilities</b>			
Secured bank borrowings	26	137,122	150,923
Derivative financial instruments	27	416	667
Other payables – tenant deposits – over 1 year	25	1,345	1,511
Deferred tax liabilities	28	29,136	27,466
		<b>168,019</b>	<b>180,567</b>
		<b>464,163</b>	<b>466,194</b>
<b>Capital and reserves</b>			
Share capital	29	8,034	8,000
Reserves		441,600	443,774
<b>Equity attributable to owners of the Company</b>		<b>449,634</b>	<b>451,774</b>
<b>Non-controlling interests</b>		<b>14,529</b>	<b>14,420</b>
		<b>464,163</b>	<b>466,194</b>

The consolidated financial statements on pages 50 to 139 were approved and authorised for issue by the board of directors on 22 June 2021 and are signed on its behalf by:

**Arnold Ip Tin Chee**  
Director

**Chang Sean Pey**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium (note i) HK\$'000	Other reserve (note ii) HK\$'000	Investment revaluation reserve HK\$'000	Shareholder contribution (note iii) HK\$'000	Share awards reserve (note iv) HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2020	8,000	71,436	98,819	159	11,319	247	(12,914)	274,708	451,774	14,420	466,194
Profit for the year	-	-	-	-	-	-	-	6,294	6,294	832	7,126
Other comprehensive income (expense) for the year:											
- Change in fair value of financial assets at fair value through other comprehensive income ("FVTOCI")	-	-	-	133	-	-	-	-	133	-	133
- Share of translation reserve of an associate	-	-	-	-	-	-	(1)	-	(1)	-	(1)
- Exchange differences arising on translating of foreign operations	-	-	-	-	-	-	(7,958)	-	(7,958)	(351)	(8,309)
	-	-	-	133	-	-	(7,959)	-	(7,826)	(351)	(8,177)
Total comprehensive income (expense) for the year	-	-	-	133	-	-	(7,959)	6,294	(1,532)	481	(1,051)
Vested shares for share awards (note 37(B))	34	995	-	-	-	(1,029)	-	-	-	-	-
Transfer of cumulative fair value changes of financial assets at FVTOCI upon derecognition	-	-	-	(784)	-	-	-	784	-	-	-
Share based payment (note 37(B))	-	-	-	-	-	992	-	-	992	-	992
Dividends paid to non-controlling shareholders by subsidiaries	-	-	-	-	-	-	-	-	-	(372)	(372)
Dividends paid (note 16)	-	-	-	-	-	-	-	(1,600)	(1,600)	-	(1,600)
At 31 March 2021	8,034	72,431	98,819	(492)	11,319	210	(20,873)	280,186	449,634	14,529	464,163

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium (note i) HK\$'000	Other reserve (note ii) HK\$'000	Investment revaluation reserve HK\$'000	Shareholder contribution (note iii) HK\$'000	Share awards reserve (note iv) HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2019	8,000	71,288	98,812	627	10,790	319	(16,727)	277,574	450,683	12,356	463,039
Profit for the year	-	-	-	-	-	-	-	494	494	956	1,450
Other comprehensive (expense) income for the year:											
- Change in fair value of financial assets at FVTOCI	-	-	-	(468)	-	-	-	-	(468)	-	(468)
- Share of translation reserve of an associate	-	-	-	-	-	-	(2)	-	(2)	-	(2)
- Exchange differences arising on translating of foreign operations	-	-	-	-	-	-	3,815	-	3,815	636	4,451
	-	-	-	(468)	-	-	3,813	-	3,345	636	3,981
Total comprehensive (expense) income for the year	-	-	-	(468)	-	-	3,813	494	3,839	1,592	5,431
Contribution from shareholder (note 37(A))	-	-	-	-	529	-	-	-	529	-	529
Share repurchased and cancelled (note 29)	(24)	(655)	-	-	-	-	-	-	(679)	-	(679)
Vested shares for share awards (note 37(B))	24	803	-	-	-	(827)	-	-	-	-	-
Acquisition of additional interest in a subsidiary (note 30)	-	-	(25)	-	-	-	-	-	(25)	(2,595)	(2,620)
Disposal of partial interest in a subsidiary without losing control (note 30)	-	-	32	-	-	-	-	-	32	3,312	3,344
Share based payment (note 37(B))	-	-	-	-	-	755	-	-	755	-	755
Dividends paid to non-controlling shareholders by subsidiaries	-	-	-	-	-	-	-	-	-	(245)	(245)
Dividends paid (note 16)	-	-	-	-	-	-	-	(3,360)	(3,360)	-	(3,360)
At 31 March 2020	8,000	71,436	98,819	159	11,319	247	(12,914)	274,708	451,774	14,420	466,194

Notes:

- (i) Share premium represents (i) the difference between the shareholders' contribution and the issued capital; (ii) the difference between the consideration paid for repurchase of shares of the Company and the reduction of share capital; and (iii) the difference between the increase in share capital and the deduction of share awards reserve at the date of shares being vested. The share premium is distributable.
- (ii) Other reserve mainly includes (i) the difference between the nominal value of the issued share capital of the Company and its subsidiaries and the net assets value of the subsidiaries of the Group, upon completion of the group reorganisation on 26 September 2016; and (ii) the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received arising from changes in the Group's ownership interests in existing subsidiaries that do not result in the loss of or obtaining control and they are accounted for as equity transactions.
- (iii) Amounts represent the employee benefits borne by the ultimate holding company, details of which are set out in note 37(A) to the consolidated financial statements.
- (iv) Amounts represent the employee benefits for the purposes of recognising and rewarding their contributions which borne by the Company, details of which are set out in note 37(B) to the consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

	2021 HK\$'000	2020 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax	11,790	3,920
Adjustments for:		
Finance costs	4,637	4,900
Bank interest income	(45)	(6)
Impairment loss (reversal of impairment loss) of trade receivables, net	160	(1,522)
Depreciation of property, plant and equipment	1,082	1,216
Depreciation of right-of-use asset	61	246
Share based payments	992	1,284
Changes in fair value of derivative financial liabilities	79	(27)
Share of results of an associate	(27)	(39)
Government grants	(1,380)	–
Net decrease in fair value of investment properties	4,065	5,272
Dividend income from financial assets at FVTOCI	(76)	(110)
Operating cash flows before movements in working capital	21,338	15,134
(Increase) decrease in trade and other receivables	(563)	3,905
(Decrease) increase in trade and other payables	(40)	838
<b>CASH GENERATED FROM OPERATIONS</b>	<b>20,735</b>	<b>19,877</b>
Income tax paid	(2,464)	(1,072)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>18,271</b>	<b>18,805</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of investment properties	(3,220)	(36,971)
Purchase of financial assets at FVTOCI	–	(257)
Purchase of property, plant and equipment	(19)	(56)
Proceeds from disposal of financial assets at FVTOCI	–	2,358
Dividends received from financial assets at FVTOCI	76	110
Interest received	45	6
Acquisition of an associate	–	(356)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(3,118)</b>	<b>(35,166)</b>

## CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

	<i>Notes</i>	<b>2021</b> <b>HKS' 000</b>	2020 HKS' 000
<b>FINANCING ACTIVITIES</b>			
Repayments of borrowings		<b>(61,089)</b>	(89,274)
Interest paid		<b>(4,634)</b>	(4,852)
Dividends paid		<b>(1,972)</b>	(3,675)
Repayment of principal element of lease liability		<b>(63)</b>	(244)
Repayment of interest element of lease liability		<b>(1)</b>	(8)
New borrowings raised		<b>48,044</b>	115,506
Government grants received	<i>11</i>	<b>1,380</b>	–
Proceeds from disposal of partial interest in a subsidiary without losing control	<i>30</i>	–	3,344
Acquisition of additional interest in a subsidiary	<i>30</i>	–	(2,620)
Payment on repurchase of own shares		–	(679)
<b>NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES</b>		<b>(18,335)</b>	17,498
Net (decrease) increase in cash and cash equivalents		<b>(3,182)</b>	1,137
Cash and cash equivalents at the beginning of the year		<b>40,083</b>	39,210
Effect of foreign exchange rate changes		<b>(748)</b>	(264)
<b>Cash and cash equivalents at the end of the year</b>		<b>36,153</b>	40,083
Analysis of components of cash and cash equivalents:			
Deposits placed in financial institutions		<b>1,367</b>	642
Bank balances and cash		<b>34,786</b>	39,441
		<b>36,153</b>	40,083



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 1. GENERAL

Altus Holdings Limited (the “**Company**”) was incorporated as an exempted company with limited liability on 11 November 2015 in the Cayman Islands under the Companies Act, Chapter 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 17 October 2016. The addresses of the registered office and the principal place of business of the Company are detailed in the section headed “Corporate Information” of the annual report.

The Company is engaged in investment holding and its subsidiaries (collectively referred to as the “**Group**”) are mainly engaged in the provision of corporate finance and other consultancy services and proprietary investments in properties and securities. Its subsidiaries invest in Japan properties by entering into Japanese tokumei kumiai arrangements (“**TK Agreements**”) as a tokumei kumiai investor (“**TK Investor**”) with Japanese limited liability companies known as tokumei kumiai operators (“**TK Operators**”), which are the property holding companies.

The ultimate holding company is Kinley-Hecico Holdings Limited (“**KHHL**”), a company incorporated in the British Virgin Islands (“**BVI**”) with limited liability. KHHL is deemed to be interested in the Company through its wholly-owned subsidiary, Flying Castle Limited. KHHL is ultimately controlled by two parties, Chan Kit Lai, Cecilia and Landmark Trust Switzerland SA, which the beneficiaries of the trust are Arnold Ip Tin Chee and Lam Ip Tin Wai Chyvette.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) which is same as the functional currency of the Company. Other than those subsidiaries incorporating in Japan, whose functional currency is Japanese Yen (“**JPY**”), the functional currency of the Company and other subsidiaries is HK\$.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

### Going Concern

Notwithstanding that the Group has incurred net current liabilities of approximately HK\$39,806,000 as at 31 March 2021, the consolidated financial statements as at 31 March 2021 have been prepared on a going concern basis as the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year after taking into consideration that the Group has unutilised available banking facilities of approximately HK\$63,417,000 as at 31 March 2021.

Accordingly, the directors of the Company consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 31 March 2021. The directors of the Company are satisfied that it is appropriate to prepare these financial statements on a going concern basis. The consolidated financial statements as at 31 March 2021 do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

## 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for the Group’s financial year beginning 1 April 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to Hong Kong Accounting Standard (“HKAS”) 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts and Related Amendments <sup>4</sup>
Amendments to HKFRS 3	Reference to Conceptual Framework <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the Related Amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>4</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>4</sup>
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>3</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>3</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2 <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>4</sup>
Amendments to HKFRS 16	COVID-19-Related Rent Concessions <sup>5</sup>
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 <sup>6</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle <sup>3</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>5</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>6</sup> Effective for annual periods beginning on or after 1 April 2021.

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties that are measured at fair values at the end of each reporting date.

Historical cost is generally based on the fair value of the consideration given in exchange for services.

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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control stated above.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Basis of consolidation** *(Continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income or expense of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Investment in an associate**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investment in an associate is accounted for in the consolidated financial statements using the equity method. Under the equity method, investment in an associate is initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associate is recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interest that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The requirements of HKAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised is not allocated to any asset. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the net investment subsequently increases.

### **Revenue recognition**

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to customers.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Revenue recognition *(Continued)*

A performance obligation represents service (or a bundle of services) that is distinct or a series of distinct services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

Revenue is measured based on the consideration specific in a contract with a customer, excludes amounts collected on behalf of third parties.

The Group recognises revenue from the provision of corporate finance and other consultancy services.

Depending on the nature of the services and the contract terms, sponsoring fee and financial advisory fee are recognised in profit or loss over time. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Property, plant and equipment**

Property, plant and equipment including leasehold land and building held for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

#### *Ownership interests in leasehold land and building*

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use asset” in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

### **Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation and are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Leasing

#### Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

#### The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

#### *Lease liability*

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Leasing** *(Continued)*

The Group as lessee *(Continued)*

#### *Right-of-use asset*

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses, except for the right-of-use asset classified as investment properties and measured under fair value model. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use asset that does not meet the definition of investment properties as a separate line in the consolidated statement of financial position. The right-of-use asset that meets the definition of investment properties is presented within “investment properties”.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to all of its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Taxation** *(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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) 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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use asset and the related lease liability, the Group first determines whether the tax deductions are attributable to the right-of-use asset or the lease liability.

For leasing transactions in which the tax deductions are attributable to the lease liability, the Group applies HKAS 12 Income Taxes requirements to right-of-use asset and lease liability separately. Temporary differences relating to right-of-use asset and lease liability are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Current and deferred taxes are recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

### **Club memberships**

Club memberships with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Impairment losses on property, plant and equipment, right-of-use asset and intangible assets**

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use asset to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

### Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

### Cash and cash equivalents

Cash in the consolidated statement of financial position comprise cash at banks and financial institutions and on hand with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash as defined above.

### Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVTOCI and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

#### Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **Financial assets** *(Continued)*

##### Financial assets at amortised cost (debt instruments) *(Continued)*

###### *Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses (“ECL”), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the “other income” line item (note 11).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **Financial assets** *(Continued)*

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends from investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'other income' line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the 'other income' line item.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **Financial assets** *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost as well as lease receivables included in trade receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and lease receivables which are included in trade receivables. The ECL on these financial assets are estimated individually based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

#### Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **Financial assets** *(Continued)*

##### Significant increase in credit risk *(Continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **Financial assets** *(Continued)*

##### Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

##### Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **Financial assets** *(Continued)*

##### Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

##### Measurement and recognition of expected credit losses

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivables, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 Leases.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **Financial assets** *(Continued)*

##### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

#### **Financial liabilities and equity instruments**

##### Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **Financial liabilities and equity instruments** *(Continued)*

##### Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

##### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, 2) held for trading, or 3) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship and are included in the 'derivative financial instruments' in the consolidated statement of financial position. The net gain or loss recognised in profit or loss on the financial liabilities is included in the 'change in fair value of derivative financial liabilities' line item in profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **Financial liabilities and equity instruments** *(Continued)*

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### **Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Share-based payment transactions

#### *Equity-settled share-based payment transactions*

##### Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

##### Share awards to employees

Share awards granted to the employees are the amounts to be expensed as staff costs. The amounts are determined by reference to the fair value of the award shares granted, taking into account all non-vesting conditions associated with the grants. The total expense is recognised over the relevant vesting periods, with a corresponding credit to the share awards reserve under equity. When the awarded shares are allotted and transferred to the awardees upon vesting, the awarded shares vested are debited to share awards reserve and the allotted shares are credited to share capital and share premium.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Fair value measurement**

When measuring fair value except for the Group's share-based payment transactions, leasing transactions and value in use of non-financial assets for the purposes of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the assets 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 Group 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. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level inputs that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets or liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4 above, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### **Critical judgements in applying accounting policies**

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

#### ***Control in the TK Operators***

The Group invests in the certain investment properties located in Japan by entering into TK Agreements as a TK Investor with Japanese limited liability companies known as TK Operators, which are the property holding companies. The relationship between the TK Operators and TK Investors is governed by TK Agreements, whereby the TK Investors provide funds to the TK Operators in return for income derived from the investments properties held by the TK Operators. Under the TK Agreements, profits or losses generated from TK Operators will be returned to the Group periodically. Therefore, the Group is exposed to the substantial of risks and rewards from its agreements with the TK Operators and the underlying property holding business. Besides, the Group exercises its control over the TK Operators by making decisions to direct the relevant activities, e.g. investment decision making (including acquisition and disposal of the properties and financing activities), monitoring of the leasing status and rental return from the properties, etc. Based on the substances of the arrangement and the legal advice, the directors of the Company are of the view that the Group is able to exercise control in the TK Operators during the years ended 31 March 2021 and 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

### **Critical judgements in applying accounting policies *(Continued)***

#### ***Going concern and liquidity***

The assessment of the going concern assumptions involves making judgement by the directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Company consider that the Group has ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumptions are set out in note 2.

#### **Key sources of estimation uncertainty**

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

#### ***Estimated impairment loss on land and building included in property, plant and equipment***

The impairment loss on property, plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of land and building included in property, plant and equipment are the higher of fair value less costs of disposal and value in use. The directors of the Company select an appropriate technique to determine the recoverable amounts of land and building. These calculations require the use of estimates. As at 31 March 2021, the carrying values of land and building included in property, plant and equipment were approximately HK\$40,326,000 (2020: HK\$41,308,000). No impairment loss was recognised during the years ended 31 March 2021 and 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

### **Key source of estimation uncertainty** *(Continued)*

#### ***Fair value of investment properties***

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in valuation have reflected the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties being recognised in profit or loss. The carrying amount of investment properties measured at fair value at 31 March 2021 was approximately HK\$626,178,000 (2020: HK\$638,521,000). Details of assumptions used are disclosed in note 19.

## 6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remained unchanged from prior year.

The capital structure of the Group mainly consists of net debt which includes the lease liability disclosed in note 22, secured bank borrowings disclosed in note 26, net of cash and cash equivalent and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as new debt issues and repayment of existing debts.

For the wholly-owned subsidiaries of the Company, Altus Investments Limited (“**Altus Investments**”) and Altus Capital Limited (“**Altus Capital**”), they are licensed entities under and regulated by Securities and Futures Commission (the “**SFC**”) and are required to comply with certain minimum capital requirements according to the rules of the SFC. The directors of Altus Investments and Altus Capital monitor, on a daily basis, these subsidiaries' liquid capital level to ensure they meet the minimum liquid capital requirement in accordance with the Securities and Futures (Financial Resources) Rules. The minimum liquid capital requirements of Altus Investments and Altus Capital are HK\$3,000,000 and HK\$100,000 respectively or 5% of their own total adjusted liabilities, whichever is higher.

There is no non-compliance of the capital requirements of Altus Investments and Altus Capital imposed by the Securities and Futures (Financial Resources) Rules during the years ended 31 March 2021 and 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

### 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### a. Categories of financial instruments

	At 31 March 2021 HK\$' 000	At 31 March 2020 HK\$' 000
<b>Financial assets</b>		
Financial assets at FVTOCI	1,624	1,491
Financial assets at amortised cost (including cash and cash equivalents)	39,512	43,137
<b>Financial liabilities</b>		
At amortised cost	212,860	229,250
<b>Derivative financial liabilities</b>	416	667

#### b. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade and other receivables, deposits placed in financial institutions, bank balances and cash, trade and other payables, secured bank borrowings and derivative financial instruments. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### b. Financial risk management objectives and policies *(Continued)*

#### (i) Currency risk

Apart from certain subsidiaries of the Group which are operated in Japan, whose functional currency are denominated in JPY and not subjected to any currency risk, the Group has certain foreign currency operations, which expose the Group to foreign currency risk. The currency giving rise to this risk is primarily JPY. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	As at 31 March 2021 HK\$' 000	As at 31 March 2020 HK\$' 000	As at 31 March 2021 HK\$' 000	As at 31 March 2020 HK\$' 000
JPY	3,085	5,323	–	(8,963)

#### Sensitivity analysis

The Group is mainly exposed to the currency of JPY.

The following table details the Group's sensitivity to a 10% (2020: 10%) increase and decrease in HK\$ against JPY. The 10% (2020: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 10% (2020: 10%) change in foreign currency rates. The sensitivity analysis includes external bank borrowings where the denomination of the borrowings is in a currency other than a functional currency of the borrower.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### b. Financial risk management objectives and policies (Continued)

#### (i) Currency risk (Continued)

Sensitivity analysis (Continued)

A positive (negative) number below indicates an increase (a decrease) in post-tax profit where HK\$ weakening 10% against the relevant currency. For a 10% strengthen of HK\$ against the relevant currency, there would be an equal and opposite impact on the post-tax profit, and the balances below would be negative.

	JPY	
	2021 HK\$' 000	2020 HK\$' 000
Profit or loss	309	(364)

#### (ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate secured bank borrowings (see note 26), deposits placed in financial institutions (see note 24), bank balances (see note 24) and derivative financial instruments (see note 27). The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate deposits placed in financial institutions, bank balances and derivative financial instruments are insignificant, no sensitivity analysis is prepared.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate secured bank borrowings. The directors of the Company do not anticipate any significant interest rate exposure so that no sensitivity analysis is prepared for fair value interest rate risk.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposures and will consider hedging significant interest rate exposure should the need arise. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Inter-bank Offered Rate ("HIBOR") arising from the Group's HK\$ denominated bank borrowings and the fluctuation of Tokyo Inter-bank Offered Rate ("TIBOR") arising from the Group's JPY denominated bank borrowings.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### b. Financial risk management objectives and policies *(Continued)*

#### *(ii) Interest rate risk (Continued)*

##### Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative financial instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2020: 100 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If the interest rate on variable bank borrowings had been 100 basis points (2020: 100 basis points) higher or lower and all other variables held constant, the Group's post-tax profit for the year ended 31 March 2021 would decrease or increase by approximately HK\$611,000 (2020: HK\$640,000). This is mainly attributable to the Group's exposure to interest rates on its secured bank borrowings.

#### *(iii) Other price risk*

The Group is mainly exposed to equity price risk through its investments in listed equity securities. The directors of the Company manage this exposure by maintaining the investments with appropriate risk level. The management of the Company monitors the price risk and considers hedging the risk exposure should the need arise.

##### Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate is remained as 10% with last year considering the stability of the financial market.

As at 31 March 2021 and 31 March 2020, if the price of the respective listed equity instruments held had been 10% higher/lower:

Investment revaluation reserve as at 31 March 2021 would increase/decrease by approximately HK\$119,000 (2020: HK\$125,000), as a result of the changes in fair values of financial assets at FVTOCI.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### b. Financial risk management objectives and policies *(Continued)*

#### *(iv) Credit risk*

At 31 March 2020 and 31 March 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group determines credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

As at 31 March 2021 and 31 March 2020, for trade receivables and lease receivables (both include in trade receivables), the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customer with significant balances, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The credit risk on liquid funds is limited because the counterparties are banks and financial institutions with high credit ratings assigned by international credit rating agencies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### b. Financial risk management objectives and policies *(Continued)*

#### *(iv) Credit risk (Continued)*

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal or external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increase in credit risk on other financial instruments of the borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### b. Financial risk management objectives and policies *(Continued)*

#### *(iv) Credit risk (Continued)*

The Group's exposure to credit risk

In order to minimise credit risk, the management of the Group develops and maintains the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the operation management team uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

<b>Category</b>	<b>Description</b>	<b>Basis for recognising ECL</b>
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### b. Financial risk management objectives and policies *(Continued)*

#### *(iv) Credit risk (Continued)*

The Group's exposure to credit risk *(Continued)*

The details of the credit quality of the Group's trade and other receivables are disclosed in the respective notes.

As at 31 March 2021, the Group's concentration of credit risk by geographical locations is in Hong Kong, which accounted for 100% (2020: 99%) of total trade receivables.

As at 31 March 2021, the Group has concentration of credit risk as 32% (2020: nil) and 66% (2020: 41%) of the total trade receivables was due from the Group's largest customer and the five largest customers within the advisory and consulting segment (2020: corporate finance services segment).

None of the Group's financial assets are secured by collateral or other credit enhancements.

#### *(v) Liquidity risk*

As at 31 March 2021, the Group is exposed to liquidity risk as the Group has net current liabilities of approximately HK\$39,806,000 (2020: HK\$38,624,000). In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. The Group did not breach any of loan covenants during the two years ended 31 March 2021 and 31 March 2020.

The Group finances its working capital requirements through a combination of funds generated from operations, bank borrowings and banking facilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### b. Financial risk management objectives and policies (Continued)

#### (v) Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table included both interest and principal cash flows.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

Liquidity tables

	On demand or within 1 year HK\$' 000	More than 1 year but less than 2 years HK\$' 000	More than 2 years but less than 5 years HK\$' 000	More than 5 years HK\$' 000	Total undiscounted cash flows HK\$' 000	Carrying amount HK\$' 000
<b>At 31 March 2021</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	9,667	1,345	–	–	11,012	11,012
Secured bank borrowings	67,525	13,255	37,866	108,268	226,914	201,848
	77,192	14,600	37,866	108,268	237,926	212,860
<b>Derivatives – net settlement</b>						
Interest rate swaps	4	4	13	8	29	416

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### b. Financial risk management objectives and policies (Continued)

#### (v) Liquidity risk (Continued)

Liquidity tables (Continued)

	On demand or within 1 year HK\$' 000	More than 1 year but less than 2 years HK\$' 000	More than 2 years but less than 5 years HK\$' 000	More than 5 years HK\$' 000	Total undiscounted cash flows HK\$' 000	Carrying amount HK\$' 000
<b>At 31 March 2020</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	9,900	1,511	–	–	11,411	11,411
Secured bank borrowings	68,778	13,741	38,933	123,947	245,399	217,839
	78,678	15,252	38,933	123,947	256,810	229,250
<b>Derivatives – net settlement</b>						
Interest rate swaps	8	8	26	15	57	667

Secured bank borrowings with a repayment on demand clause are included in the “on demand or within 1 year” time band in the above maturity analysis. As at 31 March 2021, the aggregate undiscounted principal amounts of these secured bank borrowings amounted to approximately HK\$54,083,000 (2020: HK\$56,045,000). Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such secured bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK\$55,265,000 (2020: HK\$58,059,000).

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

### 8. FAIR VALUE MEASUREMENTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

#### Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below:

	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	31 March 2021	31 March 2020		
	HK\$' 000	HK\$' 000		
<b>Financial assets at FVTOCI</b>				
Listed equity securities	1,189	1,254	Level 1	Quoted bid prices in active market
Unlisted equity investment (Note)	435	237	Level 3	By reference to the capitalised income/profit derived from existing operation
<b>Financial liabilities at FVTPL</b>				
Derivative financial liabilities	416	667	Level 2	Quoted from banks using discounted cash flows with observable forward interest rates from the market

Note: The higher the unobservable inputs (i.e. income/profit) of the existing business, the higher the fair value of the financial asset.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

### 8. FAIR VALUE MEASUREMENTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

#### Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Reconciliation of level 3 fair value measurements of unlisted equity investments on recurring basis:

	HK\$' 000
At 1 April 2019	249
Decrease in fair value	(12)
At 31 March 2020 and 1 April 2020	237
Increase in fair value	198
At 31 March 2021	<b>435</b>

During the year ended 31 March 2021, the increase in fair value recognised in other comprehensive income of approximately HK\$198,000 (2020: decrease in fair value of approximately HK\$12,000) are included in change in fair value of financial assets at FVTOCI. Included in the increase in fair value is amount of approximately HK\$198,000 (2020: decrease in fair value of approximately HK\$12,000) that is attributable to the change in unrealised gains or losses relating to unlisted equity investment held at the end of the reporting period.

There were no transfers between levels of fair value hierarchy during the years ended 31 March 2021 and 2020.

The directors of the Company consider that the carrying amounts of other current financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximate to their corresponding fair values due to short-term maturities. The carrying amounts of non-current liabilities recorded at amortised cost in the consolidated financial statements approximate to their corresponding fair value due to the applicable interest rate are based on prevailing market interest rates or current interest rates offered for similar financial instruments appropriate for the remaining term to maturity. The carrying amounts of such financial instruments are not materially different from their fair values.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 9. REVENUE

Revenue represents revenue arising from provision of corporate finance and other consultancy services and leasing of investment properties during the year. An analysis of the Group's revenue for the year is as follows:

	2021 HK\$' 000	2020 HK\$' 000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by the major services line:		
Corporate finance and other consultancy services income (note 10)	19,597	21,967
Revenue from other source:		
Rental income for investment properties under operating leases – fixed lease payments (Note)	39,669	37,699
	<b>59,266</b>	<b>59,666</b>

Revenue generated from provision of corporate finance and other consultancy services during the year ended 31 March 2021 and 31 March 2020 are recognised over time.

Note: An analysis of the Group's net rental income is as follows:

	2021 HK\$' 000	2020 HK\$' 000
Gross rental income from investment properties	39,669	37,699
Direct operating expenses incurred for investment properties that generated rental income during the year (included in property expenses)	(13,636)	(15,411)
Net rental income	<b>26,033</b>	<b>22,288</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 9. REVENUE *(Continued)*

### Transaction price allocated to the remaining performance obligations

As at 31 March 2021 and 31 March 2020, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) is approximately HK\$4,831,000 (2020: HK\$13,381,000). The amount represents revenue expected to be recognised in the future from various mandates. The Group will recognise this revenue as the service is completed. As evaluated by the management, revenue of approximately HK\$4,831,000 and nil (2020: HK\$11,153,000 and HK\$2,228,000) are expected to be recognised within 1 year and after 1 year respectively.

## 10. SEGMENT INFORMATION

Information reported to the chief operating decision maker (the “CODM”), being the directors of the Company, for the purpose of resource allocation and assessment of segment performance focuses on type of services provided.

For the year ended 31 March 2020, the Group’s reportable and operating segments were as follows:

- (i) Corporate finance services – provision of corporate finance services including sponsorship, financial advisory and compliance advisory services; and
- (ii) Property investment – leasing of investment properties for residential and commercial use.

For the year ended 31 March 2021, in order to be consistent with the long-term business strategy, the management has enhanced the information reported to the CODM. The Group is currently organised into the following reportable and operating segments:

- (i) Advisory and consulting – provision of corporate finance services including sponsorship, financial advisory, compliance advisory, equity capital market consulting, special situations consulting and investment consulting services; and
- (ii) Proprietary investments – leasing of investment properties for residential and commercial use and derives rental income therefrom and holding of a portfolio of securities for dividend income and aims for capital gain.

As a result of changing of information reported to CODM, dividend income from financial assets at FVTOCI and gain on disposal of financial assets at FVTPL (previously included in other income and expenses, net) are included in proprietary investments segment. Listed equity securities at FVTOCI (previously included in unallocated assets) are included in the proprietary investments segment. Amounts reported for the prior year have been restated to conform with current year presentation.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 10. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2021

	Advisory and consulting HK\$' 000	Proprietary investments HK\$' 000	Total HK\$' 000
<b>REVENUE</b>			
External revenue and segment revenue	19,597	39,669	59,266
<b>RESULT</b>			
Segment profit	8,986	17,540	26,526
Other income and expenses, net			(13,279)
Share of results of an associate			27
Finance costs			(1,484)
Profit before tax			11,790

For the year ended 31 March 2020

	Advisory and consulting HK\$' 000	Proprietary investments HK\$' 000 (Restated)	Total HK\$' 000 (Restated)
<b>REVENUE</b>			
External revenue and segment revenue	21,967	37,699	59,666
<b>RESULT</b>			
Segment profit	9,400	15,086	24,486
Other income and expenses, net			(18,683)
Share of results of an associate			39
Finance costs			(1,922)
Profit before tax			3,920

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 10. SEGMENT INFORMATION *(Continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' emoluments, certain other income, share of results of an associate and certain finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

### Segment assets and liabilities

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

#### *Segment assets*

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Advisory and consulting	3,180	1,767
Proprietary investments	629,423	642,836
<b>Total segment assets</b>	<b>632,603</b>	644,603
Unallocated	80,875	85,706
<b>Total assets</b>	<b>713,478</b>	730,309

#### *Segment liabilities*

	2021 HK\$' 000	2020 HK\$' 000 (Restated)
Advisory and consulting	401	427
Proprietary investments	160,082	174,371
<b>Total segment liabilities</b>	<b>160,483</b>	174,798
Unallocated	88,832	89,317
<b>Total liabilities</b>	<b>249,315</b>	264,115

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 10. SEGMENT INFORMATION (Continued)

### Segment assets and liabilities (Continued)

#### Segment liabilities (Continued)

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

- all assets are allocated to operating segments other than property, plant and equipment, right-of-use asset, deferred tax asset, unlisted equity investment at FVTOCI, club memberships, certain other receivables, interest in an associate, deposits placed in financial institutions, bank balances and cash and other corporate assets; and
- all liabilities are allocated to operating segments other than certain other payables, lease liability, tax payable, certain secured bank borrowings, derivative financial instruments, deferred tax liabilities and other corporate liabilities.

#### Other segment information

	Advisory and consulting		Proprietary investments		Unallocated		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>For the year ended 31 March</b>								
Amounts included in the measure of segment profit or segment assets:								
Additions to non-current assets (note)	–	–	3,220	36,971	19	56	3,239	37,027
Net decrease in fair value of investment properties	–	–	4,065	5,272	–	–	4,065	5,272
Reversal of impairment loss of trade receivables	–	(1,544)	–	–	–	–	–	(1,544)
Impairment loss of trade receivables	66	–	94	22	–	–	160	22
Finance costs	–	–	3,153	2,978	1,484	1,922	4,637	4,900
Dividend income from financial assets at FVTOCI	–	–	(76)	(110)	–	–	(76)	(110)
Gain on disposal of financial assets at FVTPL	–	–	(342)	–	–	–	(342)	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 10. SEGMENT INFORMATION (Continued)

### Other segment information (Continued)

	Advisory and consulting		Proprietary investments		Unallocated		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	HKS' 000	HKS' 000	HKS' 000	HKS' 000	HKS' 000	HKS' 000	HKS' 000	HKS' 000
				(Restated)		(Restated)		
<b>For the year ended 31 March</b>								
Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets:								
Bank interest income	-	-	-	-	(45)	(6)	(45)	(6)
Changes in fair value of derivative financial liabilities	-	-	-	-	79	(27)	79	(27)
Depreciation of property, plant and equipment	-	-	-	-	1,082	1,216	1,082	1,216
Depreciation of right-of-use asset	-	-	-	-	61	246	61	246
Share of results of an associate	-	-	-	-	(27)	(39)	(27)	(39)
Interest in an associate	-	-	-	-	419	393	419	393
Income tax expense	-	-	-	-	4,664	2,470	4,664	2,470

Note: Non-current assets excluded financial assets at FVTOCI, club memberships, prepayment, deferred tax asset and interest in an associate.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 10. SEGMENT INFORMATION *(Continued)*

### Breakdown of revenue by services

A breakdown of the Group's revenue by services under advisory and consulting and proprietary investment segments is as follows:

	2021 HK\$' 000	2020 HK\$' 000
Advisory and consulting		
Sponsorship services	5,203	10,829
Financial advisory services	8,912	5,255
Compliance advisory services	4,457	5,259
Other corporate finance services	1,025	624
	19,597	21,967
Proprietary investment		
Rental income	39,669	37,699
	59,266	59,666

### Geographic information

The Group's operations are mainly located in Hong Kong and Japan.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets, excluding financial assets at FVTOCI, club memberships, deferred tax asset, prepayment and interest in an associate, is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2021 HK\$' 000	2020 HK\$' 000	2021 HK\$' 000	2020 HK\$' 000
Hong Kong	21,164	23,906	116,377	123,501
Japan	38,102	35,760	550,178	556,521
	59,266	59,666	666,555	680,022

During the years ended 31 March 2021 and 2020, there was no single customer contributing over 10% of the Group's total revenue.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 11. OTHER INCOME

	2021 HK\$' 000	2020 HK\$' 000
Bank interest income	45	6
Recovered from insurance company (Note 1)	–	2,732
Dividend income from financial assets at FVTOCI	76	110
Net exchange gain	–	72
Reversal of impairment loss of trade receivables	–	1,544
Forfeited tenant deposit	182	–
Gain on disposal of financial assets at FVTPL	342	–
Government grants (Note 2)	1,380	–
	<b>2,025</b>	<b>4,464</b>

Notes:

- The amount mainly represented a one-off compensation received from an insurance company in relation to a fire accident occurred for an investment property located in Japan in prior year.
- During the year 31 March 2021, the Group recognised government grants of approximately HK\$1,380,000 (2020: nil) in respect of COVID-19 related subsidies, of which approximately HK\$1,372,000 and approximately HK\$8,000 is related to Employment Support Scheme and Anti-epidemic Support Scheme for Property Management Sector respectively provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. The Group fulfilled all conditions attached to the subsidies and recognised as other income.

## 12. FINANCE COSTS

	2021 HK\$' 000	2020 HK\$' 000
Interests on:		
– Secured bank borrowings	4,636	4,892
– Lease liability	1	8
	<b>4,637</b>	<b>4,900</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 13. INCOME TAX EXPENSE

	2021 HK\$' 000	2020 HK\$' 000
Current tax:		
Hong Kong Profits Tax	186	263
Japanese Corporate Income Tax	255	47
Japanese Withholding Tax	1,896	1,939
	2,337	2,249
Deferred taxation (note 28)	2,327	221
	4,664	2,470

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the years ended 31 March 2021 and 2020, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

Under the Japan Corporate Income Tax Law, Japanese corporate income tax is calculated at 33.58% of the estimated assessable profits for the years ended 31 March 2021 and 2020. However, for certain Japanese subsidiaries under the TK Agreements, the applicable Japanese withholding tax rate of those Japanese subsidiaries was 20.42% for the years ended 31 March 2021 and 2020.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 13. INCOME TAX EXPENSE (Continued)

The income tax expense can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 HK\$' 000	2020 HK\$' 000
Profit before tax	11,790	3,920
Tax at the domestic income tax rates in the respective jurisdictions	4,171	2,321
Tax effect of share of results of an associate	4	6
Tax effect of expenses not deductible for tax purpose	1,621	1,509
Tax effect of income not taxable for tax purpose	(235)	(145)
Income tax on concessionary rate	(1,416)	(950)
Tax effect of tax losses not recognised	761	72
Utilisation of tax losses previously not recognised	(63)	(303)
Effect of two-tiered profits tax rates regime	(159)	–
Effect of tax exemptions granted (note)	(20)	(40)
Income tax expense	4,664	2,470

Details of deferred taxation are set out in note 28.

Note: A tax concession of 100% (2020:75%), subject to a ceiling of HK\$10,000 (2020: HK\$20,000) per company, for the Group's subsidiaries under Hong Kong jurisdiction for both years ended 31 March 2021 and 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

### 14. PROFIT FOR THE YEAR

	2021 HK\$' 000	2020 HK\$' 000
Profit for the year has been arrived at after charging (crediting):		
Staff cost, excluding directors' emoluments (note 15a):		
– Salaries, bonus and other benefits	11,004	13,597
– Contributions to retirement benefits scheme	348	438
<b>Total staff costs excluding directors' emoluments</b>	<b>11,352</b>	<b>14,035</b>
Auditors' remuneration	700	750
Depreciation of property, plant and equipment	1,082	1,216
Depreciation of right-of-use asset	61	246
Share based payments (note 37)		
– Share options	–	529
– Shares awards	992	755
Impairment loss (reversal of impairment loss) of trade receivables, net	160	(1,522)
Expenses related to the proposed transfer of listing of the Company's shares to the Main Board of the Stock Exchange	–	323
Net exchange loss (gain)	588	(72)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (a) Directors' emoluments

The emoluments paid or payable by the Group to each of the following directors of the Company are set out as follows:

#### Year ended 31 March 2021

	Fees HK\$' 000	Salaries, and other benefits HK\$' 000	Discretionary bonus HK\$' 000	Contributions to retirement benefits scheme HK\$' 000	Share based payments HK\$' 000	Total HK\$' 000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings						
<b>Executive directors:</b>						
Arnold Ip Tin Chee	-	600	-	17	-	617
Chang Sean Pey	-	1,626	-	18	-	1,644
Leung Churk Yin Jeanny	-	900	494	18	-	1,412
<b>Independent non-executive directors:</b>						
Chao Tien Yo	120	-	-	-	-	120
Chan Sun Kwong	120	-	-	-	-	120
Lee Shu Yin	120	-	-	-	-	120
<b>Total emoluments</b>	<b>360</b>	<b>3,126</b>	<b>494</b>	<b>53</b>	<b>-</b>	<b>4,033</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

### 15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

#### (a) Directors' emoluments (Continued)

##### Year ended 31 March 2020

	Fees HK\$'000	Salaries, and other benefits HK\$'000	Discretionary bonus HK\$'000	Contributions to retirement benefits scheme HK\$'000	Share based payments HK\$'000	Total HK\$'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings						
<b>Executive directors:</b>						
Arnold Ip Tin Chee	–	600	–	18	–	618
Chang Sean Pey	–	2,341	1,669	18	348	4,376
Leung Churk Yin Jeanny	–	900	2,062	18	181	3,161
<b>Independent non-executive directors:</b>						
Chao Tien Yo	120	–	–	–	–	120
Chan Sun Kwong	120	–	–	–	–	120
Lee Shu Yin	120	–	–	–	–	120
<b>Total emoluments</b>	<b>360</b>	<b>3,841</b>	<b>3,731</b>	<b>54</b>	<b>529</b>	<b>8,515</b>

During the years ended 31 March 2021 and 2020, no director has been appointed as chief executive of the Company.

During the years ended 31 March 2021 and 2020, none of the directors of the Company waived or agreed to waive any emoluments.

During the years ended 31 March 2021 and 2020, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

### 15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

#### (a) Directors' emoluments *(Continued)*

In prior years, the ultimate holding company, KHHL, has issued share options to two of the directors of the Company. During the year ended 31 March 2020, the fair value of the share option recognised is amounted to approximately HK\$529,000 (2021: nil). Details of the share options are set out in note 37.

The discretionary bonus is reviewed and approved by remuneration committee having regard to his performance and the Company's performance and profitability and the prevailing market conditions.

#### (b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2020: two) were directors of the Company whose emoluments are included in the note 15(a) above. The emoluments of the remaining three (2020: three) individuals were as follows:

	2021 HK\$' 000	2020 HK\$' 000
Salaries and other benefits	2,354	2,371
Discretionary bonus	1,365	1,806
Contributions to retirement benefits scheme	54	54
Share based payments	881	690
	<b>4,654</b>	<b>4,921</b>

Their emoluments were within the following bands:

	2021 No. of Employees	2020 No. of Employees
Nil to HK\$1,000,000	1	1
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,500,000	2	2

During the years ended 31 March 2021 and 2020, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 16. DIVIDENDS

During the year ended 31 March 2021, final dividends of HK\$800,000 (HK0.1 cent per share) in respect of the year ended 31 March 2020 and interim dividends of HK\$800,000 (HK0.1 cent per share) in respect of the year ended 31 March 2021 were declared and paid to the shareholders of the Company.

No dividend has been proposed since the end of the reporting period.

During the year ended 31 March 2020, final dividends of HK\$1,600,000 (HK0.2 cent per share) and special dividends of HK\$160,000 (HK0.02 cent per share) in respect of the year ended 31 March 2019 and interim dividends of HK\$1,600,000 (HK0.2 cent per share) in respect of the year ended 31 March 2020 were declared and paid to the shareholders of the Company.

## 17. EARNINGS PER SHARE

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

### (a) Number of shares

	2021 '000	2020 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	800,608	799,853
Effect of dilutive potential ordinary shares:		
Share awards	6,076	5,605
Weighted average number of ordinary shares for the purpose of diluted earnings per share	806,684	805,458

Note: During the year ended 31 March 2021, the Company issued 3,360,000 ordinary shares to the relevant employees of share awards upon vesting. Details are set out in note 37.

During the year ended 31 March 2020, the Company repurchased 2,390,000 ordinary shares on the Stock Exchange. The total amount paid to repurchase these ordinary shares was approximately HK\$0.7 million. All the repurchased shares had been cancelled as at 31 March 2020.

During the year ended 31 March 2020, the Company issued 2,390,000 ordinary shares to the relevant employees of share awards upon vesting. Details are set out in note 37.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

### 17. EARNINGS PER SHARE *(Continued)*

#### (b) Reported earnings

	2021 HKD' 000	2020 HKD' 000
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	6,294	494

#### (c) Underlying earnings

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are calculated based on the underlying profit for the year attributable to owners of the Company which excludes the net effect of fair value changes of investment properties, net of deferred taxation charged. A reconciliation of profit is as follow:

	2021 HKD' 000	2020 HKD' 000
Earnings for the purpose of basic and diluted earnings per share (Reported profit for the year attributable to owners of the Company)	6,294	494
Fair value changes of investment properties, net of deferred taxation charged	6,392	7,008
Earnings for the purpose of basic and diluted earnings per share (Underlying profit for the year attributable to owners of the Company)	12,686	7,502

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

### 18. PROPERTY, PLANT AND EQUIPMENT

	Land and building HK\$' 000	Leasehold improvement HK\$' 000	Furniture, fixtures and equipment HK\$' 000	Total HK\$' 000
<b>COST</b>				
At 1 April 2019	49,184	9,261	3,140	61,585
Additions	–	–	56	56
At 31 March 2020 and 1 April 2020	49,184	9,261	3,196	61,641
Additions	–	–	19	19
Written off	–	–	(4)	(4)
At 31 March 2021	<b>49,184</b>	<b>9,261</b>	<b>3,211</b>	<b>61,656</b>
<b>ACCUMULATED DEPRECIATION</b>				
At 1 April 2019	6,892	9,203	2,890	18,985
Charged for the year	984	46	186	1,216
At 31 March 2020 and 1 April 2020	7,876	9,249	3,076	20,201
Charged for the year	982	12	88	1,082
Eliminated on written off	–	–	(4)	(4)
At 31 March 2021	<b>8,858</b>	<b>9,261</b>	<b>3,160</b>	<b>21,279</b>
<b>CARRYING VALUES</b>				
At 31 March 2021	<b>40,326</b>	<b>–</b>	<b>51</b>	<b>40,377</b>
At 31 March 2020	41,308	12	120	41,440

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Land and building	Over the shorter of term of the lease or 50 years
Leasehold improvement	Over the shorter of term of the lease or 3 years
Furniture, fixtures and equipment	33%

The Group has pledged its land and building with a carrying value of approximately HK\$40,326,000 (2020: HK\$41,308,000) to secure bank borrowings of the Group as at 31 March 2021.

## 19. INVESTMENT PROPERTIES

	2021 HK\$' 000	2020 HK\$' 000
Investment properties stated at fair value (Note a)	626,178	638,521
Investment property under construction stated at cost (Note b)	–	–
	<b>626,178</b>	<b>638,521</b>

Notes:

### (a) Investment properties stated at fair value

	HK\$' 000
At 1 April 2019	599,681
Exchange realignment	6,366
Transfer from investment property under construction	2,259
Additions	35,487
Net decrease in fair value recognised in profit or loss	(5,272)
At 31 March 2020 and 1 April 2020	638,521
Exchange realignment	(11,498)
Additions	3,220
Net decrease in fair value recognised in profit or loss	(4,065)
At 31 March 2021	<b>626,178</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 19. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

### (a) Investment properties stated at fair value (Continued)

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The Group has pledged its investment properties with a carrying value of approximately HK\$593,093,000 (2020: HK\$607,704,000) to secure banking facilities granted to the Group as at 31 March 2021.

For the investment property located in Hong Kong, the fair value of investment property at 31 March 2021 and 2020 has been arrived at on the basis of a valuation carried out by an independent qualified professional valuer, who is the member of The Hong Kong Institution of Surveyors and has recent experience in the location and category of the investment property being valued. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions. Details of the valuation techniques and assumptions are discussed below.

For the investment properties located in Japan, the fair value of investment properties at 31 March 2021 and 31 March 2020 has been arrived at on the basis of valuations carried out by independent qualified professional valuers, who are the members of Japan Association of Real Estate Appraisers and each has recent experience in the location and category of the investment properties being valued. The valuations were arrived at by using income method – direct capitalisation approach which involves estimation of income and expenses, taking into account of expected future changes in economic and social conditions. Details of the valuation techniques and assumptions are discussed below.

There has been no change from valuation technique used during the years ended 31 March 2021 and 2020. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

### (b) Investment property under construction stated at cost

	HK\$' 000
<hr/>	
COST	
At 31 March 2019 and 1 April 2019	761
Additions	1,484
Exchange realignment	14
Transfer to investment property	(2,259)
<hr/>	
Construction costs incurred at 31 March 2020 and 31 March 2021	–
<hr/>	

As at 31 March 2019, an investment property under construction stated at cost is located in Japan and under construction of approximately HK\$761,000. During the year ended 31 March 2020, approximately HK\$2,259,000 of investment property under construction was completed and transferred to investment properties stated at fair value. As at 31 March 2021 and 2020, the Group did not have investment property under construction stated at cost.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 19. INVESTMENT PROPERTIES (Continued)

An analysis of the Group's investment properties that are measured subsequent to initial recognition at fair value, grouped into fair value hierarchy Levels 1 to 3 based on the degree to which the inputs to fair value measurements is observable is as follows:

	Level 1 HK\$' 000	Level 2 HK\$' 000	Level 3 HK\$' 000	Fair value as at 31 March 2021 HK\$' 000
Investment properties	–	76,000	550,178	626,178

  

	Level 1 HK\$' 000	Level 2 HK\$' 000	Level 3 HK\$' 000	Fair value as at 31 March 2020 HK\$' 000
Investment properties	–	82,000	556,521	638,521

There were no transfers between levels of fair value hierarchy during both years.

The following table gives information about how the fair values of the investment properties as at 31 March 2021 and 2020 are determined (in particular, the valuation techniques and inputs used):

Fair value hierarchy	Fair value as at 31 March 2021 HK\$' 000	Fair value as at 31 March 2020 HK\$' 000	Valuation technique and key inputs	Significant unobservable inputs	Range	Relationship key inputs and significant unobservable inputs to fair value
Investment property located in Hong Kong	Level 2 76,000	82,000	Market Comparison approach – by reference to recent sales price of comparable properties on a price per square feet basis using market data which is publicly available	N/A	N/A	N/A
Investment properties located in Japan	Level 3 550,178	556,521	Income method – direct capitalisation approach, by reference to capitalised income derived from existing tenancies and the reversionary potential of the properties	– Capitalisation rate	Ranged from 2.9% to 6.4% (2020: 3.0% to 6.5%)	The higher the capitalisation rate, the lower the fair value

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 19. INVESTMENT PROPERTIES *(Continued)*

The reconciliation of Level 3 fair value measurements of investment properties on recurring basis is as follows:

	<b>Total HK\$' 000</b>
At 1 April 2019	512,981
Additions	35,487
Exchange adjustments	6,366
Transfer from investment property under construction	2,259
Net decrease in fair value recognised in profit or loss	(572)
At 31 March 2020 and 1 April 2020	556,521
Additions	3,220
Exchange adjustments	(11,498)
Net increase in fair value recognised in profit or loss	1,935
At 31 March 2021	<b>550,178</b>

During the year ended 31 March 2021, the net increase in fair value recognised in profit or loss of approximately HK\$1,935,000 (2020: net decrease in fair value of HK\$572,000) are included in net decrease in fair value of investment properties. Included in the net increase in fair value is amount of approximately HK\$1,935,000 (2020: net decrease in fair value of HK\$572,000) that is attributable to the change in unrealised gains or losses relating to investment properties held at the end of the reporting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

### 20. INTEREST IN AN ASSOCIATE

	2021 HK\$' 000	2020 HK\$' 000
Costs of investment in an associate, unlisted	356	356
Share of post-acquisition profits and other comprehensive income	63	37
	<b>419</b>	<b>393</b>

As at 31 March 2021 and 2020, the Group had interest in the following immaterial associate:

Name of entity	Form of entity	Place of incorporation/operation	Class of shares held	Proportion of nominal value of issued capital and voting right directly held by the Group		Principal activities
				At 31 March 2021	At 31 March 2020	
KK Ascent Plus (note)	Incorporated	Japan	Ordinary	20%	20%	Asset management

Note: During the year ended 31 March 2020, the Group acquired of 20% equity interest in KK Ascent Plus with total cash consideration JPY4,940,000 (equivalent to approximately HK\$356,000) from an independent third party.

The associate company provided services to the Group's subsidiaries during the years ended 31 March 2021 and 2020. For the details, please refer to note 34(a).

### 21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 HK\$' 000	2020 HK\$' 000
Equity instruments designated at FVTOCI		
– Listed	1,189	1,254
– Unlisted	435	237
Total	<b>1,624</b>	<b>1,491</b>

The fair value of these investments is disclosed in note 8.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

### 21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

The above unlisted equity investment represent investment in unlisted equity investment issued by private entities incorporated in Japan. Investments in listed equity securities represent the Group's investment in companies listed in Hong Kong. These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

### 22. RIGHT-OF-USE ASSET AND LEASE LIABILITY

#### (i) Right-of-use asset

As at 31 March 2020, right-of-use asset of approximately HK\$61,000 represented a leased property in Hong Kong.

The Group had lease arrangement for office. The lease term was three years.

#### (ii) Lease liability

	2020 HK\$' 000
Current	63

#### (iii) Amounts recognised in profit or loss

	2021 HK\$' 000	2020 HK\$' 000
Depreciation expense on right-of-use asset	61	246
Interest expense on lease liability	1	8
Expense relating to short-term leases	176	–

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

### 22. RIGHT-OF-USE ASSET AND LEASE LIABILITY *(Continued)*

(iv) **Other**

During the year ended 31 March 2021, the total cash outflow for leases amount to approximately HK\$240,000 (2020: HK\$252,000).

### 23. TRADE AND OTHER RECEIVABLES AND PREPAYMENT

	2021 HK\$' 000	2020 HK\$' 000
Receivables at amortised cost comprise:		
Trade receivables (Note)	3,094	1,559
Less: allowances for impairment of trade receivables	(186)	(41)
	2,908	1,518
Other receivables and prepayment	2,596	3,579
	5,504	5,097

Note: As at 31 March 2021, lease receivables amounting to approximately HK\$132,000 (2020: HK\$63,000) were included in trade receivables. The remaining balances of approximately HK\$2,962,000 (2020: HK\$1,496,000) represented the trade receivables arising from contracts with customers.

	2021 HK\$' 000	2020 HK\$' 000
Analysed for reporting purpose:		
Current portion	5,337	4,841
Non-current portion	167	256
	5,504	5,097

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

### 23. TRADE AND OTHER RECEIVABLES AND PREPAYMENT *(Continued)*

The trade receivables are due upon the issuance of the invoices. The Group does not hold any collateral over these balances. The following is an aged analysis of trade receivables net of allowances for impairment of trade receivables presented based on the invoice date which approximates the respective revenue recognition dates at the end of the reporting period. It also represented the ageing analysis of trade receivables which are past due but not impaired, at the end of the reporting periods.

	2021 HK\$' 000	2020 HK\$' 000
– Within 30 days	2,528	1,334
– More than 30 but within 60 days	50	4
– More than 60 but within 90 days	305	180
– More than 90 but within 180 days	25	–
	<b>2,908</b>	<b>1,518</b>

The movement in the allowances for impairment of trade receivables is set out below.

	2021 HK\$' 000	2020 HK\$' 000
Balance at the beginning of the year	41	2,511
Impairment loss recognised	160	22
Amounts written off as uncollectible	(11)	(948)
Reversal of impairment loss	–	(1,544)
Exchange realignment	(4)	–
Balance at the end of the year	<b>186</b>	<b>41</b>

The Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The ECL on trade receivables and lease receivables are estimated individually by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

As certain receivables aged more than 90 days past due, which were considered unrecoverable and in default, approximately HK\$160,000 (2020: HK\$22,000) of lifetime ECL-credit impaired was recognised during the year ended 31 March 2021. During the year ended 31 March 2020, approximately HK\$1,544,000 (2020: nil) had been recovered with the debtor having settled such amount in cash.

As at 31 March 2021, the allowances for impairment of trade receivables of approximately HK\$186,000 (2020: HK\$41,000) were credit impaired.

As there is no realistic prospect of recovery of the trade receivables of approximately HK\$11,000 (2020: HK\$948,000), the Group has written off such amount of trade receivables during the year ended 31 March 2021.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

### 23. TRADE AND OTHER RECEIVABLES AND PREPAYMENT *(Continued)*

The following is an analysis of other receivables and prepayment at the end of the reporting period:

	2021 HK\$' 000	2020 HK\$' 000
Deposits	145	145
Prepayments	2,145	2,043
Other receivables	306	1,391
	2,596	3,579

The ECL on other receivables are estimated individually by reference to past experience of default and their financial position and general economic condition of the industry at the reporting date. The internal credit rating of the other receivables are considered to be performing as at 31 March 2021 and 31 March 2020 as there has not been a significant change in the credit risk since initial recognition.

### 24. DEPOSITS PLACED IN FINANCIAL INSTITUTIONS/BANK BALANCES AND CASH

At 31 March 2021 and 2020, the deposits placed in financial institutions and bank balances carried at variable interest rates which ranged from 0.01% to 0.125% (2020: 0.01% to 0.125%) per annum.

Included in deposits placed in financial institutions and bank balances and cash are the following amounts denominated in currencies other than the functional currency of the respective reporting entities of the Group:

	2021 HK\$' 000	2020 HK\$' 000
JPY	3,085	5,323

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

### 25. TRADE AND OTHER PAYABLES

	2021 HK\$' 000	2020 HK\$' 000
Trade payables	128	116
Other payables	13,510	13,560
	<b>13,638</b>	13,676
Analysed for reporting purposes:		
Current portion	12,293	12,165
Non-current portion	1,345	1,511
	<b>13,638</b>	13,676

The trade payables are due upon the receipt of the invoices. All trade payables are aged within 30 days which are based on the invoice date at the end of the reporting period. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

### 26. SECURED BANK BORROWINGS

	2021 HK\$' 000	2020 HK\$' 000
Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):		
Within one year	64,726	66,916
After one year but within two years	10,643	10,870
After two years but within five years	31,229	32,613
After five years	95,250	107,440
	<b>201,848</b>	217,839
Amounts shown under current liabilities	64,726	66,916
Amounts shown under non-current liabilities	137,122	150,923
	<b>201,848</b>	217,839

As at 31 March 2021, bank borrowings of approximately HK\$54,083,000 (2020: HK\$56,045,000) that are repayable within one year from the end of the reporting period and contain a repayment on demand clause.

	2021 HK\$' 000	2020 HK\$' 000
The exposure of the Group's secured bank borrowings to interest rate risk is as follows:		
Fixed-rate borrowings	128,635	141,172
Variable-rate borrowings	73,213	76,667
	<b>201,848</b>	217,839

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

### 26. SECURED BANK BORROWINGS *(Continued)*

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's secured bank borrowings are as follows:

	2021 HK\$' 000	2020 HK\$' 000
Effective interest rate:		
Fixed-rate borrowings	1.11% to 2.85%	1.11% to 2.85%
Variable-rate borrowings	1.09% to 4.86%	1.09% to 5.21%

The Group has variable-rate borrowings which carry interest at HIBOR or TIBOR. Interest is reset regularly.

As at the end of the reporting period, the Group has the following undrawn borrowing facilities:

	2021 HK\$' 000	2020 HK\$' 000
Floating rate	63,417	51,455

During the year, the Group obtained new loans in the amount of approximately HK\$48,044,000 (2020: HK\$115,506,000) and will be repayable from 2021 to 2043 (2020: 2020 to 2043). The proceeds were used for general working capital purpose and to finance the acquisition of investment properties.

The bank borrowings are secured by the land and building and certain investment properties of the Group as disclosed in notes 18 and 19 respectively.

The bank borrowings of approximately HK\$102,003,000 (2020: HK\$112,173,000) are guaranteed by KK Ascent Plus, an associate of the Group, with guarantee fee of approximately HK\$254,000 (2020: HK\$128,000) paid during the year ended 31 March 2021.

Included in secured bank borrowings are the following amounts denominated in currency other than the functional currency of the respective reporting entity of the Group:

	2021 HK\$' 000	2020 HK\$' 000
JPY	–	8,963

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 27. DERIVATIVE FINANCIAL INSTRUMENTS

	2021 Liabilities HK\$' 000	2020 Liabilities HK\$' 000
Interest rate swaps	416	667

Interest rate swaps forms a part of arrangement of the variable-rate bank borrowings entered into between the Group and borrowing banks in Japan.

Major terms of the interest rate swaps are as follows:

### 31 March 2021

Notional amount	Maturity	Swaps From	To
JPY 91,000,000 (equivalent to approximately HK\$6,388,000)	31/8/2027	TIBOR + 1.05%	2.33%
JPY 193,759,000 (equivalent to approximately HK\$13,602,000)	29/12/2023	TIBOR + 0.75%	1.73%

### 31 March 2020

Notional amount	Maturity	Swaps From	To
JPY 110,000,000 (equivalent to approximately HK\$7,887,000) (Note)	30/9/2025	TIBOR + 1.20%	2.42%
JPY 105,000,000 (equivalent to approximately HK\$7,529,000)	31/8/2027	TIBOR + 1.05%	2.33%
JPY 218,755,000 (equivalent to approximately HK\$15,685,000)	29/12/2023	TIBOR + 0.75%	1.73%

Details of the fair value measurement are set out in note 8.

Note: The interest rate swap was early terminated during the year.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

### 28. DEFERRED TAX ASSET (LIABILITIES)

The following is the analysis of the deferred tax asset (liabilities), after set off certain deferred tax assets against deferred tax liabilities of the same taxable entity, for financial reporting purposes:

	2021 HK\$' 000	2020 HK\$' 000
Deferred tax asset	1,505	1,505
Deferred tax liabilities	(29,136)	(27,466)
	<b>(27,631)</b>	<b>(25,961)</b>

The following are the major deferred tax asset (liabilities) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK\$' 000	Revaluation of investment properties and undistributable profits of subsidiaries HK\$' 000	Unused tax losses HK\$' 000	Total HK\$' 000
At 1 April 2019	(507)	(24,923)	–	(25,430)
(Charged) credit to profit or loss for the year (note 13)	–	(1,736)	1,515	(221)
Exchange realignment	–	(310)	–	(310)
At 31 March 2020 and 1 April 2020	(507)	(26,969)	1,515	(25,961)
Charged to profit or loss for the year (note 13)	–	(2,327)	–	(2,327)
Exchange realignment	–	657	–	657
At 31 March 2021	<b>(507)</b>	<b>(28,639)</b>	<b>1,515</b>	<b>(27,631)</b>

At 31 March 2021, the Group has unused estimated tax losses of approximately HK\$16,261,000 (2020: HK\$12,031,000), available for offset against future profits. Deferred tax asset has been recognised in respect of the unused estimated tax losses of approximately HK\$9,182,000 (2020: HK\$9,182,000), such losses may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the remaining approximately HK\$7,079,000 (31 March 2020: HK\$2,849,000) unused tax losses due to the unpredictability of future profit streams.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 29. SHARE CAPITAL

	Number of ordinary shares	Share capital HK\$' 000
Ordinary shares of HK\$0.01 each		
<i>Authorised:</i>		
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	5,000,000,000	50,000
<i>Issued and fully paid:</i>		
At 1 April 2019	800,000,000	8,000
Share repurchased and cancelled (Note i)	(2,390,000)	24
Share allotted (Note ii) (note 37)	2,390,000	(24)
At 31 March 2020 and 1 April 2020	800,000,000	8,000
Share allotted (Note ii) (note 37)	3,360,000	34
At 31 March 2021	803,360,000	8,034

Notes:

- (i) During the year ended 31 March 2020, the Company repurchased and cancelled its own shares through the Stock Exchange as follows:

Month of purchase	Number of ordinary shares of HK\$0.01 each	Price per share		Aggregation consideration paid HK\$' 000
		Highest HK\$	Lower HK\$	
December 2019	1,340,000	0.295	0.270	380
January 2020	690,000	0.300	0.295	204
March 2020	360,000	0.275	0.260	95
	2,390,000			679

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the both years.

- (ii) These new shares rank pari passu with the existing shares in all respects.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 30. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

The Group has the following changes in its ownership interest in a subsidiary.

### (i) Acquisition of additional interest in a subsidiary

During the year ended 31 March 2020, the Group has acquired an additional 10% of the equity interest of EXE Rise Shimodori Investor Limited (“EXE Rise”), a subsidiary of the Group, from a non-controlling interest shareholder of the Group at a cash consideration of approximately JPY36,185,000 (equivalent to approximately HK\$2,620,000). This resulted in an increase in the Group’s equity interest in EXE Rise from 90% to 100%. Approximately HK\$25,000 representing the difference between the consideration paid and the carrying amount of additional 10% equity interest in EXE Rise, was transferred from non-controlling interests to other reserve.

### (ii) Disposal of equity interest in a subsidiary without loss of control

During the year ended 31 March 2020, the Group has disposed of 10% of the equity interests of EXE Rise at a cash consideration of approximately JPY46,186,000 (equivalent to approximately HK\$3,344,000) to a non-controlling shareholder of the Group’s other subsidiaries. This resulted in a decrease in the Group’s equity interest in EXE Rise from 100% to 90%. Approximately HK\$32,000 representing the difference between the carrying amount of equity interest disposed of EXE Rise of approximately HK\$3,312,000 and the consideration received from the purchaser, a non-controlling interest shareholder of the Group’s other subsidiaries, was recognised in other reserve.

## 31. OPERATING LEASE COMMITMENTS

### The Group as lessor

During the years ended 31 March 2021 and 2020, the Group’s properties held for rental purpose are expected to generate rental yields of 6.3% and 5.9% respectively, on an ongoing basis. All of the properties held have committed tenants for the next one to seventeen years (2020: one to eighteen years).

At the end of the reporting period, the Group had contracted with tenants under non-cancellable operating leases for the following future minimum lease payments:

	2021 HK\$’000	2020 HK\$’000
Within one year	3,215	3,310

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

### 32. RETIREMENT BENEFITS PLAN

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs, capped at HK\$1,500 per month, to the MPF Scheme, in which the contribution is matched by employees.

The total cost charged to profit or loss of approximately HK\$401,000 (2020: HK\$492,000) represents contributions payable to this scheme by the Group in respect of the current accounting period.

### 33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flow as cash flows from financing activities.

	Secured bank borrowings (note 26) HK\$000	Dividends payable (included in other payables) HK\$000	Interest payable (included in other payables) HK\$' 000	Lease liability (note 22) HK\$000	Total HK\$000
At 1 April 2020	217,839	–	112	63	218,014
Financing cash flows					
Addition	48,044	–	–	–	48,044
Repayment	(61,089)	(1,972)	(4,634)	(64)	(67,759)
Non-cash changes					
Exchange realignment	(2,946)	–	–	–	(2,946)
Finance costs incurred	–	–	4,636	1	4,637
Dividends declared	–	1,972	–	–	1,972
At 31 March 2021	<b>201,848</b>	–	<b>114</b>	–	<b>201,962</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

### 33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES *(Continued)*

	Secured bank borrowings (note 26) HK\$000	Dividends payable (included in other payables) HK\$000	Interest payable (included in other payables) HK\$' 000	Lease liability (note 22) HK\$000	Total HK\$000
At 1 April 2019	189,847	70	72	307	190,296
Financing cash flows					
Addition	115,506	–	–	–	115,506
Repayment	(89,274)	(3,675)	(4,852)	(252)	(98,053)
Non-cash changes					
Exchange realignment	1,760	–	–	–	1,760
Finance costs incurred	–	–	4,892	8	4,900
Dividends declared	–	3,605	–	–	3,605
At 31 March 2020	217,839	–	112	63	218,014

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 34. RELATED PARTY TRANSACTIONS

### (a) Transactions

Except disclosed elsewhere in the consolidated financial statements, the Group entered into the following transactions with related party:

Name of the related party	Relationship	Nature of transactions	2021	2020
			HK\$' 000	HK\$' 000
KK Ascent Plus	Associate	Asset management fee paid	757	418
		Guarantee fee paid	254	128

The above transactions were carried out at terms determined and agreed between the Group and the relevant party.

### (b) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management during the year was as follows:

	2021	2020
	HK\$' 000	HK\$' 000
Short-term benefits	7,300	11,629
Share based payments	837	1,190
Post-employment benefits	113	114
	8,250	12,933

The remuneration of the directors of the Company and key management is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

### 35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 HK\$' 000	2020 HK\$' 000
Non-current assets		
Investments in subsidiaries	299,510	299,510
Investment in an associate	356	356
Prepayment	10	30
	<b>299,876</b>	<b>299,896</b>
Current assets		
Other receivables and prepayment	306	230
Amounts due from subsidiaries (Note)	69,302	68,995
Bank balances and cash	1,495	761
	<b>71,103</b>	<b>69,986</b>
Current liabilities		
Accruals	881	811
Amounts due to subsidiaries (Note)	3,358	2,830
	<b>4,239</b>	<b>3,641</b>
Net current assets	<b>66,864</b>	<b>66,345</b>
	<b>366,740</b>	<b>366,241</b>
Capital and reserves		
Share capital	8,034	8,000
Reserves	358,706	358,241
	<b>366,740</b>	<b>366,241</b>

Note: The amounts are unsecured, non-interest bearing and repayable on demand.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

### 35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

#### Movements of the Reserves of the Company:

	Share Premium HK\$' 000	Other reserve (Note) HK\$' 000	Shareholder contribution HK\$' 000	Share awards reserve HK\$' 000	Retained profits HK\$' 000	Total HK\$' 000
As at 1 April 2019	71,288	264,509	10,790	319	11,250	358,156
Profit for the year	–	–	–	–	2,840	2,840
Dividends paid	–	–	–	–	(3,360)	(3,360)
Share based payments	–	–	–	755	–	755
Share repurchased and cancelled	(655)	–	–	–	–	(655)
Vested shares for share awards	803	–	–	(827)	–	(24)
Contribution from shareholder	–	–	529	–	–	529
31 March 2020 and 1 April 2020	71,436	264,509	11,319	247	10,730	358,241
Profit for the year	–	–	–	–	1,107	1,107
Dividends paid	–	–	–	–	(1,600)	(1,600)
Share based payments	–	–	–	992	–	992
Share repurchased and cancelled	–	–	–	–	–	–
Vested shares for share awards	995	–	–	(1,029)	–	(34)
At 31 March 2021	<b>72,431</b>	<b>264,509</b>	<b>11,319</b>	<b>210</b>	<b>10,237</b>	<b>358,706</b>

Note: Other reserve represents the difference between the nominal value of the shares issued for the acquisition of equity interests in the subsidiaries as part of the reorganisation and the consolidated equity of the subsidiaries acquired by the Company in prior years.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 36. PARTICULARS OF SUBSIDIARIES OF THE GROUP

Details of the Company's subsidiaries as at 31 March 2021 and 2020 are set out below.

Name of subsidiary	Form of business	Place of incorporation/ operation	Issued and fully paid-up share capital	Percentage of effective equity interest attributable to the Company		Proportion of voting power held by the Company		Principal activity
				2021	2020	2021	2020	
<i>Directly held:</i>								
Pleasant Hilltop Limited	Incorporated	The BVI	US\$1	100%	100%	100%	100%	Investment holding
Whalehunter Investments Limited	Incorporated	The BVI	US\$2	100%	100%	100%	100%	Investment holding
<i>Indirectly held:</i>								
Altus Capital Limited	Incorporated	Hong Kong	HK\$12,500,000	100%	100%	100%	100%	Financial advisory and consultancy services and investment holding
Altus Investments Limited	Incorporated	Hong Kong	HK\$149,178,505	100%	100%	100%	100%	Investment holding
EXE Rise	Incorporated	The BVI	JPY120,000	90%	90%	90%	90%	Investment holding
Galaxy Base Limited	Incorporated	Hong Kong	HK\$50	100%	100%	100%	100%	Property investment
Godo Kaisha Bohol	Incorporated	Japan	JPY1,000,000	90%	90%	90%	90%	Property investment
Godo Kaisha Choun	Incorporated	Japan	JPY10,000	100%	100%	100%	100%	Property investment
Godo Kaisha Yuzuha	Incorporated	Japan	JPY10,000	90%	90%	90%	90%	Property investment
Godo Kaisha Hayama Shouten	Incorporated	Japan	JPY10,000	90%	90%	90%	90%	Property investment
Godo Kaisha Mameha	Incorporated	Japan	JPY210,000	78.7%	78.7%	78.7%	78.7%	Property investment
I Corporation	Incorporated	The BVI	US\$70	80%	80%	80%	80%	Investment holding
Residence Motoki Investment Limited	Incorporated	The BVI	JPY6,000,000	78.7%	78.7%	78.7%	78.7%	Investment holding
Smart Tact	Incorporated	The BVI	HK\$9,220	90%	90%	90%	90%	Investment holding
Starich Resources Limited	Incorporated	The BVI	US\$8	100%	100%	100%	100%	Property investment, investment holding and providing administrative service
Yugen Kaisha Hourai	Incorporated	Japan	JPY3,000,000	100%	100%	100%	100%	Property investment
Yugen Kaisha Houten	Incorporated	Japan	JPY3,000,000	100%	100%	100%	100%	Property investment
Japan Special Situation Investment Limited	Incorporated	The BVI	US\$3,700	94.6%	94.6%	100%	100%	Property investment
Lynton Gate Limited	Incorporated	The BVI	US\$10	90%	90%	90%	90%	Property investment
Altus Japan Property Fund Ltd SPC	Incorporated	The Cayman Islands	JPY100	100%	100%	100%	100%	Property investment

Note: None of the subsidiaries had any debt securities outstanding at the end of both years or during both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 37. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS

### (A) Share option scheme

On 4 March 2016, KHHL entered into the option deeds (“**Option Deeds**”) with each of Chang Sean Pey and Leung Churk Yin Jeanny, respectively as the grantees (“**Grantees**”). Pursuant to the Option Deeds, in consideration of HK\$1.00 paid by each Grantee, KHHL granted share options to the Grantees. The exercise of these shares options would entitle the Grantees to purchase the Company’s share in aggregate of 37,800,000 shares held by KHHL. The share option is valid for 42 months after the listing date of the Company. According to the Option Deeds, one-third of the shares option may be exercisable after 12 months from the date of listing; another one-third may be exercisable after 24 months of the date of listing; and remaining may be exercisable after 36 months of date of listing.

The estimated fair value of the options granted on the grant date was approximately HK\$11,320,000. During the year ended 31 March 2020, the Group recognised the total expense of approximately HK\$529,000 in relation to share options granted by KHHL. As at 31 March 2020, all share options were exercised.

The fair value was calculated using the Binomial model. The inputs into the model were as follow:

	4 March 2016 HK\$
Weighted average share price at grant date	HK\$0.773
Exercise price	HK\$0.00004
Expected terms	42 months
Expected volatility	60.88%
Risk-free rate	0.99%
Expected dividend yield	2.00%

Expected volatility was determined with reference to the historical volatility of the Group’s comparable companies.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in the computing the fair value of the share options are based on the director’s best estimate. The value of an option varies with different variables of certain subjective assumptions.

### (B) Share awards to employees

On 25 June 2018, the Group has entered a deed of grant (the “**Deeds**”) in relation to the award of shares of the Company to an executive director of a wholly-owned subsidiary of the Group and an employee of the Group (“**Share Awards**”). Such transactions have been approved in August 2018. 2,400,000 shares were awarded to each employee. The fair value of the awarded shares was calculated based on the market price of the Company’s shares at the respective grant date. As such, the estimated fair values of the shares granted are approximately HK\$1,680,000. Details are set out in the circular dated 20 July 2018 and announcements dated 25 June 2018 and 26 June 2018.

On 3 July 2019, the Board has resolved to award conditionally an aggregate of 1,940,000 new shares of the Company (the “**Awarded Shares**”) to nine grantees. One of the grantees, who was awarded with 750,000 new shares of the Company, is an executive director of a wholly-owned subsidiary of the Group. Other grantees, who are awarded with aggregate of 1,190,000 new shares of the Company, are employees of the Group. The fair value of the awarded shares was calculated based on the market price of the Company’s shares at the respective grant date. As such, the estimated fair value of the shares granted are approximately HK\$563,000. Details were set out in the circular of the Company dated 22 July 2019. At an extraordinary general meeting of the Company held on 8 August 2019, the deed of grant of share awards was approved.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

### 37. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS *(Continued)*

#### (B) Share awards to employees *(Continued)*

On 26 June 2020, the Board has resolved to award conditionally an aggregate of 3,830,000 new shares of the Company (the “2020 Shares Awards”) to twelve grantees. One of the grantees, who was awarded with 1,600,000 new shares of the Company, is an executive director of a wholly-owned subsidiary of the Group. Other grantees, who are awarded with aggregate of 2,230,000 new shares of the Company, are employees of the Group. The fair value of the awarded shares was calculated based on the market price of the Company’s shares at the respective grant date. As such, the estimated fair value of the shares granted are approximately HK\$820,000. Details were set out in the circular of the Company dated 23 July 2020. At an extraordinary general meeting of the Company held on 7 August 2020, the deed of grant of share awards was approved.

During the year ended 31 March 2021, shares based payment of approximately HK\$992,000 has been recognised in the profit or loss. In addition, 1,280,000 of the Share Awards, 1,790,000 of the Awarded Shares and 290,000 of the 2020 Shares Awards have been issued and allotted to the executive director of a wholly-owned subsidiary of the Group and employees during the year ended 31 March 2021. As such, approximately HK\$34,000 and HK\$1,029,000 is recognised as share capital and share awards reserve respectively.

During the year ended 31 March 2021, 430,000 (2020: nil) of the 2020 Shares Awards which is granted in the current year have been forfeited as one of the grantee ceased to be an employee of the Group.

During the year ended 31 March 2020, shares based payment of approximately HK\$755,000 has been recognised in the profit or loss. In addition, 2,240,000 of the Share Awards, 150,000 of the Awarded Shares have been issued and allotted to the executive director of a wholly-owned subsidiary of the Group and employees during the year ended 31 March 2020. As such, approximately HK\$24,000 and HK\$827,000 is recognised as share capital and share awards reserve respectively.

Details of the terms and conditions of the grant of share awards under the deeds are as follows:

	Number of shares	Fair value as at grant date		Vesting conditions
		Per share HK\$	Aggregate amount HK\$’ 000	
Share awards granted to employees:				
– on 25 June 2018	4,800,000	0.35	1,680	Note (i)
– on 8 August 2019	1,940,000	0.29	563	Note (ii)
– on 7 August 2020	3,830,000	0.214	820	Note (iii)
Total share awards granted	10,570,000			

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 MARCH 2020 AND 2021

## 37. EQUITY SETTLED SHARE-BASED PAYMENTS TRANSACTIONS *(Continued)*

### (B) Share awards to employees *(Continued)*

Notes:

- (i) The share awards granted have a vesting period shown as follows:
- 2,240,000 shares were vested for the year ended 31 March 2020.
  - 1,280,000 shares were vested for the year ended 31 March 2021.
  - 1,280,000 shares were vested for the year ending 31 March 2022.
- (ii) The share awards granted have a vesting period shown as follows:
- 150,000 shares were vested for the year ended 31 March 2020
  - 1,790,000 shares were vested for the year ended 31 March 2021.
- (iii) The share awards granted have a vesting period shown as follows:
- 450,000 shares were vested for the year ended 31 March 2021.
  - 1,620,000 shares were vested for the year ending 31 March 2022.
  - 1,760,000 shares were vested for the year ending 31 March 2023.

The movement of the grant of share awards during the year are as follows:

	Number of shares award	
	2021	2020
Outstanding as at 1 April	4,350,000	4,800,000
Granted during the year	3,830,000	1,940,000
Vested during the year	(3,360,000)	(2,390,000)
Forfeited during the year	(430,000)	–
Outstanding as at 31 March	4,390,000	4,350,000

## 38. COMPARATIVE FIGURES

As a result of changing of information reported to the CODM, certain comparative figures have been reclassified to conform with current year presentation. Details are set out in note 10.

## PARTICULARS OF PROPERTIES HELD BY THE GROUP

AT 31 MARCH 2021

	Particulars	Use	Lease term	Lot No.	Percentage of interest of the Group
<i>Land and buildings</i>					
1.	No. 21 Wing Wo Street, Hong Kong	Commercial	Long-term	Sub-section 3 of Section C of Marine Lot No. 63 A	100.0%
<i>Investment properties</i>					
<b>Hong Kong</b>					
2.	8th Floor of Nos. 8-10 Duddell Street and No. 20 Ice House Street, Hong Kong	Commercial	Long-term	Inland Lot No. 339	100.0%
<b>Japan</b>					
3.	Ark Palace Hiragishi	Residential	Freehold	Lot No. 31, Hiragishi 2-jo, 7-chome, Toyohira-ku, Sapporo City, Hokkaido Prefecture	90.0%
4.	Kitano Machikado GH	Residential	Freehold	Lot No. 365-301, Kitano 5-jo, 4-chome, Kiyota-ku, Sapporo City, Hokkaido Prefecture	100.0%
5.	LC One	Residential cum office	Freehold	Lot No. 2-19, Kita 1-jo, Nishi 19-chome, Chuo-ku, Sapporo City, Hokkaido Prefecture	90.0%
6.	Liberty Hills GH	Residential	Freehold	Lot No. 44-1, Hiragishi 6-jo, 13-chome, Toyohira-ku, Sapporo City, Hokkaido Prefecture	100.0%
7.	Libress Hiragishi	Residential cum office	Freehold	Lot No. 3, Hiragishi 3-jo, 4-chome, Toyohira-ku, Sapporo City, Hokkaido Prefecture	100.0%
8.	Nouvelle 98	Residential	Freehold	Lot No. 533-14 and other lot, Minami 9-jo, Nishi 8-chome, Chuo-ku, Sapporo City, Hokkaido Prefecture	100.0%

## PARTICULARS OF PROPERTIES HELD BY THE GROUP

AT 31 MARCH 2021

Particulars	Use	Lease term	Lot No.	Percentage of interest of the Group
9. Rakuyukan 36	Residential	Freehold	Lot No. 250-47, Minami 36-jo, Nishi 10-chome, Minami-ku, Sapporo City, Hokkaido Prefecture	94.6%
10. South 1 West 18 Building	Residential cum office	Freehold	Lot No. 1-2 and other lots, Minami 1-jo, Nishi 18-chome, Chuo-ku, Sapporo City, Hokkaido Prefecture	90.0%
11. T House	Residential	Freehold	Lot No. 614-16 and other lot, Kotoni 3-jo, 3-chome, Nishi-ku, Sapporo City, Hokkaido Prefecture	100.0%
12. Tommy House Hiragishi	Residential	Freehold	Lot No. 44, Hiragishi 3-jo, 12-chome, Toyohira-ku, Sapporo City, Hokkaido Prefecture	100.0%
13. Uruoi Kawanone	Residential	Freehold	Lot No. 7-1 and other lot, Minami 8-jo, Nishi 3-chome, Chuo-ku, Sapporo City, Hokkaido Prefecture	100.0%
14. White Building A & B	Residential	Freehold	Lot No. 18-316 and other lot, Kita 23-jo, Nishi 5-chome, Kita-ku, Sapporo City, Hokkaido Prefecture	90.0%
15. Azabu Juban Crown Building	Residential	Freehold	Lot No. 2-12, Azabujuban 2-chome, Minato-ku, Tokyo	100.0%
16. Azabu Sendaizaka Hills	Residential	Freehold	Lot No. 6-18 and other lot, Minamiazabu 1-chome, Minato-ku, Tokyo	100.0%
17. City Court Suginami	Residential	Freehold	Lot No. 46-1 and other lots, Suginamicho, Hakodate City, Hokkaido Prefecture	100.0%
18. Residence Motoki	Residential cum commercial	Freehold	Lot No. 563, Nishijin 5-chome, Sawara-ku, Fukuoka City, Fukuoka Prefecture	78.7%

## PARTICULARS OF PROPERTIES HELD BY THE GROUP

AT 31 MARCH 2021

	Particulars	Use	Lease term	Lot No.	Percentage of interest of the Group
19.	Wealth Fujisaki	Residential	Freehold	Lot No. 55-2 and other lot, Fujisaki 1-chome, Sawara-ku, Fukuoka City, Fukuoka Prefecture	100.0%
20.	Rise Shimodori EXE	Residential cum commercial	Freehold	Lot No. 2-2 and other lots, Chuogai, Chuo-ku, Kumamoto City, Kumamoto Prefecture	90.0%
21.	Rise Fujisakidai	Residential	Freehold	Lot No. 2-30 and other lots, Shinmachi 3-chome, Chuo-ku, Kumamoto City, Kumamoto Prefecture	90.0%
22.	Rise Kumamoto Station South	Residential	Freehold	Lot No. 130-1, Nihongi 4-chome, Nishi-ku, Kumamoto City, Kumamoto Prefecture	90.0%
23.	Rise Shimodori	Residential	Freehold	Lot No. 5-4 and other lots, Chuogai, Chuo-ku, Kumamoto City, Kumamoto Prefecture	90.0%
24.	Kagoshima Tenmonkan Building	Commercial	Freehold	Lot No. 5-2 Sennichicho, Kagoshima City, Kagoshima Prefecture	90.0%
25.	Shinoro House GH	Residential	Freehold	Lot No. 264-8, Sinoro 9-jo, 3-chome, Kita-ku, Sapporo City, Hokkaido Prefecture	100.0%
26.	Relife GH	Residential	Freehold	Lot No. 21-305, 7-jo, 3-chome, Kiyota, Kiyota ku, Sapporo City, Hokkaido Prefecture	100.0%
27.	KD Shinshigai Building	Commercial	Freehold	Shinshigai 1-15, Chuo-ku, Kumamoto City, Kumamoto Prefecture	90.0%
28.	Wisteria-S	Residential	Freehold	Lot No. 8-24, Kikusui 3-jo, 1-chome, Shiroishi-ku, Sapporo City, Hokkaido Prefecture	100.0%