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## GROUND INTERNATIONAL DEVELOPMENT LIMITED

### 廣澤國際發展有限公司

(Incorporated in Bermuda with limited liability)

(stock code: 989)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

The board (the “Board”) of directors (the “Directors”) of Ground International Development Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2020 together with the comparative figures as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2020

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2020</b>	<b>2019</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
			<b>(restated)</b>
<b>Continuing operations</b>			
<b>Revenue</b>	5(a)	<b>99,054</b>	53,603
Cost of sales and services		<b>(112,746)</b>	(45,674)
		<hr/>	<hr/>
Gross (loss) profit		<b>(13,692)</b>	7,929
Other income and gains	5(b)	<b>654</b>	4,378
Selling and distribution expenses		<b>(2,876)</b>	(2,501)
Administrative expenses		<b>(15,480)</b>	(16,189)
Finance costs	6	<b>(57,100)</b>	(33,164)
Other expenses		<b>(472,385)</b>	(334,035)
Change in fair value of investment properties		<b>(29,000)</b>	(30,419)
Change in fair value of derivative financial instruments		<b>(36)</b>	(3,045)
		<hr/>	<hr/>
<b>(Loss) before tax from continuing operations</b>	7	<b>(589,915)</b>	(407,046)
Income tax	8	<b>(17,314)</b>	74,310
		<hr/>	<hr/>
<b>(Loss) for the period from continuing operations</b>		<b>(607,229)</b>	<b>(332,736)</b>
		<hr/> <hr/>	<hr/> <hr/>

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2020</b>	2019
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>	<b>RMB'000</b>	<i>RMB'000</i>
			(restated)
<b>Discontinued operations</b>	<i>11</i>		
(Loss) for the period from discontinued operations		—	(106,761)
(Loss) for the period		<b>(607,229)</b>	<b>(439,497)</b>
<b>Attributable to:</b>			
Owners of the parent			
– continued operations		<b>(607,229)</b>	(332,736)
– discontinued operations		—	(106,761)
		<b>(607,229)</b>	<b>(439,497)</b>
<b>(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<i>9</i>		
Basic			
– (Loss) for the period		<b>(11.13) cents</b>	(8.33) cents
– (Loss) from continuing operations		<b>(11.13) cents</b>	(6.31) cents
Diluted			
– (Loss) for the period		<b>(11.13) cents</b>	(8.33) cents
– (Loss) from continuing operations		<b>(11.13) cents</b>	(6.31) cents

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
Notes	RMB'000	RMB'000 (restated)
<b>(LOSS) FOR THE PERIOD</b>	<b>(607,229)</b>	<b>(439,497)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Other comprehensive income may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>(38,523)</u>	<u>(48,170)</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b><u>(38,523)</u></b>	<b><u>(48,170)</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b><u>(645,752)</u></b>	<b><u>(487,667)</u></b>
<b>Attributable to:</b>		
Owners of the parent		
– Continuing operations	<u>(645,752)</u>	<u>(380,906)</u>
– Discontinued operations	<u>–</u>	<u>(106,761)</u>
	<b><u>(645,752)</u></b>	<b><u>(487,667)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		30 September 2020 (unaudited) RMB'000	31 March 2020 (audited) RMB'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		3,408	6,131
Investment properties	12	521,000	550,000
Goodwill		–	4,999
Right-of-use assets		5,300	11,397
Lease receivables		–	446
Deferred tax assets		6,270	25,840
<b>Total non-current assets</b>		<b>535,978</b>	<b>598,813</b>
<b>CURRENT ASSETS</b>			
Properties under development and completed properties held for sale	13	1,141,468	1,600,263
Trade and other receivables	14	168,589	291,850
Lease receivables		2,463	2,970
Prepaid income tax		11,572	12,333
Derivative financial instruments	20	57	96
Pledged and restricted deposits	15	16,026	19,009
Cash and cash equivalents	15	14,144	30,500
<b>Total current assets</b>		<b>1,354,319</b>	<b>1,957,021</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	588,187	647,505
Contract liabilities	17	214,320	234,526
Lease liabilities		16,467	27,577
Loans from a controlling shareholder	18	201,646	105,891
Bank and other borrowings	19	698,497	695,497
Liability component of the Convertible Bonds	20	72,322	–
Income tax payable		78,176	74,872
<b>Total current liabilities</b>		<b>1,869,615</b>	<b>1,785,868</b>
<b>NET CURRENT (LIABILITIES) ASSETS</b>		<b>(515,296)</b>	<b>171,153</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>20,682</b>	<b>769,966</b>

		<b>30 September 2020 (unaudited) RMB'000</b>	31 March 2020 (audited) RMB'000
	<i>Notes</i>		
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings	<i>19</i>	<b>149,240</b>	170,690
Liability component of the Convertible Bonds	<i>20</i>	–	73,155
Deferred tax liabilities		<b>65,278</b>	72,189
Lease liabilities		–	2,016
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>214,518</b>	318,050
		<hr/>	<hr/>
<b>Net (liabilities) assets</b>		<b>(193,836)</b>	451,916
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	<i>21</i>	<b>259,237</b>	228,370
Convertible preference shares	<i>22</i>	<b>657,203</b>	1,181,940
Equity component of the Convertible Bonds	<i>20</i>	<b>40,368</b>	40,368
Reserves		<b>(1,150,644)</b>	(998,762)
		<hr/>	<hr/>
<b>Total equity</b>		<b>(193,836)</b>	451,916
		<hr/> <hr/>	<hr/> <hr/>

## NOTES

### 1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda. Its registered office address is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company is principally engaged in investment holding and the Group is principally engaged in the property development and management, including planning, designing, budgeting, licensing, contract tendering and contract administration and property investment.

### 2. BASIS OF PREPARATION

The unaudited interim financial information for the six months ended 30 September 2020 (the “Interim Financial Information”) has been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those policies adopted in the preparation of the Group’s financial statements for the year ended 31 March 2020, except for the adoption of new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time on 1 April 2020 as set out in note 3 to the condensed consolidated financial statements.

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s audited financial statements for the year ended 31 March 2020.

#### **Going concern basis**

As at 30 September 2020, the Group had net current liabilities of approximately RMB515.3 million and net liabilities of approximately RMB193.8 million respectively. In addition, it incurred a loss from continuing operation of approximately RMB607.2 million for the six months ended 30 September 2020 (six months ended 30 September 2019: RMB332.7 million). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the aforesaid conditions, the condensed consolidated financial statements have been prepared on a going concern basis on the assumption that the Group is able to operate as a going concern for the foreseeable future. In the opinion of the Directors, the Group can meet its financial obligations as and when they fall due within the next twelve months, after taking into consideration of the measures and arrangements made by the Group as detailed below:

- (i) the Group is in negotiation with financial institutions and other lenders for the renewals of the Group's short-term bank and other borrowings upon expiry, new borrowings and application of additional credit facilities; and is able to obtain new bank borrowings subsequent to the date of reporting period;
- (ii) the Group is expected to generate adequate cash flows to maintain its operations;
- (iii) the Group obtained the financial assistance with the maximum amount of RMB202,000,000 and RMB232,000,000 for the years ended 31 March 2021 and 2022 respectively from the controlling shareholder for the operation use. As at 30 September 2020, RMB201,646,000 had been utilised.

The Directors have prepared a cash flow forecast covering a period up to 30 September 2021 on the basis that the renewals of the Group's bank and other borrowings would be successful together with the financial support from the controlling shareholder of the Company, and are satisfied that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the twelve months from 30 September 2020. Accordingly, the Directors consider that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

### **3. CHANGE IN ACCOUNTING POLICIES**

#### **3.1 New/revised HKFRS adopted**

The adoption of the new/revised Hong Kong Financial Reporting Standards ("HKFRSs") that are relevant to the Group and effective from the current period did not have any significant effect on the results and financial position of the Group for the current and prior accounting periods.

### 3.2 New and revised HKFRSs not yet adopted

The HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current period, which the Group has not early adopted.

Amendments to HKFRS 16	Covid-19-Related Rent Concessions <sup>1</sup>
Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform – Phase 2 <sup>2</sup>
Amendments to HKAS 16	Proceeds before Intended Use <sup>3</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>3</sup>
Annual Improvements to HKFRSs	2018-2020 Cycle <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<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> The effective date to be determined

## 4. OPERATING SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's executive directors for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

<b>Operating segments</b>	<b>Nature of business activities</b>	<b>Place of operation</b>
<b>Continuing operations</b>		
Property development and management	Property development and provision of management service to property projects	The People's Republic of China (the "PRC")
Property investment	Property holding for long term investment and leasing purposes	The PRC*

\* For the six months ended 30 September 2019, the place of operation included the PRC and Hong Kong.

### **Discontinued operations** (note 11)

Financial services	Provision of guarantee services and investment holding	The PRC
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For the purpose of monitoring segment performances and allocating resources between segments:

Revenue and expenses allocated to the reportable segments include the sales generated by the segment and the expenses incurred by the segment or which arise from the depreciation of assets attributable to those segments.

### Segment results and other segment information

For the six months ended 30 September 2020 – unaudited

	<b>Continuing operations</b>		
	<b>Property development and management <i>RMB'000</i></b>	<b>Property investment <i>RMB'000</i></b>	<b>Total <i>RMB'000</i></b>
<b>Segment revenue</b>			
Sales to external customers	<u>92,514</u>	<u>6,540</u>	<u>99,054</u>
<b>Segment results</b>	<u>(484,547)</u>	<u>(42,645)</u>	<u>(527,192)</u>
Bank interest income			43
Finance costs			(57,100)
Change in fair value of derivative financial instruments			(36)
Unallocated head office and corporate expenses			<u>(5,630)</u>
Loss before tax			(589,915)
Income tax			<u>(17,314)</u>
Loss for the period			<u><u>(607,229)</u></u>

For the six months ended 30 September 2019 (restated) – unaudited

	Continuing operations			Discontinued operations
	Property development and management <i>RMB '000</i>	Property investment <i>RMB '000</i>	Total <i>RMB '000</i>	Financial services <i>RMB '000</i>
Segment revenue				
Sales to external customers	40,478	13,125	53,603	11,504
Segment results	(329,345)	(34,174)	(363,519)	(101,626)
Bank interest income			228	–
Finance costs			(33,164)	–
Change in fair value of derivative financial instruments			(3,045)	–
Unallocated head office and corporate expenses			(7,546)	–
Loss before tax			(407,046)	(101,626)
Income tax			74,310	(5,135)
Loss for the period			<u>(332,736)</u>	<u>(106,761)</u>

## 5. REVENUE, OTHER INCOME AND GAINS FROM CONTINUING OPERATIONS

Revenue from continuing operations mainly represents income from the sale of properties, rental income and property management service income.

An analysis of revenue, other income and gains from continuing operations is presented below:

### (a) Revenue

	<b>Six months ended 30 September 2020 (unaudited)</b>		
	<b>Property development and management <i>RMB'000</i></b>	<b>Property investment <i>RMB'000</i></b>	<b>Total <i>RMB'000</i></b>
<b>Revenue from contracts with customers within HKFRS 15:</b>			
Sale of properties	74,996	–	74,996
Property management service income	17,518	–	17,518
	<u>92,514</u>	–	<u>92,514</u>
<b>Revenue from other sources:</b>			
Rental income	–	6,540	6,540
	<u>92,514</u>	<u>6,540</u>	<u>99,054</u>
Representing geographical markets of:			
The PRC	92,514	6,540	99,054
	<u>92,514</u>	<u>6,540</u>	<u>99,054</u>
Timing of revenue recognition			
– At a point in time	74,996	–	74,996
– Over time	17,518	6,540	24,058
	<u>92,514</u>	<u>6,540</u>	<u>99,054</u>

Six months ended 30 September 2019 (restated)  
(unaudited)

	Property development and management <i>RMB'000</i>	Property investment <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with customers within HKFRS 15:			
Sale of properties	22,237	–	22,237
Property management service income	18,241	–	18,241
	<u>40,478</u>	<u>–</u>	<u>40,478</u>
<b>Revenue from other sources:</b>			
Rental income	–	13,125	13,125
	<u>40,478</u>	<u>13,125</u>	<u>53,603</u>
Representing geographical markets of:			
The PRC	40,478	8,405	48,883
Hong Kong	–	4,720	4,720
	<u>40,478</u>	<u>13,125</u>	<u>53,603</u>
Timing of revenue recognition			
– At a point in time	22,237	–	22,237
– Over time	18,241	13,125	31,366
	<u>40,478</u>	<u>13,125</u>	<u>53,603</u>

(b) Other income and gains

	Six months ended 30 September 2020 (unaudited) RMB'000	Six months ended 30 September 2019 (unaudited) RMB'000 (restated)
Interest income	43	228
Other tax refund ( <i>Note</i> )	–	3,260
Sundry income	611	890
	<hr/>	<hr/>
Total other income and gains	<b>654</b>	4,378

*Note:* During the six months ended 30 September 2019, the Group successfully obtained a tax refund of property tax from the Tax Bureau of Baishan City that were over-charged in prior years.

6. FINANCE COSTS FROM CONTINUING OPERATIONS

	Six months ended 30 September 2020 (unaudited) RMB'000	Six months ended 30 September 2019 (unaudited) RMB'000
Interest on bank and entrusted loans	43,360	35,018
Interest on Convertible Bonds	3,831	3,536
Interest on other loans	2,641	–
Interest on lease liabilities	972	1,761
Other borrowing costs accrued on receipt in advance from customers	6,296	9,847
	<hr/>	<hr/>
	57,100	50,162
Less: Interest capitalised into properties under development*	–	(16,998)
	<hr/>	<hr/>
Total finance costs from continuing operations	<b>57,100</b>	33,164

\* No borrowing costs have been capitalised during the six months ended 30 September 2020. For the six months ended 30 September 2019, borrowing costs had been capitalised at rates ranging from 5.4% to 8.0% per annum.

## 7. (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS

	Six months ended 30 September 2020 (unaudited) RMB'000	Six months ended 30 September 2019 (unaudited) RMB'000 (restated)
This is stated after charging/(crediting):		
Cost of properties sold***	96,679	18,851
Cost of services	11,344	13,953
Cost of rental**	4,723	12,870
Write-down of properties under development to net realisable value*	442,336	300,000
Write-down of completed properties held for sale to net realisable value	25,555	–
Depreciation	7,288	13,886
Operating lease charges in respect of office premises and other leased assets under short term leases	401	1,021
Increase/(reversal) of impairment on		
– Trade receivables*	1,249	(78)
– Other receivables*	2,865	33,009
– Goodwill*	4,999	–
	<u>          </u>	<u>          </u>

\* These items are included in other expenses in the condensed consolidated statement of profit or loss.

\*\* Included in the cost of rental was depreciation of the right-of use assets in respect of certain leased units of the Group's shopping mall in Baishan City, the PRC, in property investment segment of RMB4,723,000 (six months ended 30 September 2019 (unaudited): RMB12,870,000) which was also included in the depreciation as disclosed separately.

\*\*\* Included in the cost of properties sold was the write-down of completed properties held for sale to net realisable value of RMB25,555,000 (six months ended 30 September 2019 (unaudited): Nil).

## 8. INCOME TAX FROM CONTINUING OPERATIONS

	<b>Six months ended 30 September 2020 (unaudited) RMB'000</b>	Six months ended 30 September 2019 (unaudited) RMB'000 (restated)
<b>Current tax</b>		
PRC Corporate Income Tax	–	510
PRC Land Appreciation Tax	<b>4,655</b>	417
	<hr/>	<hr/>
	<b>4,655</b>	927
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>12,659</b>	(75,237)
	<hr/>	<hr/>
Total charge (credit)	<b>17,314</b>	(74,310)
	<hr/> <hr/>	<hr/> <hr/>

No Hong Kong profits tax has been provided for the six months ended 30 September 2020 as the Group had no assessable profit subject to Hong Kong profits tax for the period (six months ended 30 September 2019: the Group's estimated unrecognised tax losses brought forward from previous years exceeded the estimated assessable profits for the period).

PRC Corporate Income Tax ("CIT") has been provided for the six months ended 30 September 2020 and 2019 based on the estimated assessable profits in accordance with the relevant tax laws applicable to the entities in the PRC. The statutory CIT tax rate in the PRC is 25%.

As at 30 September 2020, the estimated withholding tax effects on the distribution of the unremitted retained earnings of the PRC subsidiaries amounted to approximately RMB24,811,000 (31 March 2020 (audited): RMB39,873,000). In the opinion of the Directors, these retained earnings, at the present time, are required for financing the continuing operations of the PRC subsidiaries and no distribution would be made in the foreseeable future. Accordingly, no provision for deferred taxation has been made in this respect.

The Group's subsidiaries are not subject to any income tax in Bermuda, the British Virgin Islands and Samoa pursuant to the respective rules and regulations.

PRC Land Appreciation Tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditure. The Group has estimated, made and included in the income tax a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. Prior to the actual cash settlement of the LAT liabilities, the LAT provision is subject to the final review/approval by the tax authorities.

## 9. (LOSS) PER SHARE

The calculation of basic (loss) per share is based on the loss attributable to owners of the parent for the six months ended 30 September 2020 and the weighted average of 5,457,008,000 shares (six months ended 30 September 2019: 5,273,401,000 shares) in issue during the six months ended 30 September 2020.

The calculation of the diluted (loss) per share amounts is based on the adjusted loss or profit for the period attributable to owners of the parent. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the period, as used in the basic (loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of basic and diluted (loss) per share are based on:

	<b>Six months ended 30 September 2020 (unaudited) RMB'000</b>	Six months ended 30 September 2019 (unaudited) RMB'000
<b>(Loss)</b>		
(Loss) attributable to owners of the parent		
– continuing operations	<b>(607,229)</b>	(332,736)
– discontinued operations	–	(106,761)
	<b>(607,229)</b>	(439,497)
Effect of interest on the liability component of the Convertible Bonds	<b>3,831</b>	3,536
Effect of fair value loss on the derivative component of the Convertible Bonds	<b>36</b>	3,045
Adjusted (loss) attributable to owners of the parent		
– continuing operations	<b>(603,362)</b>	(326,155)
– discontinued operations	–	(106,761)
	<b>(603,362)</b>	(432,916)



	<b>Number of shares</b>	
	<b>Six months ended 30 September 2020 (unaudited) '000</b>	<b>Six months ended 30 September 2019 (unaudited) '000</b>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic (loss) per share calculation	<b>5,457,008</b>	5,273,401
Effect of dilution – weighted average number of ordinary shares:		
Convertible preference shares	<b>1,455,746<sup>(a)</sup></b>	1,639,353 <sup>(a)</sup>
Convertible Bonds	<b>103,485<sup>(a)</sup></b>	103,485 <sup>(a)</sup>
Share options	<u>    <sup>(b)</sup></u>	<u>    <sup>(b)</sup></u>
Weighted average number of ordinary shares (diluted)	<b><u>7,016,239</u></b>	<b><u>7,016,239</u></b>

(a) Because the diluted loss per share amount was decreased when taking into account of the convertible preference shares and the Convertible Bonds, both had anti-dilutive effect on the basic loss per share amount for the six months ended 30 September 2020 and 2019. Therefore, the diluted loss per share amount is the same as the basic loss per share amount for the six months ended 30 September 2020 and 2019.

(b) Because the exercise price of the share options were out of the money compared to the average stock prices of the Company during the six months ended 30 September 2020 and 2019, the share options had an anti-dilutive effect on the basic loss per share amount for the six months ended 30 September 2020 and 2019.

## 10. DIVIDEND

The Directors do not declare the payment of any interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

## 11. DISCONTINUED OPERATIONS

### Disposals of subsidiaries — Financing guarantee business

On 26 March 2020, Jilin World Rich Management Limited (“Jilin World Rich”), an indirect wholly owned subsidiary of the Company, entered into share transfer agreements with an independent third party (the “Fengrun Purchaser”), pursuant to which Jilin World Rich has conditionally agreed to sell, and the Fengrun Purchaser has conditionally agreed to purchase the entire equity interests in Jilin Province Zhongye Business Information Advisory Company Limited\* (吉林省中業商務信息諮詢有限公司) (“JL Zhongye”) and Jilin Fengrun Business Information Advisory Company Limited\* (吉林豐潤商務信息諮詢有限公司) (“JL Fengrun”) at an aggregate consideration of RMB122,000,000 (the “FR Guarantee Disposal”). The main assets of JL Zhongye and JL Fengrun is an investment in a subsidiary, namely Jilin Province Fengrun Financing Guaranty Company Limited\* (吉林省豐潤融資擔保有限公司) (“FR Guarantee”), which is a company established in the PRC and is principally engaged in the provision of guarantee services in the PRC. On 27 March 2020, the FR Guarantee Disposal was completed, upon which the Group ceased to operate the financial services business segment. The financial service segment is treated and presented as discontinued operations. Comparative figures in the condensed consolidated statement of profit or loss for the period ended 30 September 2019 have been re-presented to disclose separately the profit or loss from such discontinued operations.

## 12. INVESTMENT PROPERTIES

	<b>30 September 2020 (unaudited) RMB'000</b>	31 March 2020 (audited) RMB'000
At the beginning of the reporting period	<b>550,000</b>	997,531
Net (loss) from fair value adjustment	<b>(29,000)</b>	(189,015)
Disposal of subsidiaries	–	(274,756)
Exchange alignment	–	16,240
	<hr/>	<hr/>
At the end of the reporting period	<b><u>521,000</u></b>	<b><u>550,000</u></b>

As at 30 September 2020 and 31 March 2020, the Group’s investment properties included certain units of a shopping mall in Baishan City, Jilin Province. These investment properties were stated at fair value and were valued by Savills Valuation and Professional Services Limited (an independent professional qualified valuer).

*Fair value hierarchy*

The following table illustrates the fair value hierarchy of the Group's investment properties:

	Fair value measurement as at 30 September 2020 using			Total (unaudited) RMB'000
	Quoted prices in active markets (Level 1) (unaudited) RMB'000	Significant observable inputs (Level 2) (unaudited) RMB'000	Significant unobservable inputs (Level 3) (unaudited) RMB'000	
Recurring fair value measurement for: Commercial properties	–	–	521,000	521,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	Fair value measurement as at 31 March 2020 using			Total (audited) RMB'000
	Quoted prices in active markets (Level 1) (audited) RMB'000	Significant observable inputs (Level 2) (audited) RMB'000	Significant unobservable inputs (Level 3) (audited) RMB'000	
Recurring fair value measurement for: Commercial properties	–	–	550,000	550,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

During the period, there are no transfer of fair value measurement between Level 1 and Level 2 and no transfer into or out of Level 3 (six months ended 30 September 2019: Nil).

As at 30 September 2020, all of the Group's investment properties with an aggregate carrying amount of RMB521,000,000 (31 March 2020 (audited): RMB550,000,000) were pledged to banks to secure certain of the bank loans granted to the Group as further detailed in note 19 to the condensed consolidated financial statements.

### 13. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

		<b>30 September 2020 (unaudited) RMB'000</b>	31 March 2020 (audited) RMB'000
	<i>Notes</i>		
Properties under development	<i>(a)</i>	<b>1,908,703</b>	1,843,972
Completed properties held for sale	<i>(a)</i>	<b>644,504</b>	700,139
		<b>2,553,207</b>	2,544,111
Write-down of properties under development and completed properties held for sale to net realisable value	<i>(b)</i>	<b>(1,411,739)</b>	(943,848)
		<b>1,141,468</b>	1,600,263

(a) As at 30 September 2020, certain of the Group's properties under development and completed properties held for sale with carrying value of RMB388,224,000 (31 March 2020 (audited): RMB858,213,000) and RMB10,423,000 (31 March 2020 (audited): Nil) were pledged to banks to secure certain of the bank loans granted to the Group as further detailed in note 19 to the condensed consolidated financial statements.

(b) The movement of the write-down of properties under development and completed properties held for sale to net realisable value during the period are as follows:

	<i>RMB'000</i>
At 1 April 2020	<b>943,848</b>
Increase in the write-down during the period	<b>467,891</b>
At 30 September 2020 (unaudited)	<b>1,411,739</b>

During the six months ended 30 September 2020, the Group wrote down its properties under development by RMB442.3 million (six months ended 30 September 2019: RMB300 million) as a result of re-estimation of the net realisable value of a project in Fusong County, Jilin Province of the PRC (the “Fusong Property Project”). The management had held various discussions with the local government of Changbaishan District, Fusong County (“Fusong Government”) for a possible buy back of the undeveloped land parcels (“Fusong Undeveloped Land”) of the Fusong Property Project. On 21 September 2020, the Group received a letter (“Letter”) from Fusong Government which stated that the Fusong Government would only take into consideration of the original land acquisition price in determining the buy back consideration while other costs and expenditure previously incurred by the Group would not be accounted for for the time being. Accordingly, the management expects that the estimated buy back consideration, that will be payable by the Fusong Government, will be no higher than the original acquisition price of the Fusong Undeveloped Land by the Group, which is approximately RMB312.4 million. Based on the above, the Group’s management has re-assessed the net realizable value of the Fusong Property Project; and made a further write-down of the properties under development of approximately RMB442.3 million for the six months ended 30 September 2020. The remaining movement represented the change of accumulated write-downs related to property under development and completed properties held for sale as a result of a decrease in expected selling price.

#### 14. TRADE AND OTHER RECEIVABLES

		<b>30 September 2020 (unaudited) RMB’000</b>	31 March 2020 (audited) RMB’000
	<i>Notes</i>		
Trade receivables		<b>19,620</b>	18,097
Less: provision for impairment		<b>(5,384)</b>	(4,135)
		<hr/>	<hr/>
	<i>(a)</i>	<b>14,236</b>	13,962
Other receivables:			
Deposits for land development expenditure	<i>(b)</i>	<b>334,787</b>	337,487
Deposits for construction and pre-sale of property projects	<i>(c)</i>	<b>28,516</b>	31,496
Prepaid business tax and other taxes		<b>29,352</b>	19,622
Consideration receivable from the disposal of FR Guarantee	<i>(d)</i>	–	122,000
Other receivables, prepayments and deposits		<b>73,365</b>	76,085
Less: provision for impairment	<i>(e)</i>	<b>(311,667)</b>	(308,802)
		<hr/>	<hr/>
		<b>154,353</b>	277,888
		<hr/>	<hr/>
		<b>168,589</b>	291,850
		<hr/> <hr/>	<hr/> <hr/>

- (a) In respect of properties sales, no credit terms are granted to customers. For property investment and property management, the respective rental income and property management income are settled in accordance with the terms stipulated in the agreements, most of which are settled in advance. In particular, certain rental deposits are received to minimise credit risk. The carrying amounts of the receivables approximate to their fair values. Trade receivables are non-interest-bearing.

The ageing analysis of the trade receivables (net of allowance for doubtful debts) by invoice date as at the end of the reporting period is as follows:

	<b>30 September</b>	31 March
	<b>2020</b>	2020
	<b>(unaudited)</b>	(audited)
	<b>RMB'000</b>	RMB'000
Within 30 days	<b>1,579</b>	1,538
31 days–180 days	<b>6,734</b>	6,651
Over 180 days	<b>5,923</b>	5,773
	<b>14,236</b>	13,962

For trade receivables, the Group has applied the simplified approach and has calculated expected credit losses based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. In estimating the expected credit losses of other receivables other than deposits, the Group has grouped these other receivables based on same credit risk characteristics and the days past due.

- (b) The balances represented monies advanced to the local government for land development works at various land sites. The Group will be reimbursed for the amount advanced to the local government in carrying out the land development irrespective of whether the Group will obtain the land use rights of the land in the future.
- (c) The balances represented various deposits paid to local government directly attributable to construction of property projects which would be refundable upon completion of the development projects.
- (d) The balance represented the consideration receivable of RMB122,000,000 relating to the FR Guarantee Disposal. Details of the disposal are set out in the note 11 to the condensed consolidated financial statements. The consideration receivables has been fully settled during the period.

(e) Movement in provision for impairment of other receivables are as follows:

	<i>RMB'000</i>
At 1 April 2020	<b>308,802</b>
Charge to profit or loss during the period	<b>2,865</b>
	<hr/>
At 30 September 2020 (unaudited)	<b>311,667</b>
	<hr/> <hr/>

## 15. CASH AND CASH EQUIVALENTS AND PLEDGED AND RESTRICTED DEPOSITS

	<b>30 September</b>	31 March
	<b>2020</b>	2020
	<b>(unaudited)</b>	(audited)
<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Cash and bank balances	<b>30,170</b>	49,509
Less: Restricted bank deposits under pre-sale of properties	<b>(16,026)</b>	(19,009)
	<hr/>	<hr/>
Cash and cash equivalents	<b>14,144</b>	30,500
	<hr/> <hr/>	<hr/> <hr/>

(a) In accordance with relevant policies issued by the PRC local State-owned Land and Resource Bureau applicable to all property developers, the Group is required to place certain of the proceeds received from pre-sale of properties as guarantee deposits for construction of the properties. The restriction will be released upon the construction is completed. The restricted cash earns interest at floating daily bank deposit rates.

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to RMB29,410,000 (31 March 2020 (audited): RMB42,823,000). The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

## 16. TRADE AND OTHER PAYABLES

		<b>30 September 2020 (unaudited) RMB'000</b>	31 March 2020 (audited) RMB'000
	<i>Notes</i>		
Trade payables	<i>(a)</i>	<b>111,821</b>	126,437
Accrued construction costs		<b>248,907</b>	338,187
Interest payable		<b>80,351</b>	44,481
Deposits received from the government	<i>(b)</i>	<b>14,501</b>	14,501
Other creditors and accruals		<b>107,218</b>	97,761
Other deposits received		<b>25,389</b>	26,138
		<b>588,187</b>	647,505

- (a) An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>30 September 2020 (unaudited) RMB'000</b>	31 March 2020 (audited) RMB'000
Within 30 days	<b>52,817</b>	43,164
31 days–180 days	<b>18,759</b>	59,150
Over 180 days	<b>40,245</b>	24,123
	<b>111,821</b>	126,437

- (b) The amount represented the deposits received from the government as the Group is responsible for the construction of commodity housing which includes but is not limited to the removal of the existing building situated on the land, the provision of infrastructure systems including roads, drainage system, water, gas and electricity supply and the construction of public facilities. The amount is unsecured and interest-free and the unused amount will be refunded to the government after the construction is completed.



## 17. CONTRACT LIABILITIES

		<b>30 September 2020 (unaudited) RMB'000</b>	31 March 2020 (audited) RMB'000
	<i>Notes</i>		
Deposits from sales of properties	<i>(a)</i>	<b>200,515</b>	223,695
Receipt in advance from management services	<i>(b)</i>	<b>13,805</b>	10,831
		<b>214,320</b>	234,526

(a) Deposits from sales of properties represent sale proceeds received from customers in connection with the Group's pre-sale of properties. The deposit will be transferred to profit or loss upon the Group's revenue recognition criteria are met.

(b) Receipt in advance from management services represents the fee received in advance for property management. The receipts will be transferred to profit or loss upon the Group's revenue recognition criteria are met.

## 18. LOANS FROM A CONTROLLING SHAREHOLDER

Loans from a controlling shareholder are unsecured, interest-free and repayable on demand.

## 19. BANK AND OTHER BORROWINGS

		<b>30 September 2020 (unaudited) RMB'000</b>	31 March 2020 (audited) RMB'000
	<i>Notes</i>		
Current			
Bank loans – secured	<i>(i)</i>	<b>358,897</b>	355,897
Other loans – unsecured	<i>(ii)</i>	<b>22,000</b>	22,000
Other loans – secured	<i>(iii)</i>	<b>17,600</b>	17,600
Entrusted loan	<i>(iv)</i>	<b>300,000</b>	300,000
		<b>698,497</b>	695,497
Non-current			
Bank loans – secured	<i>(i)</i>	<b>149,240</b>	170,690
		<b>847,737</b>	866,187

	<b>30 September 2020 (unaudited) RMB'000</b>	31 March 2020 (audited) RMB'000
Analysed into:		
Bank loans and entrusted loan repayable:		
Within one year or on demand	<b>658,897</b>	655,897
In the second year	<b>59,895</b>	56,897
In the third to fifth years, inclusive	<b>89,345</b>	113,793
	<hr/> <b>808,137</b> <hr/>	<hr/> 826,587 <hr/>
Other loans repayable:		
Within one year	<b>39,600</b>	39,600
	<hr/> <b>847,737</b> <hr/>	<hr/> 866,187 <hr/>

*Notes:*

- (i) Included in the secured bank loans as at 30 September 2020 are loan balances of RMB29,000,000 (31 March 2020 (audited): RMB29,000,000), RMB70,000,000 (31 March 2020 (audited): RMB70,000,000), RMB199,137,000 (31 March 2020 (audited): RMB227,587,000), RMB200,000,000 (31 March 2020 (audited): RMB200,000,000) and RMB10,000,000 (31 March 2020 (audited): Nil) bearing interests at benchmark interest rate plus margin of 120%, at a fixed rate of 7.6%-9.57% per annum, at a fixed interest rate of 5.39% per annum, a fixed rate of 7.125% per annum and a fixed rate of 7.6% per annum respectively.

The bank loan of RMB70,000,000 is secured by the 60% equity interests of 吉林省廣澤地產有限公司; and the bank loans of RMB29,000,000 is guaranteed by an independent third party guarantee company where the Group provided a counter guarantee in favour of the independent third party for its obligations to guarantee the payment obligations and the bank loans of RMB199,137,000, RMB200,000,000, and RMB10,000,000 are secured by pledges of the properties under development with carrying values of RMB290,548,000 (31 March 2020 (audited): RMB858,213,000), investment properties with fair value of RMB521,000,000 (31 March 2020 (audited): RMB550,000,000) and completed properties with carrying amounts of RMB10,423,000 (31 March 2020 (audited): Nil) respectively.

- (ii) As at 30 September 2020, the other loan of RMB22,000,000 was unsecured, bears a fixed interest rate of 24% per annum and repayable on demand (31 March 2020 (audited): RMB22,000,000 which was unsecured, interest free and is repayable on demand).
- (iii) The secured other loan of RMB17,600,000 bears interests at a fixed rate of 12% per annum and is secured by 80% equity interests of 吉林市築家房地產開發有限公司 (Jilin Zhujia Real Estate Development Company Limited\*). The loan is guaranteed by personal and corporate guarantees of certain connected parties of the Company.
- (iv) Included in the entrusted loans as at 30 September 2020 are loan balances of RMB100,000,000 (31 March 2020 (audited): RMB100,000,000) and RMB200,000,000 (31 March 2020 (audited): RMB200,000,000).

As at 31 March 2020, the entrusted loan of RMB100,000,000 bore interest at a fixed rate of 8% per annum and was secured by properties under development held by the Group with a carrying amount of RMB254,666,000. As at 30 September 2020, the renewal of this entrusted loan, which is secured by properties under development held by the Group with a carrying amount of RMB97,676,000, has been agreed by the lender; however, the terms of the loan to be renewed are yet to finalise up to the date of this announcement.

The entrusted loan of RMB200,000,000 bears interest at a fixed rate of 12% per annum and is secured by a second charge of properties under development with carrying amounts of RMB388,224,000 as at 30 September 2020 (31 March 2020 (audited): RMB858,213,000) and 66.4% equity interests of 撫松長白山廣澤旅遊開發有限公司 (Fusong Changbaishan Ground Tourism Development Company Limited).

## 20. DERIVATIVE FINANCIAL INSTRUMENTS AND CONVERTIBLE BONDS

On 27 July 2016, the Company issued an aggregate principal amount of HK\$500 million (equivalent to approximately RMB430 million on the issue date) convertible bonds which are due on 27 July 2021 (the “Convertible Bonds”) as part of the considerations in respect of the acquisition of Ka Yun Investments Limited and its subsidiaries, which principal activities are in property development, property investment and property management (“Ka Yun Acquisition”). The Convertible Bonds are convertible into the Company’s ordinary shares of HK\$0.05 each at an initial conversion price of HK\$0.85 per share subject to adjustments. The interest rate is 2% per annum payable semi-annually in arrears each year before the maturity date.

The conversion rights are exercisable at any time from the date of issue of the Convertible Bonds up to the maturity date of 27 July 2021, provided that any conversion does not result in the public float of the Company’s shares being less than 25% (or any given percentage as required by the Listing Rules).

The Convertible Bonds are not transferable without the prior written consent of the Company.

The Company may at any time before the maturity date redeem the Convertible Bonds (in whole or in part) at 100% of its principal amount.

The Company has not early redeemed any portion of the Convertible Bonds during the period.

On 29 March 2017, the Convertible Bonds in the principal amount of HK\$212,500,000 (equivalent to approximately RMB188,211,250 on the conversion date) were fully converted into 250,000,000 ordinary shares of the Company at the conversion price of HK\$0.85 per share.

On 27 October 2017, the Convertible Bonds in the principal amount of HK\$199,537,388 (equivalent to approximately RMB169,447,150 on the conversion date) were fully converted into 234,749,867 ordinary shares of the Company at the conversion price of HK\$0.85 per share.

As at 30 September 2020, the Convertible Bonds in the principal amount of HK\$87,962,612 has not yet been converted.

#### *Accounting treatment*

The Company's early redemption right attaching to the Convertible Bonds are considered not closely related to the liability component of the Convertible Bonds; and therefore, these embedded features have been accounted for separately and classified as derivative financial instruments according to HKFRS 9 Financial Instruments.

On the basis that the conversion options of the Convertible Bonds will be settled by the exchange of a fixed amount or fixed number of equity instruments, the Convertible Bonds are accounted for as compound instruments according to HKAS 32 Financial Instruments: Presentation. The deemed proceeds, after the fair value of the early redemption right features are bifurcated, have been split into between a liability component and an equity component. The residual amount, representing the value of the equity component, is credited to "Equity component of the Convertible Bonds" in the Group's equity attributable to the Company's shareholders.

After initial recognition, the Company's early redemption right features classified as derivative financial instruments are remeasured to their fair value at each period end using the binomial pricing model. The liability component of the Convertible Bonds are subsequently carried at amortised cost.

At the date of conversion, the carrying values of the liability component of the Convertible Bonds and of the early redemption right features are transferred to equity.

### *Early redemption right features of the Convertible Bonds*

The movement in the Company's early redemption right features classified as derivative financial instruments measured at fair value are as follows:

	<i>RMB '000</i>
At 1 April 2020	96
Fair value change of derivative financial instruments	(36)
Exchange realignment	(3)
	<hr/>
At 30 September 2020 (unaudited)	57
	<hr/> <hr/>

### *Liability component of the Convertible Bonds*

The movement of the liability component of the Convertible Bonds recognised in the condensed consolidated statement of financial position is as follows:

	<i>RMB '000</i>
At 1 April 2020	73,155
Accrued effective interest	3,831
Accrued coupon interest transferred to interest payable	(788)
Exchange realignment	(3,876)
	<hr/>
At 30 September 2020 (unaudited)	72,322
	<hr/> <hr/>

The imputed finance cost on the liability component of the Convertible Bonds is calculated using the effective interest method by applying effective interest rates per annum. The effective interest rate of the Convertible Bonds is 10.73%.

The liability component of the Convertible Bonds was classified as non-current liabilities as at 31 March 2020 and it was classified as current liabilities as at 30 September 2020.

### *Equity component of the Convertible Bonds*

The movement of the equity component of the Convertible Bonds is as follows:

	<i>RMB '000</i>
At 1 April 2020 and 30 September 2020 (unaudited)	40,368
	<hr/> <hr/>

As at 30 September 2020, the remaining principal amounts of the CBs due in 2021 was approximately HK\$87,962,612 (equivalent to RMB76,492,000) (31 March 2020 (audited): HK\$87,962,612 (equivalent to RMB70,370,090). Should the conversion rights attaching to the Convertible Bonds be exercised in full, an additional 103,485,427 ordinary shares would have been allotted and issued, which represent approximately 2% of the issued share capital of the Company at 30 September 2020.

## 21. SHARE CAPITAL

	Number of ordinary shares '000	Nominal value	
		HK\$'000	RMB'000
<b>Authorised:</b>			
Ordinary shares of HK\$0.05 each	15,600,000	780,000	684,000
<b>Issued:</b>			
Ordinary shares of HK\$0.05 each At 31 March 2020 (audited)	5,273,401	263,670	228,370
<b>At 30 September 2020 (unaudited)</b>	<b>5,973,401</b>	<b>298,670</b>	<b>259,237</b>

During the six months ended 30 September 2020, 700,000,000 shares of CPS were converted into 700,000,000 ordinary shares of the Company. A summary of movements in the Company's issued share capital is as follows:

	Number of shares in issue '000	Issued Capital RMB'000
At 31 March 2020 (audited)	5,273,401	228,370
The conversion of convertible preference shares	700,000	30,867
<b>At 30 September 2020 (unaudited)</b>	<b>5,973,401</b>	<b>259,237</b>

## 22. CONVERTIBLE PREFERENCE SHARES

On 27 July 2016, the Company allotted and issued 4,539,352,941 convertible preference shares (the "CPS") at an issue price of HK\$0.85 per share to Ka Yik, a company beneficially owned by Ms. Cui, for satisfaction of part of the consideration in respect of the Ka Yun Acquisition, being an aggregate amount of HK\$3,858,450,000 (RMB3,320,582,000).

*Key terms of the CPS are as follows:*

- (1) The CPS shall not confer on the holders thereof the right to receive notices of, or to attend and vote, at the general meetings of the Company, unless a resolution is to be proposed at the general meeting which if passed would vary or abrogate the rights or privileges of holders of the CPS.

- (2) Holders of the CPS have the right to convert each CPS, during the conversion period, into ordinary share(s) of the Company at the CPS conversion price. The holders may exercise the conversion right, provided that any conversion of the CPS does not result in (i) the CPS conversion shares being issued at a price below their nominal value as at the conversion date; or (ii) if immediately after such conversion, the public float of the shares being less than 25% (or any given percentage as required by the Listing Rules). The ordinary shares of the Company when allotted and issued upon the exercise of the conversion right of the CPS shall rank equally among themselves and pari passu in all respects with the ordinary shares of the Company in issue on the date of allotment and issuance.
- (3) The CPS cannot be redeemed by the Company or the holder of CPS.
- (4) The CPS is transferrable subject to the conditions stated in the terms of the CPS and in accordance with the provision as set out in the Company's bye-laws.
- (5) CPS shall confer on the CPS holders the right to be paid, in priority to any return of assets in respect of the ordinary shares of the Company, pari passu as between themselves an amount equal to the aggregate notional value of the CPS plus all dividends accrued and unpaid with respect thereto, whereupon if the assets of the Company available for distribution shall be insufficient to provide for full payment to holders of the CPS, the Company shall make payment on the CPS on a pro rata basis on return of capital on liquidation, winding-up or dissolution of the Company. The CPS do not confer on the holders of CPS any further or other right to participate in the assets of the Company upon liquidation, winding up or dissolution of the Company.

Subject to compliance with all applicable laws and the articles of association of the Company, each CPS shall confer on its holder the right to receive an accrued and cumulative fixed dividend commencing from the date of the issue of the CPS on a yearly basis at a rate of 0.2% of the nominal value of HK\$0.05 of each CPS outstanding in priority to any dividend in respect of any other class of shares in the capital of the Company, payable annually in arrears. The CPS holder(s) has unconditionally and irrevocably waived the receipt of such preferred dividend.

The CPS are classified as equity instruments in the Group's condensed consolidated financial statements with the following considerations:

- (a) The CPS holders have unconditionally and irrevocably waived its right to receive the preferred distribution; and as such, the Group does not have a contractual obligation to deliver cash or other financial assets arising from the issue of the CPS. Therefore, there is not a liability component of the CPS.
- (b) The conversion options of the CPS will be settled by the exchange of a fixed amount or fixed number of equity instruments.

During the six months ended 30 September 2020, 700,000,000 shares of CPS were converted into 700,000,000 ordinary shares of the Company. As at 30 September 2020, 939,352,941 CPSs remained outstanding. Should the conversion rights attaching to the remaining 939,352,941 CPSs be exercised in full, an additional 939,352,941 ordinary shares would have been allotted and issued, which represented approximately 15.7% of the issued share capital of the Company as at 30 September 2020.

### **23. CONTINGENT LIABILITIES**

Other than disclosed elsewhere, the Group has the following contingent liabilities:

The Group has arranged bank financing for certain purchasers of property units developed by subsidiaries of the Group that provided guarantees to secure obligation of such purchasers for repayments. As at 30 September 2020, guarantees amounting to RMB765.4 million were given to banks with respect to mortgage loans procured by purchasers of property units (31 March 2020 (audited): RMB803.4 million). Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate to the purchasers and (ii) the satisfaction of mortgage loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. During the period, the Group did not incur any material losses in respect of any of these guarantees. The Directors consider that the likelihood of default in payments by the purchasers is remote and therefore the financial guarantee initially measured at fair value is immaterial. Also, in case of default in payments, the net realisable value of the related property units would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

### **24. COMPARATIVE AMOUNTS**

Certain comparative amounts have been restated to conform the current period presentation as a result of the discontinued operations, as set out in note 11 to the interim condensed consolidated financial statements, in accordance with HKFRS 5.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OVERVIEW AND OUTLOOK**

With the continual increasing number of confirmed cases from the pandemic, the global economy has been heavily affected; and many national governments have implemented various measures to help local and global economy from suffering from it. The tension between the PRC and the United States developed over the past few months has been filled with more uncertainties. The results from the presidential election in the US will have further impact on the global and the PRC economies. For the third quarter of 2020, the PRC economy has seen a slight rebound in many sectors.

As stated in the 2019/2020 annual report, the Group's management will, for the coming years, put more emphasis and efforts in replenishing the Group's land bank taking into account of the financial position and cash flows for the Group. Meanwhile, it will continue propelling a complete adjustment to the existing business portfolio and deepen the research in domestic cultural tourism, health care and cultural connotation, so as to continuously seek new business opportunities with innovative mode of operations.

In July 2020, the Group successfully bid two land parcels located in Jiutai District of Changchun City, Jilin Province with an aggregate site area of 58,669 sq.m.. The two land parcels are permitted to construct residential and commercial units with a total gross floor area of 117,338 sq.m.. As at 30 September 2020, the Group has commenced the construction of one land parcel; and has obtained the related pre-sale permit for pre-sale.

The Group's management is discussing with business partners to acquire additional land bank in Greater Bay Area and cities in Jilin Province. As at the date of this announcement, the Group has not entered into any agreement, arrangement, understanding, intention nor negotiation in relation to those possible investment opportunities.

In addition, the Group's management will look for other possible investment opportunities to diversify the income source and risk exposure of the Group. Also, the Board will continue closely monitoring the impact caused by the COVID-19 pandemic outbreak and will fine tune the Group's strategies and directions and inform the Shareholders and the public of any material development in due course.

### **BUSINESS REVIEW**

#### **Property Development**

For the six months ended 30 September 2020, the Group's overall revenue from continuing operations was approximately RMB99.1 million (six months ended 30 September 2019 (restated): RMB53.6 million), representing an increase of 84.9%. As a result of further write-downs of completed properties held for sale, the Group had a gross loss of RMB13.7 million for the six months ended 30 September 2020 (six months ended 30 September 2019 (restated): gross profit of RMB7.9 million) and net loss for the period from the continuing operations of RMB607.2 million (six months ended 30 September 2019 (restated): RMB332.7 million).

### ***Contracted sales***

During the six months ended 30 September 2020, the Group had two projects under development, namely Guangze China House – Phase IA and Guangze Jiuxi Red House – Phase I.

For the six months ended 30 September 2020, the Group continued its sales of the remaining completed high-end villas, other residential units and commercial units at Guangze • Tudors Palace, “緹香” and “花香四季” (previously known as Wansheng • Qiancheng International), Guangze • Amethyst City (all of which are located at Jilin City, Jilin Province), and Guangze Red House located at Yanji City, Jilin Province.

Besides, in July 2020, the Group successfully bid two land parcels located in Jiutai District of Changchun City, Jilin Province with an aggregate site area of 58,669 sq.m.. The two land parcels are permitted to construct residential and commercial units with a total gross floor area of 117,338 sq.m.. As at 30 September 2020, the Group has commenced the construction of one land parcel; and has obtained the related pre-sale permit for pre-sale in the beginning of September 2020 and commenced the pre-sales during the period.

### ***Properties completed, delivered and sale of properties recognized during the six months ended 30 September 2020***

For the six months ended 30 September 2020, sales of properties were contributed from the sales of the remaining high-end villas, other residential and commercial units of the Group’s completed projects, including Guangze Tudors Palace, “緹香” and “花香四季”, Guangze Amethyst City from Jilin City, Guangze China House at Baishan City and Guangze Red House at Yanji City.

For the six months ended 30 September 2020, the Group recognized sales of properties (excluding car parks) amounting to RMB53.7 million with an aggregate GFA of 8,301 sq.m., mainly contributed from sales of Guangze • Tudors Palace, and Guangze Red House Phase III of RMB26.2 million and RMB23.1 million, respectively (six months ended 30 September 2019: RMB18.4 million with an aggregate GFA of 2,720 sq.m.).

In addition, the Group delivered and recognized sale of car park units of approximately RMB11.8 million from the sale of 101 car park units for the six months ended 30 September 2020 (six months ended 30 September 2019: RMB3.8 million from the sale of 30 car park units).

### **Property Investment**

As at 30 September 2020, the Group’s investment properties are the retail shopping units at Baishan City. The fair value of the investment properties decreased from RMB550 million at 31 March 2020 to RMB521 million at 30 September 2020 with an average occupancy rate of 85.4% (At 31 March 2020: 88.3%).

## FINANCIAL REVIEW

In March 2020, the Group completed the disposal of the entire equity interests in 吉林省中業商務信息諮詢有限公司 (Jilin Province Zhongye Business Information Advisory Company Limited\*, “JL Zhongye”) and 吉林豐潤商務信息諮詢有限公司 (Jilin Fengrun Business Information Advisory Company Limited\*, “JL Fengrun”) which owns the entire equity interest in 吉林省豐潤融資擔保有限公司 (Jilin Province Fengrun Financing Guaranty Company Limited\*, “FR Guarantee”) with principal activities in the provision of financing guarantee services (the “Financing guarantee business”). Such Financing guarantee business was treated and presented as a discontinued operation under HKFRS 5.

For the purpose of the interim financial statements for the six months ended 30 September 2020, the comparative figures in the consolidated statement of profit or loss and consolidated statement of comprehensive income for the six months ended 30 September 2019 have been re-presented to disclose separately the profit or loss and the total comprehensive income from such discontinued operation.

### Key changes to profit or loss

#### *Revenue from continuing operations*

	Six months ended 30 September 2020		Six months ended 30 September 2019	
	RMB'000	%	RMB'000 (restated)	% (restated)
Sale of properties	74,996	75.7	22,237	41.5
Rental income	6,540	6.6	13,125	24.5
Property management service income	17,518	17.7	18,241	34.0
	<u>99,054</u>	<u>100.0</u>	<u>53,603</u>	<u>100.0</u>

The Group's revenue increased from RMB53.6 million for the six months ended 30 September 2019 to RMB99.1 million for the six months ended 30 September 2020 or an increase by 84.9%, mainly contributed from the increase in sale of properties by 237.3% or RMB52.8 million as compared with the corresponding period; partially offset by the decrease in rental income by RMB6.6 million or 50.2%. The increase in sales of properties during the six months ended 30 September 2020 was attributable to the increase in sales and delivery of remaining units of the property projects. For the six months ended 30 September 2020, the sales of properties (excluding car parks) were related to the remaining units of the property projects that were completed in the previous years, mainly contributed from the sales of Guangze • Tudors Palace and Guangze Red House Phase III of RMB26.2 million and RMB23.5 million, respectively.

During the six months ended 30 September 2019, the Group sold remaining units of the property projects of Guangze • Tudors Palace, Guangze • Amethyst City and Guangze Red House Phase II of RMB9.5 million, RMB1.8 million and RMB5.5 million, respectively.

Also, sales of car parks increased from RMB3.8 million for the six months ended 30 September 2019 to RMB11.8 million for the six months ended 30 September 2020.

The property management service income decreased from RMB18.2 million for the six months ended 30 September 2019 to RMB17.5 million for the six months ended 30 September 2020 due to the decrease in number of managed units, caused by the decrease in average occupancy rate during the period ended 30 September 2020 in respect of the shopping mall units in Baishan City, the PRC. The rental income decreased from RMB13.1 million for the six months ended 30 September 2019 to RMB6.5 million for the six months ended 30 September 2020 due to the rent free period offered to tenants over the COVID-19 pandemic period and the decrease in average occupancy rate during the period ended 30 September 2020 in respect of the shopping mall units in Baishan City, the PRC. Also, the Group disposed of the investment properties in Hong Kong in March 2020 which contributed rental income of RMB4.7 million during the corresponding period in last year.

### ***Gross loss/profit and gross margin***

For the six months ended 30 September 2020, the Group recorded an overall gross loss of RMB13.7 million as opposed to the gross profit of RMB7.9 million and gross margin of 14.8% for the six months ended 30 September 2019. The gross loss for the period was mainly contributed from further write-downs to net realisable value of RMB25.5 million mainly on the remaining units at various completed property projects. By excluding these further write-downs, the Group would have recorded a gross profit of RMB11.9 million and gross margin of 12.0% of the six months ended 30 September 2020.

### ***Other income and gains***

The Group's other income and gains decreased from RMB4.4 million for the six months ended 30 September 2019 to RMB0.7 million for the six months ended 30 September 2020 which was mainly attributable to prior year's property tax refund of RMB3.3 million recognised on a one-off basis for the period ended 30 September 2019.

### ***Selling and distribution expenses***

The increase in selling and distribution expenses by RMB0.4 million from RMB2.5 million for the six months ended 30 September 2019 to RMB2.9 million for the six months ended 30 September 2020 was mainly due to the increase in the promotion and advertising expenses incurred for the new property project in Jiutai District launched for pre-sale during the period.

### ***Administrative expenses***

The decrease in administrative expenses by RMB0.7 million from RMB16.2 million for the six months ended 30 September 2019 to RMB15.5 million for the six months ended 30 September 2020 was mainly attributable to (i) the decrease in travelling expenses as a result of travel restriction from the COVID-19 pandemic; and (ii) the decrease in office expense contributed by continual cost control implemented on the Group.

### ***Other expenses***

Other expenses for the six months ended 30 September 2020 mainly related to write-downs of RMB442.3 million in relation to the property under development for Guangze Pine Townshop International Resort in Fusong County (six months ended 30 September 2019: RMB300 million), details of which are set out in sub-section headed "Properties under development and completed properties held for sale" under "Financial Review section" in this announcement.

## *Finance costs*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Interest on bank and entrusted loans	<b>43,360</b>	35,018
Interest on Convertible Bonds	<b>3,831</b>	3,536
Interest on other loan	<b>2,641</b>	–
Interest on lease liabilities	<b>972</b>	1,761
Other borrowing costs from customers accrued on receipt in advance	<b>6,296</b>	9,847
	<b>57,100</b>	50,162
Less: interest capitalised into properties under development	–	(16,998)
	<b>57,100</b>	<b>33,164</b>

The increase in finance costs by RMB23.9 million from RMB33.2 million for the six months ended 30 September 2019 to RMB57.1 million for the six months ended 30 September 2020 was mainly attributable to (i) an increase in interest on bank and entrusted loans as a result of increase in interest rate upon renewal of bank loans and new entrusted loans; and (ii) the project loans were no longer qualified for capitalisation as the related projects had been suspended or completed resulting in an immediate charge to profit or loss as incurred.

## *Change in fair value of investment properties*

For the six months ended 30 September 2020, there was a loss in fair value of RMB29.0 million relating to the investment properties in the PRC. For the six months ended 30 September 2019, there was a loss in fair value of RMB30.4 million relating to the Hong Kong investment properties which were disposed of in March 2020.

## *Income tax*

The Group's current income tax includes Corporate Income Tax (CIT) and Land Appreciation Tax (LAT). For the six months ended 30 September 2020, the Group's current income tax amounted to RMB4.7 million (six months ended 30 September 2019: RMB0.9 million). The increase in CIT and LAT for the six months ended 30 September 2020 was mainly due to increase in taxable income as more properties units were delivered and sales recognised during the period.

## **Key changes to financial position**

### *Investment properties*

As at 30 September 2020, the Group's investment properties are certain shopping mall units in Baishan City, Jilin Province. These investment properties were stated at fair value and were valued by Savills Valuation and Professional Services Limited (an independent professional qualified valuer). At 30 September 2020, the fair value decreased by RMB29.0 million as compared to that at 31 March 2020.

### ***Properties under development and completed properties held for sale***

The Group's properties under development and completed properties held for sales are located in Jilin Province. The decrease in properties under development and completed properties held for sales from RMB1,600.3 million as at 31 March 2020 to RMB1,141.5 million as at 30 September 2020 was mainly attributable to (i) the transfer of development costs to costs of sales in respect of the properties delivered during the six months ended 30 September 2020; and (ii) further write downs during the period of RMB467.9 million mainly in respect of the project under development, namely Guangze Pine Township International Resort, residential units and car parks from the completed property projects; partially offset by the land and construction costs paid for the new residential project, namely Guangze Jiuxi Red House – Phase I (廣澤九溪紅府第一期).

As for the cultural tourism project in Changbaishan, the management had held various discussions with the local government of Changbaishan District, Fusong County (“Fusong Government”) for a possible buy back of the undeveloped land parcels (“Fusong Undeveloped Land”) of the Fusong Property Project. After the year ended 31 March 2020, the Group's management continued to negotiate with Fusong Government regarding such matter.

On 21 September 2020, the Group received a letter (“Letter”) from Fusong Government. As stated in the Letter, various departments within Fusong Government had meetings in August 2020 to discuss the buy back of the Fusong Undeveloped Land and were working on the timetable of the buy back. Up to the date of this announcement, no concrete timetable has been set for the buy back. Furthermore, it was also mentioned in the Letter that the Fusong Government have only taken into consideration of the original land acquisition price in determining the buy back consideration while other costs and expenditure previously incurred by the Group would not be accounted for the time being. Accordingly, the management expects that the preliminary estimated buy back consideration, that will be payable by the Fusong Government, will be no higher than the original acquisition price of the Fusong Undeveloped Land by the Group, which is approximately RMB312.4 million.

Based on the above, the Group's management has re-assessed the net realizable value of the Fusong Property Project; and considered that a further write-down of the properties under development of approximately RMB442.3 million will be required to be made for the six months ended 30 September 2020.

## Trade and other receivables

	<i>Notes</i>	<b>30 September 2020 RMB'000</b>	31 March 2020 RMB'000
Trade receivables		<b>19,620</b>	18,097
Less: Provision for impairment		<b>(5,384)</b>	(4,135)
	<i>(i)</i>	<b>14,236</b>	13,962
Other receivables			
– Deposits for land development expenditure	<i>(ii)</i>	<b>334,787</b>	337,487
– Deposits for construction and pre-sale of property projects	<i>(iii)</i>	<b>28,516</b>	31,496
– Prepaid business tax and other taxes		<b>29,352</b>	19,622
– Consideration receivable from the disposal of FR Guarantee	<i>(iv)</i>	–	122,000
– Other receivables, prepayments and deposits		<b>73,365</b>	76,085
Less: Provision for impairment	<i>(v)</i>	<b>(311,667)</b>	(308,802)
		<b>154,353</b>	277,888
		<b>168,589</b>	291,850

- (i) Trade receivables mainly related to rental receivable from tenants and property management fee receivables from property unit owners. At 30 September 2020, the trade receivable balance remained stable as compared to that at 31 March 2020.
- (ii) Land development expenditure made by certain subsidiaries of the Group represented monies advanced to the local government for land development works at various land sites. The Group will be reimbursed for the amount advanced to the local government in carrying out the land development respective of whether or not the Group will obtain the land use rights of the land in the future.
- (iii) The balances represented various deposits paid directly attributable to construction and pre-sale of property projects which would be refundable upon completion of the property projects.
- (iv) The amount represented the consideration for the FR Guarantee Disposal. During the period, an amount of RMB122 million has been settled in accordance with the share transfer agreements.
- (v) The increase in provision for impairment from RMB308.8 million as at 31 March 2020 to RMB311.7 million as at 30 September 2020 was caused by the worsening local economic environment in Jilin Province as well as certain prolonged aged debtors resulting in the significant increase in credit risk of certain debtors.

### ***Trade and other payables***

		<b>30 September 2020</b>	31 March 2020
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade payables	<i>(i)</i>	<b>111,821</b>	126,437
Accrued construction costs	<i>(i)</i>	<b>248,907</b>	338,187
Interest payable		<b>80,351</b>	44,481
Deposits received from government	<i>(ii)</i>	<b>14,501</b>	14,501
Other creditors and accruals	<i>(iii)</i>	<b>107,218</b>	97,761
Other deposits received		<b>25,389</b>	26,138
		<b><u>588,187</u></b>	<b><u>647,505</u></b>

- (i) The decreases in trade payables and accrued construction costs from RMB126.4 million and RMB338.2 million at 31 March 2020 to RMB111.8 million and RMB248.9 million at 30 September 2020 respectively were mainly attributable to gradual settlement of construction cost payable balances arising from the completed properties projects.
- (ii) The amount represented the deposits received from the government as the Group is responsible for the construction of commodity housing which includes but is not limited to the removal of the existing buildings situated on the land, the provision of infrastructure systems including roads, drainage system, water, gas and electricity supply and the construction of public facilities. The amount is unsecured and interest free and the unused amount will be refunded to the government after the construction is completed.
- (iii) The increase in other creditors and accruals from RMB97.8 million at 31 March 2020 to RMB107.2 million were mainly attributable to the provision of compensation to the properties purchasers of RMB16.1 million for the late arrangement of properties ownership certificates for the properties purchasers.

### ***Contract liabilities***

		<b>30 September 2020</b>	31 March 2020
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Deposits from sale of properties	<i>(i)</i>	<b>200,515</b>	223,695
Receipt in advance from management services	<i>(ii)</i>	<b>13,805</b>	10,831
		<b><u>214,320</u></b>	<b><u>234,526</u></b>



- (i) Deposits from sales of properties represent contractual payments received from customers in connection with the Group's pre-sale of properties. The deposit will be transferred to profit or loss upon the Group's revenue recognition criteria are met. The decrease in balance was mainly attributable to the units delivered and sales recognised during the period.
- (ii) Receipt in advance from management services represent the fee received in advance for property management. The receipts will be transferred to profit or loss upon the Group's revenue recognition criteria are met.

## Liquidity and financial resources

### *Cash position*

As at 30 September 2020, the carrying amount of cash and bank deposits of the Group was approximately RMB14.1 million (as at 31 March 2020: approximately RMB30.5 million), representing an decrease of approximately 53.8% as compared with that as at 31 March 2020.

### *Debt and gearing*

The Group's bank and other borrowings as at 30 September 2020 decreased by RMB18.5 million to RMB847.7 million which were payable as follows:

	<b>30 September 2020 RMB'000</b>	31 March 2020 RMB'000
Current	<b>698,497</b>	695,497
Non-current	<b>149,240</b>	170,690
	<b>847,737</b>	866,187
Analysed into:		
Bank loans and entrusted loan repayable		
Within one year or on demand	<b>658,897</b>	655,897
In the second year	<b>59,895</b>	56,897
In the third year to fifth year, inclusive	<b>89,345</b>	113,793
	<b>808,137</b>	826,587
Other borrowings repayable		
Within one year	<b>39,600</b>	39,600
	<b>847,737</b>	866,187

The Group's bank and other borrowings decreased from RMB866.2 million as at 31 March 2020 to RMB847.7 million as at 30 September 2020 attributable to the repayment of certain bank and other borrowings.

The Group's gearing ratio as at 30 September 2020 was as follows:

	<b>30 September 2020 RMB'000</b>	31 March 2020 RMB'000
Loans from a controlling shareholder	<b>201,646</b>	105,891
Bank and other borrowings	<b>847,737</b>	866,187
Trade and other payables	<b>588,187</b>	647,505
Less: Cash and cash equivalents	<b>(14,144)</b>	(30,500)
Less: Pledged and restricted deposits	<b>(16,026)</b>	(19,009)
Net debt	<b>1,607,400</b>	1,570,074
Liability component of the Convertible Bonds Equity	<b>72,322</b> <b>(193,836)</b>	73,155 451,916
Adjusted Capital	<b>(121,514)</b>	525,071
Capital and debt	<b>1,485,886</b>	2,095,145
Gearing ratio	<b>108%</b>	75%

The gearing ratio of the Group as at 30 September 2020 increased as compared with that as at 31 March 2020 due to the decrease in equity contributed by the loss for the six months ended 30 September 2020.

### ***Cash flows for the Group's operating and investing activities***

For the six months ended 30 September 2020, the Group recorded net operating cash outflow of RMB206.1 million (six months ended 30 September 2019: inflow of RMB4.9 million). The outflow was mainly attributable to the net settlement of RMB103.9 million and interest expenses of RMB46.0 million paid during the six months ended 30 September 2020. For investing activities, the Group recorded a net cash inflow of RMB122.0 million (six months ended 30 September 2019: inflow of RMB45.0 million). The inflow was mainly as a result of the settlement of the disposal consideration receivable in respect of the Financing guarantee business during the period.

### **COMMITMENTS FOR DEVELOPMENT EXPENDITURE**

As at 30 September 2020, the Group had contracted but not provided for capital commitments in respect of properties under development of RMB74.5 million (as at 31 March 2020: Nil). The development expenditure was prepaid and funded by the Group's internal resources and/or project loans.

## FOREIGN EXCHANGE EXPOSURE

As at 30 September 2020, the Group was exposed to currency risk on financial assets and liabilities that were denominated in Hong Kong Dollars (HK\$). As at 30 September 2020, approximately 2.5% (31 March 2020: 13.6%) of the Group's total cash and bank balance (including pledged bank deposits) were denominated in HK\$ and the Group's total borrowings were all denominated in RMB (31 March 2020: All). The Group currently does not have a foreign currency hedging policy in respect of foreign current assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arises.

The Group will continue to monitor the change in the trend of interest rates and the potential causes that trigger large fluctuation in the exchange rates of RMB and HK\$, and will consider hedging significant foreign currency exposure if necessary so as to mitigate the foreign currency exposure arising from the Group's business operation and to minimise the Group's financial risks.

## CHARGE ON ASSETS

As at 30 September 2020, the Group had the following assets pledged against bank and other loans granted:

	<b>30 September 2020 RMB'000</b>	31 March 2020 RMB'000
Investment properties	<b>521,000</b>	550,000
Properties under development	<b>388,224</b>	858,213
Completed properties held for sale	<b>10,423</b>	–

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2020, the Group had 242 (as at 31 March 2020: 228) full-time employees. Total staff costs (including directors' emoluments) incurred for the six months ended 30 September 2020 amounted to approximately RMB6.5 million (year ended 30 September 2019 (restated): RMB9.2 million); the decrease was mainly attributable to the organic staff turnover resulting in a decrease of average staff number during the period despite more employees were hired in September 2020 for the development of the new property projects in Jiutai District of Changchun City. The Group's remuneration policy is in line with prevailing market practice and performance of individual staff. In addition to salaries, the Group also offers other benefits to its staff, including share options, discretionary bonus, training allowance and provident fund.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30 September 2020.

## **CORPORATE GOVERNANCE CODE**

In the opinion of the Board, the Company has applied the principles in and complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the reporting period.

## **REVIEW OF THE INTERIM RESULTS**

The unaudited interim financial information for the six months ended 30 September 2020 has been reviewed by the auditor of the Company, Mazars CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. The Group's interim financial information for the six months ended 30 September 2020 has been also reviewed by the Audit Committee.

## **EXTRACT OF AUDITOR'S INDEPENDENT REVIEW REPORT ON THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

The following is an extract of the auditor's independent review report on the Company's interim financial information for the six months ended 30 September 2020. The report includes particulars of the emphasis of matter without qualified opinion:

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with the HKAS 34 "Interim Financial Reporting".

### ***Emphasis of matter***

Without modifying our conclusion, we draw attention to the condensed interim financial information concerning the adoption of the going concern basis on which the condensed interim financial information has been prepared. The Group incurred loss from continuing operations of RMB607.2 million for the six months ended 30 September 2020 and, as at that date, the Group had net current liabilities and net liabilities of approximately RMB515.3 million and RMB193.8 million respectively. These conditions, along with other matters as set forth in note 2 to the condensed interim financial information, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors, having considered the measures being taken by the Group as disclosed in note 2 to the condensed interim financial information, are of the opinion that the Group would be able to continue as a going concern. Accordingly, the directors have prepared the condensed interim financial information on a going concern basis. The condensed interim financial information does not include any adjustments that would result from a failure of achieving the measures. We consider appropriate disclosures have been made in this respect. Our conclusion is not modified in respect of this matter.

*The aforesaid “note 2 to the condensed interim financial information” in the extract from the auditor’s independent review report is disclosed as note 2 in this result announcement.*

By order of the Board  
**Ground International Development Limited**  
**Cui Xintong**  
*Chairperson*

Hong Kong, 26 November 2020

*As at the date of this announcement, the executive Directors of the Company are Ms. Cui Xintong, Ms. Ji Ping and Mr. Li Junjie; the non-executive Director of the Company is Mr. Cong Peifeng; and the independent non-executive Directors of the Company are Mr. Tsang Hung Kei, Mr. Zhu Zuoan and Mr. Wang Xiaochu.*

- \* *The English names of the PRC entities referred to in this announcement are transliterations from their Chinese names and are for identification purposes only, and should not be regarded as the official English name(s) of such Chinese name(s). If there is any inconsistency, the Chinese name shall prevail.*