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## HUA YIN INTERNATIONAL HOLDINGS LIMITED

### 華音國際控股有限公司

(Incorporated in Bermuda with limited liability)

(stock code: 989)

#### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

The board (the “Board”) of directors (the “Directors”) of Hua Yin International Holdings 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 2021 together with the comparative figures as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2021

		Six months ended 30 September	
		2021 (unaudited) RMB'000	2020 (unaudited) RMB'000
	<i>Notes</i>		
<b>Revenue</b>	5(a)	<b>66,345</b>	99,054
Cost of sales and services		<u>(41,648)</u>	<u>(112,746)</u>
Gross profit (loss)		<b>24,697</b>	(13,692)
Other income	5(b)	<b>84,358</b>	654
Selling and distribution expenses		<b>(4,520)</b>	(2,876)
Administrative expenses		<b>(17,249)</b>	(15,480)
Finance costs	6	<b>(24,746)</b>	(57,100)
Other expenses		<b>(5,672)</b>	(472,385)
Change in fair value of investment properties		<b>(46,627)</b>	(29,000)
Change in fair value of derivative financial instruments		<u>(21)</u>	<u>(36)</u>
<b>Profit (loss) before tax</b>	7	<b>10,220</b>	(589,915)
Income tax	8	<u>6,562</u>	<u>(17,314)</u>
<b>Profit (loss) for the period attributable to the owners of the parent</b>		<u><b>16,782</b></u>	<u>(607,229)</u>
<b>EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	9		
Basic		<u><b>0.25 cents</b></u>	<u>(11.13) cents</u>
Diluted		<u><b>0.23 cents</b></u>	<u>(11.13) cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	Six months ended 30 September	
	2021 (unaudited) RMB'000	2020 (unaudited) RMB'000
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>16,782</b>	<b>(607,229)</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>50,139</u>	<u>(38,523)</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b><u>50,139</u></b>	<b><u>(38,523)</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT, NET OF TAX</b>	<b><u>66,921</u></b>	<b><u>(645,752)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2021*

	<i>Notes</i>	<b>30 September 2021 (unaudited) RMB'000</b>	31 March 2021 (audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		397	322
Investment properties	11	509,200	547,100
Right-of-use assets		1,355	2,070
Deferred tax assets		15,213	13,524
<b>Total non-current assets</b>		<b>526,165</b>	563,016
<b>CURRENT ASSETS</b>			
Properties under development and completed properties held for sale	12	1,310,287	1,211,824
Trade and other receivables	13	42,222	39,681
Prepaid income tax		8,134	6,067
Derivative financial instruments	19	–	22
Pledged and restricted deposits	14	9,635	8,715
Cash and cash equivalents	14	92,705	117,938
		<b>1,462,983</b>	1,384,247
Assets associated with disposal group classified as held for sale		–	334,018
<b>Total current assets</b>		<b>1,462,983</b>	1,718,265
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	537,776	507,210
Contract liabilities	16	304,219	227,910
Lease liabilities		13,264	12,246
Loans from a controlling shareholder	17	175,052	121,415
Bank and other borrowings	18	448,497	448,497
Liability component of the Convertible Bonds	19	–	72,879
Income tax payable		61,157	67,595
		<b>1,539,965</b>	1,457,752
Liabilities associated with disposal group classified as held for sale		–	393,677
<b>Total current liabilities</b>		<b>1,539,965</b>	1,851,429

		<b>30 September 2021 (unaudited) RMB'000</b>	31 March 2021 (audited) RMB'000
	<i>Notes</i>		
<b>NET CURRENT LIABILITIES</b>		<b>(76,982)</b>	(133,164)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>449,183</b>	429,852
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings	18	<b>320,345</b>	351,593
Deferred tax liabilities		<b>47,567</b>	59,284
Lease liabilities		<b>28,057</b>	32,682
<b>Total non-current liabilities</b>		<b>395,969</b>	443,559
<b>Net assets (liabilities)</b>		<b>53,214</b>	(13,707)
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	20	<b>292,554</b>	292,554
Convertible preference shares	21	<b>299,515</b>	299,515
Equity component of the Convertible Bonds	19	–	40,368
Reserves		<b>(538,855)</b>	(646,144)
<b>Total equity</b>		<b>53,214</b>	(13,707)

## 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 2021 (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 2021, except for the adoption of new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time on 1 April 2021.

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 2021.

#### **Going concern basis**

As at 30 September 2021, the Group had net current liabilities of approximately RMB77.0 million. This condition indicates 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 expected to complete the issuance of new convertible bonds with an aggregate principal amount of HK\$103,076,730, which will set off against the loans from a controlling shareholder on a dollar-to-dollar basis and will be re-reclassified partly to non-current liabilities (the liability component of the new convertible bonds) and equity (the equity component of the new convertible bonds);
- (ii) the Group is expected to generate adequate cash flows to maintain its operations;
- (iii) the Group is expected to obtain continuous financial support from the Group's controlling shareholder, and the controlling shareholder has confirmed that it will not demand the Group for repayment of the loans from controlling shareholder within the next twelve months should the Group not be in the financial position to make such repayment.

The Directors have prepared a cash flow forecast covering a period up to 30 September 2022 on the basis that with the continuous 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 2021. 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 HKFRSs adopted**

The adoption of the new/revised 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

As at the date of this announcement, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current period, which the Group has not early adopted.

The directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's results and financial position.

## 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>
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 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 2021 – unaudited

	<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>
Segment revenue			
Sales to external customers	<u>60,046</u>	<u>6,299</u>	<u>66,345</u>
Segment results	<u>21,790</u>	<u>(45,222)</u>	<u>(23,432)</u>
Finance costs			(24,746)
Change in fair value of derivative financial instruments			(21)
Gain on disposal of subsidiaries			64,348
Unallocated head office and corporate expenses			<u>(5,929)</u>
Profit before tax			10,220
Income tax			<u>6,562</u>
Profit for the period			<u><u>16,782</u></u>



For the six months ended 30 September 2020 – unaudited

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

## 5. REVENUE AND OTHER INCOME

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

An analysis of revenue and other income is presented below:

### (a) Revenue

	<b>Six months ended 30 September 2021 (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	43,454	–	43,454
Property management service income	16,592	–	16,592
	<u>60,046</u>	–	<u>60,046</u>
<b>Revenue from other source:</b>			
Rental income	–	6,299	6,299
	<u>60,046</u>	<u>6,299</u>	<u>66,345</u>
Representing geographical market of:			
The PRC	60,046	6,299	66,345
	<u>60,046</u>	<u>6,299</u>	<u>66,345</u>
Timing of revenue recognition			
– At a point in time	43,454	–	43,454
– Over time	16,592	6,299	22,891
	<u>60,046</u>	<u>6,299</u>	<u>66,345</u>

Six months ended 30 September 2020  
(unaudited)

	Property development and management <i>RMB'000</i>	Property investment <i>RMB'000</i>	Total <i>RMB'000</i>
<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>–</u>	<u>92,514</u>
<b>Revenue from other source:</b>			
Rental income	–	6,540	6,540
	<u>92,514</u>	<u>6,540</u>	<u>99,054</u>
Representing geographical market 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>

(b) Other income

	Six months ended 30 September 2021 (unaudited) RMB'000	Six months ended 30 September 2020 (unaudited) RMB'000
Interest income	–	43
Sundry income	794	611
Gain on disposal of subsidiaries (note 22)	64,348	–
Reversal of write-down of properties under development (note 12(b))	19,216	–
	<hr/>	<hr/>
Total other income	<b>84,358</b>	<b>654</b>

6. FINANCE COSTS

	Six months ended 30 September 2021 (unaudited) RMB'000	Six months ended 30 September 2020 (unaudited) RMB'000
Interest on bank and entrusted loans	24,523	43,360
Interest on Convertible Bonds	1,302	3,831
Interest on other loans	5,357	2,641
Interest on lease liabilities	2,045	972
Other borrowing costs accrued on receipt in advance from customers	–	6,296
	<hr/>	<hr/>
	33,227	57,100
Less: Interest capitalised into properties under development*	(8,481)	–
	<hr/>	<hr/>
Total finance costs	<b>24,746</b>	<b>57,100</b>

\* For the six months ended 30 September 2021, borrowing costs had been capitalised at rates of 7.3% per annum (six months ended 30 September 2020: nil).

## 7. PROFIT/(LOSS) BEFORE TAX

	Six months ended 30 September 2021 (unaudited) RMB'000	Six months ended 30 September 2020 (unaudited) RMB'000
This is stated after charging/(crediting):		
Cost of properties sold	26,722**	96,679**
Cost of services	12,794	11,344
Cost of rental	2,132	4,723
(Reversal of)/write-down of properties under development to net realisable value	(19,216)***	442,336*
Write-down of completed properties held for sale to net realisable value	–	25,555
Depreciation		
– property, plant and equipment	243	1,406
– right-of-use assets	678	5,882
Increase of impairment on		
– Trade receivables	551*	1,249*
– Other receivables	6,655*	2,865*
– Goodwill	–	4,999*
	<u>                    </u>	<u>                    </u>

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

\*\* No write-down of completed properties held for sale to net realisable value is included in cost of properties sold for the six months ended 30 September 2021 (six months ended 30 September 2020: RMB25,555,000).

\*\*\* This item is included in other income in the condensed consolidated statements of profit or loss.

## 8. INCOME TAX

	<b>Six months ended 30 September 2021 (unaudited) RMB'000</b>	Six months ended 30 September 2020 (unaudited) RMB'000
<b>Current tax</b>		
PRC Land Appreciation Tax	<u>6,843</u>	<u>4,655</u>
	<b>6,843</b>	<b>4,655</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>(13,405)</u>	<u>12,659</u>
Total (credit) charge	<u><b>(6,562)</b></u>	<u><b>17,314</b></u>

No Hong Kong profits tax has been provided for the six months ended 30 September 2021 and 2020 as the Group had no assessable profit subject to Hong Kong profits tax for the said periods.

PRC Corporate Income Tax (“CIT”) had not been provided as the unrecognised tax losses brought forward from previous year exceeded the assessable profits for the six months ended 30 September 2021 and 2020 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 2021, the estimated withholding tax effects on the distribution of the unremitted retained earnings of the PRC subsidiaries amounted to approximately RMB37,011,000 (31 March 2021 (audited): RMB39,463,000). 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. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the profit (loss) attributable to owners of the parent for the six months ended 30 September 2021 and the weighted average of 6,764,286,000 shares (six months ended 30 September 2020: 5,457,008,000 shares) in issue during the six months ended 30 September 2021.

The calculation of the diluted earnings (loss) per share amounts is based on the adjusted profit or loss 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 earnings (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 earnings (loss) per share are based on:

	<b>Six months ended 30 September 2021 (unaudited) RMB'000</b>	Six months ended 30 September 2020 (unaudited) RMB'000
<b>Earnings (loss)</b>		
Profit (loss) attributable to owners of the parent	<b>16,782</b>	(607,229)
Effect of interest on the liability component of the Convertible Bonds	<b>1,302</b>	3,831
Effect of fair value loss on the derivative component of the Convertible Bonds	<b>21</b>	36
Adjusted profit (loss) attributable to owners of the parent	<b>18,105</b>	(603,362)

	<b>Number of shares</b>	
	<b>Six months ended 30 September 2021 (unaudited) '000</b>	Six months ended 30 September 2020 (unaudited) '000
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings (loss) per share calculation	<b>6,764,286</b>	5,457,008
Effect of dilution – weighted average number of ordinary shares:		
Convertible preference shares	<b>439,353<sup>(c)</sup></b>	1,455,746 <sup>(a)</sup>
Convertible Bonds	<b>41,081<sup>(d)</sup></b>	103,485 <sup>(a)</sup>
Share options	_ <sup>(b)</sup>	_ <sup>(b)</sup>
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted)	<b><u>7,244,720</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. 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.
- (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 2021 and 2020, the share options had an anti-dilutive effect on the basic earnings (loss) per share amount for the six months ended 30 September 2021 and 2020.
- (c) Because the diluted earnings per share amount was decreased when taking the convertible preference shares into account, the convertible preference shares had a dilutive effect on the basic earnings per share amount for the six months period ended 30 September 2021. Therefore, the calculation of the diluted earnings per share amount was based on the profit for the period of RMB16,782,000 and the weighted average number of 7,203,639,000 shares in issue during the period ended 30 September 2021.
- (d) Because the diluted earnings per share amount was increased when taking the Convertible Bonds into account, the Convertible Bonds had an anti-dilutive effect on the basic earnings per share amount for the six months period ended 30 September 2021 and were ignored in the calculation of diluted earnings per share.



## 10. DIVIDEND

The Directors do not declare the payment of any interim dividend for the six months ended 30 September 2021 (six months ended 30 September 2020: Nil).

## 11. INVESTMENT PROPERTIES

	<b>30 September 2021 (unaudited) RMB'000</b>	31 March 2021 (audited) RMB'000
At the beginning of the reporting period	<b>547,100</b>	550,000
Additions	<b>8,727</b>	42,900
Net loss from fair value adjustment	<b>(46,627)</b>	(45,800)
	<hr/>	<hr/>
At the end of the reporting period	<b><u>509,200</u></b>	<b><u>547,100</u></b>

As at 30 September 2021, 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/Savills Real Estate Valuation (Guangzhou) Limited Beijing Branch (independent professional qualified valuers).

*Fair value hierarchy*

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

	Fair value measurement as at 30 September 2021 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:				
Retail shops and car park spaces	–	–	509,200	509,200
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	Fair value measurement as at 31 March 2021 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:				
Retail shops and car park spaces	–	–	547,100	547,100
	<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 2020: Nil).

As at 30 September 2021, the Group's investment properties with an aggregate carrying amount of RMB470,000,000 (31 March 2021 (audited): RMB507,000,000) were pledged to banks to secure certain of the bank loans granted to the Group as further detailed in note 18 to the condensed consolidated financial statements.

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

		<b>30 September 2021 (unaudited) RMB'000</b>	31 March 2021 (audited) RMB'000
	<i>Notes</i>		
Properties under development		<b>2,063,320</b>	1,962,791
Completed properties held for sale		<b>274,002</b>	295,284
		<b>2,337,322</b>	2,258,075
Write-down of properties under development and completed properties held for sale to net realisable value	<i>(b)</i>	<b>(1,027,035)</b>	(1,046,251)
	<i>(a)</i>	<b>1,310,287</b>	1,211,824

(a) As at 30 September 2021, certain of the Group's properties under development and completed properties held for sale with carrying value of RMB664,016,000 (31 March 2021 (audited): RMB644,800,000) and RMB8,830,000 (31 March 2020 (audited): RMB11,034,000) were pledged to banks to secure certain of the bank loans granted to the Group as further detailed in note 18 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:

	<b>30 September 2021 RMB'000</b>
At the beginning of the reporting period	<b>1,046,251</b>
Decrease in the write-down during the period	<b>(19,216)</b>
At the end of the reporting period (unaudited)	<b>1,027,035</b>

In estimating the net realisable value of a project in Fusong County, Jilin Province of the PRC ("the Fusong Property Project"), the management has engaged an independent valuer to carry out an independent valuation on a bare land basis and based on a direct comparison approach by making reference to comparable land transactions available in the market, which is consistent with that for the previous financial year end (i.e. 31 March 2021). A reversal of write-down of RMB19,216,000 relating to the Fusong Property Project was made in current period as result of a slight improvement in the general market and the government's vigorous promotion in the development of ski resort market.

### 13. TRADE AND OTHER RECEIVABLES

		<b>30 September 2021 (unaudited) RMB'000</b>	31 March 2021 (audited) RMB'000
	<i>Notes</i>		
Trade receivables		<b>19,958</b>	19,512
Less: provision for impairment		<b>(6,242)</b>	(5,691)
		<hr/>	<hr/>
	<i>(a)</i>	<b>13,716</b>	13,821
Other receivables:			
Deposits for land development expenditure	<i>(b)</i>	<b>22,095</b>	22,095
Deposits for construction and pre-sale of property projects	<i>(c)</i>	<b>6,741</b>	6,741
Prepaid business tax and other taxes		<b>23,760</b>	15,367
Other receivables, prepayments and deposits		<b>46,844</b>	45,936
Less: provision for impairment	<i>(d)</i>	<b>(70,934)</b>	(64,279)
		<hr/>	<hr/>
		<b>28,506</b>	25,860
		<hr/>	<hr/>
		<b>42,222</b>	39,681
		<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 provision for impairment) by invoice date as at the end of the reporting period is as follows:

	<b>30 September</b>	31 March
	<b>2021</b>	2021
	<b>(unaudited)</b>	(audited)
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 30 days	<b>1,517</b>	1,813
31 days–180 days	<b>6,397</b>	5,917
Over 180 days	<b>5,802</b>	6,091
	<b>13,716</b>	13,821

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.

- (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) In estimating the expected credit losses of other receivables, the Group has grouped these other receivables based on same credit risk characteristics and the days past due, and negotiation results with the debtors.

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

	Deposits for land development expenditure <i>RMB'000</i>	Deposits for construction and pre-sale of property projects <i>RMB'000</i>	Other receivables, prepayments and deposits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 April 2021	22,095	4,990	37,194	64,279
Increase during the period	–	1,750	4,905	6,655
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2021 (unaudited)	22,095	6,740	42,099	70,934
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

	<i>Notes</i>	<b>30 September 2021 (unaudited) <i>RMB'000</i></b>	31 March 2021 (audited) <i>RMB'000</i>
Cash and bank balances		<b>102,340</b>	126,653
Less: Restricted bank deposits under pre-sale of properties	<i>(a)</i>	<b>(9,635)</b>	(8,715)
		<hr/>	<hr/>
Cash and cash equivalents		<b>92,705</b>	117,938
		<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 RMB99,472,000 (31 March 2021 (audited): RMB52,042,000). 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.

## 15. TRADE AND OTHER PAYABLES

		<b>30 September 2021 (unaudited) RMB'000</b>	31 March 2021 (audited) RMB'000
	<i>Notes</i>		
Trade payables	<i>(a)</i>	44,875	56,587
Accrued construction costs		291,347	271,097
Interest payable		104,915	94,571
Other creditors and accruals		27,200	25,230
Other tax payables		28,294	23,765
Other deposits received		41,145	35,960
		<u>537,776</u>	<u>507,210</u>

- (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 2021 (unaudited) RMB'000</b>	31 March 2021 (audited) RMB'000
Within 30 days	18,906	13,627
31 days–180 days	6,345	19,929
Over 180 days	19,624	23,031
	<u>44,875</u>	<u>56,587</u>

## 16. CONTRACT LIABILITIES

		<b>30 September 2021 (unaudited) RMB'000</b>	31 March 2021 (audited) RMB'000
	<i>Notes</i>		
Deposits from sales of properties	<i>(a)</i>	<b>292,585</b>	216,718
Receipt in advance from management services	<i>(b)</i>	<b>11,634</b>	11,192
		<b>304,219</b>	227,910

(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.

## 17. LOANS FROM A CONTROLLING SHAREHOLDER

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

## 18. BANK AND OTHER BORROWINGS

		<b>30 September 2021 (unaudited) RMB'000</b>	31 March 2021 (audited) RMB'000
	<i>Notes</i>		
Current			
Bank loans – secured	<i>(i)</i>	<b>130,897</b>	130,897
Other loans – secured	<i>(ii)</i>	<b>17,600</b>	17,600
Entrusted loans	<i>(iii), (iv)</i>	<b>300,000</b>	300,000
		<b>448,497</b>	448,497
Non-current			
Bank loans – secured	<i>(i)</i>	<b>320,345</b>	351,593
		<b>768,842</b>	800,090



	<b>30 September 2021 (unaudited) RMB'000</b>	31 March 2021 (audited) RMB'000
Analysed into:		
Bank loans and entrusted loan repayable:		
Within one year or on demand	430,897	430,897
In the second year	61,897	60,897
In the third to fifth years, inclusive	258,448	290,696
	<hr/>	<hr/>
	751,242	782,490
Other loans repayable:		
Within one year or on demand	17,600	17,600
	<hr/>	<hr/>
	<b>768,842</b>	<b>800,090</b>
	<hr/> <hr/>	<hr/> <hr/>

*Notes:*

- (i) Included in the secured bank loans as at 30 September 2021 are loan balances of RMB70,000,000 (31 March 2021 (audited): RMB70,000,000), RMB142,242,000 (31 March 2021 (audited): RMB170,690,000), RMB232,000,000 (31 March 2021 (audited): RMB232,000,000) and RMB7,000,000 (31 March 2021 (audited): RMB9,800,000) bearing interests at a fixed rate of 7.83% per annum, a fixed interest rate of 5.39% per annum, a fixed rate of 7.3% 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 RMB142,242,000, RMB232,000,000, and RMB7,000,000 are secured by pledges of the properties under development with carrying values of RMB476,220,000 (31 March 2021 (audited): RMB462,500,000), investment properties with fair value of RMB470,000,000 (31 March 2021 (audited): RMB507,000,000) and completed properties with carrying amounts of RMB8,830,000 (31 March 2021 (audited): RMB11,034,000) respectively.

- (ii) During the period, the secured other loan of RMB17,600,000 (31 March 2021 (audited): RMB17,600,000) bore interests at a fixed rate of 12% per annum. The loan was guaranteed by personal and corporate guarantees of certain connected parties of the Company. The loan was fully settled in November 2021.

- (iii) The entrusted loans as at 30 September 2021 are loan balances of RMB100,000,000 (31 March 2021 (audited): RMB100,000,000) and RMB200,000,000 (31 March 2021 (audited): RMB200,000,000).

During the period, the entrusted loan of RMB100,000,000 bore interest at a fixed rate of 8% and was secured by properties under development held by the Group with carrying amount of RMB187,796,000 as at 30 September 2021 (31 March 2021 (audited): RMB182,300,000).

The entrusted loan of RMB200,000,000 bore interest at a fixed rate of 12% per annum and was secured by a second charge of properties under development with carrying amounts of RMB664,016,000 as at 30 September 2021 (31 March 2021 (audited): RMB644,800,000) 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). The loan was fully settled in November 2021.

- (iv) As at the date of this announcement, the lender has agreed not to demand repayment of the entrusted loans of RMB100,000,000 during the renewal process of the loan.

## 19. 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 would be 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, 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.

On 26 July 2021, the conversion rights of Convertible Bonds has not been exercised at maturity date and the principal amount of HK\$87,962,612 were settled through the provision of loans from a controlling shareholder. Further details are set out in the Company's announcement dated 26 July 2021.

#### *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.

Up to the date of maturity of the Convertible Bonds, the bond holder had not further exercised the conversion option of the Convertible Bonds. The equity component of the Convertible Bonds was fully transferred to retained earnings. The early redemption right features classified as derivative financial instruments were derecognised on the same date.

### *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 2021	22
Change in fair value of derivative financial instruments	(21)
Exchange realignment	(1)
	<hr/>
At 30 September 2021 (unaudited)	–
	<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 2021	72,879
Accrued effective interest	1,302
Settlement through the loans from a controlling shareholder upon maturity date	(72,921)
Exchange realignment	(1,260)
	<hr/>
At 30 September 2021 (unaudited)	–
	<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%.

### *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 2021	40,368
Transfer to retained profits upon maturity date	(40,368)
	<hr/>
At 30 September 2021 (unaudited)	–
	<hr/> <hr/>

## 20. SHARE CAPITAL

	Number of ordinary shares '000	Nominal value	
		HK\$'000	RMB'000
<i>Authorised:</i>			
Ordinary shares of HK\$0.05 each	15,600,000	780,000	684,000
<i>Issued:</i>			
Ordinary shares of HK\$0.05 each At 31 March 2021 (audited)	6,764,286	338,214	292,554
<b>At 30 September 2021 (unaudited)</b>	<b>6,764,286</b>	<b>338,214</b>	<b>292,554</b>

## 21. 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 Xintong (“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 transferable 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 2021, no CPS had been converted to ordinary shares (Period ended 30 September 2020: 700,000,000 CPS were converted to 700,000,000 ordinary shares) of the Company.

As at 30 September 2021, 439,352,941 CPSs remained outstanding. Should the conversion rights attaching to the remaining 439,352,941 CPSs be exercised in full, an additional 439,352,941 ordinary shares would have been allotted and issued, which represented approximately 6.5% of the issued share capital of the Company as at 30 September 2021.

## 22. DISPOSAL OF SUBSIDIARIES

On 26 February 2021 and 4 June 2021, the Group entered into a share transfer agreement and a supplementary agreement to dispose the entire equity interests in Ground Real Estate Group Company Limited and its subsidiaries (“Ground Real Estate”) at a consideration of RMB1.0 (equivalent to approximately HK\$1.2). The major classes of assets and liabilities of Ground Real Estate have been classified as held for sale which were measured at the lower of carrying amount and fair value less costs to sell as at 31 March 2021. The disposal transaction was completed on 23 June 2021. The details are as follows:

	<i>RMB'000</i>
<b>Net liabilities disposed of:</b>	
Completed properties held for sales	208,912
Trade and other receivables	97,946
Prepaid income tax	6,346
Pledged and restricted deposits	1,932
Cash and cash equivalents	2,074
Trade and other payables	(120,682)
Contract liabilities	(102,969)
Loans from a controlling shareholder	(103,420)
Bank and other borrowings	(51,000)
Income tax payables	(2,217)
Deferred tax liabilities	(1,270)
	<u>(64,348)</u>
	<u><u>(64,348)</u></u>
	<i>RMB'000</i>
Cash consideration	–
Cash and cash equivalents disposal of	(2,074)
	<u>(2,074)</u>
Net outflow of cash and cash equivalents	<u><u>(2,074)</u></u>
	<i>RMB'000</i>
<b>Gain on disposal of subsidiaries:</b>	
Consideration received	–
Net liabilities disposed of	(64,348)
	<u>(64,348)</u>
	<u><u>(64,348)</u></u>

The gain on disposal is included in the other income in the condensed consolidated statement of profit or loss (note 5(b)).

## 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 2021, guarantees amounting to RMB798.4 million were given to banks with respect to mortgage loans procured by purchasers of property units (31 March 2021 (audited): RMB790.9 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW AND OUTLOOK

During the first three quarters of 2021, the world is continuously facing with the uncertainty from the COVID-19 pandemic. Although the number of confirmed cases varies from province to province, the COVID-19 pandemic has been generally under control in Mainland China. The PRC Government has coordinated and implemented preventive and controlled measures towards both the pandemic as well as the domestic economic development. Mainland China's economy has maintained a steady and positive momentum with a year-on-year growth of 9.8% in GDP.

With the above situation and the development of virus variants as well as quarantine measures, cross-border leisure travel has been minimized. Instead, weekend getaways and three-hour short- or medium-travel circles (including high speed rail or self-drive tours to surrounding cities and suburbs) are getting popular. For the first three quarters of 2021, the domestic leisure travel, in terms of the total number of trips, has made a year-on-year growth of 39.1% with numbers reaching 58.5% of pre-pandemic level. In Changbaishan region, the year-on-year growth of 73.9% was noted with the numbers reaching 41% of pre-pandemic level.

In view of this, the management has carried out a thorough deliberation on the Group's cultural tourism project in Changbaishan ("Fusong Property Project"). The Company has performed a re-evaluation on the existing strategy of (1) the potential divestment plan of the Fusong Property Project; and (2) the government buyback. In the meantime, further reconsideration of the possibility of development of the Fusong Property Project would be made by the Group. The management has obtained the preliminary approval from the Board to initiate a further research, forecast and assessment on the Fusong Property Project.

For the property development industry, we have all witnessed the increasing number of measures issued by the PRC government over the past few months. Many property developers have been working hard in meeting the "Three Red Lines". The Group is working cautiously towards our property development projects in order to safeguard the Group's cash flow and liquidity.

### BUSINESS REVIEW

For the six months ended 30 September 2021, the Group's overall revenue was approximately RMB66.3 million (six months ended 30 September 2020: RMB99.1 million), representing a decrease of 33.0%. The Group had a gross profit of RMB24.7 million for the six months ended 30 September 2021 (six months ended 30 September 2020: gross loss of RMB13.7 million) and net profit for the period of RMB16.8 million (six months ended 30 September 2020: net loss of RMB607.2 million).

#### **Property Development**

The Group's project in Jiutai District, Changchun City, namely Guangze Jiuxi Red House, is still in progress as planned. The phase one of Guangze Jiuxi Red House is expected to be completed and delivered by the financial year end of 31 March 2022.

#### ***Contracted sales***

During the six months ended 30 September 2021, the Group had two projects under development, namely Guangze China House – Phase IA and Guangze Jiuxi Red House – Phase I.

***Properties completed, delivered and sale of properties recognized during the six months ended 30 September 2021***

For the six months ended 30 September 2021, 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.

For the six months ended 30 September 2021, 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 and Guangze Red House at Yanji City.

For the six months ended 30 September 2021, the Group recognized sales of properties (excluding car parks) amounting to RMB35.7 million with an aggregate GFA of 5,315 sq.m., mainly contributed from sales of Guangze • Tudors Palace, and Guangze Red House Phase III (six months ended 30 September 2020: RMB53.7 million with an aggregate GFA of 8,301 sq.m.).

In addition, the Group delivered and recognized sale of car park units of approximately RMB7.8 million from the sale of 144 car park units for the six months ended 30 September 2021 (six months ended 30 September 2020: RMB11.8 million from the sale of 101 car park units).

**Property Investment**

As at 30 September 2021, the Group’s investment properties are the retail shopping units at Baishan City. The fair value of the investment properties decreased from RMB547.1 million at 31 March 2021 to RMB509.2 million at 30 September 2021 with an average occupancy rate of 80.3% (At 31 March 2021: 85.4%).

## FINANCIAL REVIEW

### Key changes to profit or loss

#### Revenue

	Six months ended 30 September 2021		Six months ended 30 September 2020	
	RMB'000	%	RMB'000	%
Sale of properties	43,454	65.5	74,996	75.7
Rental income	6,299	9.5	6,540	6.6
Property management service income	16,592	25.0	17,518	17.7
	<u>66,345</u>	<u>100.0</u>	<u>99,054</u>	<u>100.0</u>

The Group's revenue decreased from RMB99.1 million for the six months ended 30 September 2020 to RMB66.3 million for the six months ended 30 September 2021 or an decrease by 33.0%, mainly contributed from the decrease in sale of properties by 42.1% or RMB31.5 million as compared with the corresponding period. The decrease in sales of properties during the six months ended 30 September 2021 was attributable to the decrease in sales and delivery of remaining units of the property projects. For the six months ended 30 September 2021, 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 RMB7.8 million and RMB15.7 million, respectively.

During the six months ended 30 September 2020, the Group sold remaining units of the property projects of Guangze • Tudors Palace and Guangze Red House Phase III of RMB26.2 million and RMB23.5 million, respectively.

Also, sales of car parks decreased from RMB11.8 million for the six months ended 30 September 2020 to RMB7.8 million for the six months ended 30 September 2021.

The property management service income decreased from RMB17.5 million for the six months ended 30 September 2020 to RMB16.6 million for the six months ended 30 September 2021 due to the decrease in number of managed units, caused by the decrease in average occupancy rate during the period ended 30 September 2021 in respect of the shopping mall units in Baishan City, the PRC. The rental income decreased from RMB6.5 million for the six months ended 30 September 2020 to RMB6.3 million for the six months ended 30 September 2021 due to the decrease in average occupancy rate during the period ended 30 September 2021 in respect of the shopping mall units in Baishan City, the PRC.

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

For the six months ended 30 September 2021, the Group recorded an overall gross profit of RMB24.7 million as opposed to the gross loss of RMB13.7 million for the six months ended 30 September 2020. The gross loss for the period ended 30 September 2020 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. No such write-downs was recorded for the period ended 30 September 2021.

### ***Other income***

The Group's other income increased from RMB0.7 million for the six months ended 30 September 2020 to RMB84.4 million for the six months ended 30 September 2021 which was mainly attributable to the gain on disposal of subsidiaries of RMB64.3 million upon completion of the disposal of Ground Real Estate Group Company Limited and its subsidiaries in Jilin City in June 2021 and the reversal of write-down of properties under development, namely Ground Pine Township International Resort in Changbaishan, Fusong County ("Fusong Property Project") of RMB19.2 million.

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

The increase in selling and distribution expenses by RMB1.6 million from RMB2.9 million for the six months ended 30 September 2020 to RMB4.5 million for the six months ended 30 September 2021 was mainly due to the increase in the promotion and advertising expenses incurred for the continual promotional activities carried out on Guangze Jiuxi Red House in Jiutai District launched and its sales office expenses for pre-sale during the period.

### ***Administrative expenses***

The increase in administrative expenses by RMB1.8 million from RMB15.5 million for the six months ended 30 September 2020 to RMB17.3 million for the six months ended 30 September 2021 was mainly attributable to the increase in average staff number during the period resulting in an increase in staff costs.

### ***Other expenses***

Other expenses for the six months ended 30 September 2021 decreased from RMB472.4 million for the six months ended 30 September 2020 to RMB5.7 million for the six months ended 30 September 2021 as there were write-downs of RMB442.3 million in relation to the property under development for Fusong Property Project for the six months ended 30 September 2020. No further write-downs was recorded for the period ended 30 September 2021.

## *Finance costs*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2021</b>	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank and entrusted loans	<b>24,523</b>	43,360
Interest on Convertible Bonds	<b>1,302</b>	3,831
Interest on other loan	<b>5,357</b>	2,641
Interest on lease liabilities	<b>2,045</b>	972
Other borrowing costs accrued on receipt in advance from customers	–	6,296
	<b>33,227</b>	57,100
Less: interest capitalised into properties under development	<b>(8,481)</b>	–
	<b>24,746</b>	57,100

The decrease in finance costs by RMB32.4 million from RMB57.1 million for the six months ended 30 September 2020 to RMB24.7 million for the six months ended 30 September 2021 was mainly attributable to a decrease in interest on bank and entrusted loans as a result of (i) a reversal of over-accrual of interest expenses in prior years of approximately RMB15.4 million in current period and (ii) a decrease in the balance of bank loans and entrusted loans from instalment repayment of certain bank loan .

## *Change in fair value of investment properties*

For the six months ended 30 September 2021, there was a loss in fair value of RMB46.6 million (six months ended 30 September 2020: RMB29.0 million) relating to the investment properties in the PRC.

## *Income tax*

The Group's current tax represents Land Appreciation Tax (LAT) and Corporate Income Tax (CIT). For the six months ended 30 September 2021, the Group's current income tax related to LAT provision of RMB6.8 million (six months ended 30 September 2020: RMB4.7 million) and no provision for CIT was made as the unrecognised tax losses brought forward from the previous year exceeded the assessable profits. The increase in LAT for the six months ended 30 September 2021 was mainly due to more commercial properties units in respect of Guangze Red House – Phase III with higher profit margin delivered and sales recognised during the period.

A tax credit from deferred tax of RMB13.4 million was recorded for the six months ended 30 September 2021 (six months ended 30 September 2020: tax charge of RMB12.6 million) was mainly attributable by the drop of deferred tax liabilities due to the fair value loss on investment properties during the period.

## Key changes to financial position

### *Investment properties*

As at 30 September 2021, 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/Savills Real Estate Valuation (Guangzhou) Limited Beijing Branch (independent professional qualified valuers). At 30 September 2021, the fair value decreased by RMB46.6 million as compared to that at 31 March 2021.

### *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 increase in properties under development and completed properties held for sales from RMB1,211.8 million as at 31 March 2021 to RMB1,310.3 million as at 30 September 2021 was mainly attributable to more development costs were incurred for Guangze Jiuxi Red House – Phase one; and a reversal of write-down of Fusong Property Project of approximately RMB19.2 million as a result of the slight improvement in the general market and the government's vigorous promotion in the development of ski resort market.

### *Trade and other receivables*

		<b>30 September 2021</b>	31 March 2021
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade receivables		<b>19,958</b>	19,512
Less: Provision for impairment		<b>(6,242)</b>	(5,691)
		<hr/>	<hr/>
	<i>(i)</i>	<b>13,716</b>	13,821
Other receivables			
– Deposits for land development expenditure	<i>(ii)</i>	<b>22,095</b>	22,095
– Deposits for construction and pre-sale of property projects	<i>(iii)</i>	<b>6,741</b>	6,741
– Prepaid business tax and other taxes		<b>23,760</b>	15,367
– Other receivables, prepayments and deposits		<b>46,844</b>	45,936
Less: Provision for impairment	<i>(iv)</i>	<b>(70,934)</b>	(64,279)
		<hr/>	<hr/>
		<b>28,506</b>	25,860
		<hr/>	<hr/>
		<b>42,222</b>	39,681
		<hr/> <hr/>	<hr/> <hr/>

- (i) Trade receivables mainly related to rental receivable from tenants and property management fee receivables from property unit owners. At 30 September 2021, the trade receivable balance remained stable as compared to that at 31 March 2021.

- (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 irrespective 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 increase in provision for impairment from RMB64.3 million as at 31 March 2021 to RMB70.9 million as at 30 September 2021 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*

	<i>Notes</i>	<b>30 September 2021 RMB'000</b>	31 March 2021 RMB'000
Trade payables	<i>(i)</i>	<b>44,875</b>	56,587
Accrued construction costs	<i>(i)</i>	<b>291,347</b>	271,097
Interest payable		<b>104,915</b>	94,571
Other creditors and accruals		<b>27,200</b>	25,230
Other tax payables		<b>28,294</b>	23,765
Other deposits received		<b>41,145</b>	35,960
		<b><u>537,776</u></b>	<b><u>507,210</u></b>

- (i) The increases in trade payables and accrued construction costs from RMB56.6 million and RMB271.1 million at 31 March 2021 to RMB44.9 million and RMB291.3 million at 30 September 2021 respectively were mainly attributable to more development costs were incurred for the new property projects and partly was offset by the gradual settlement of construction cost payable balances arising from the completed properties projects.

### *Contract liabilities*

	<i>Notes</i>	<b>30 September 2021 RMB'000</b>	31 March 2021 RMB'000
Deposits from sale of properties	<i>(i)</i>	<b>292,585</b>	216,718
Receipt in advance from management services	<i>(ii)</i>	<b>11,634</b>	11,192
		<b><u>304,219</u></b>	<b><u>227,910</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 increase in balance was mainly attributable to the increase in the number of units pre-sold in respect of Guangze Jiuxi Red House – Phase one 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 2021, the carrying amount of cash and bank deposits of the Group was approximately RMB92.7 million (as at 31 March 2021: approximately RMB117.9 million), representing an decrease of approximately 21.4% as compared with that as at 31 March 2021.

### *Debt and gearing*

The Group's bank and other borrowings as at 30 September 2021 decreased by RMB31.2 million to RMB768.8 million which were payable as follows:

	<b>30 September 2021 RMB'000</b>	31 March 2021 RMB'000
Current	448,497	448,497
Non-current	<u>320,345</u>	<u>351,593</u>
	<b><u>768,842</u></b>	<b><u>800,090</u></b>
Analysed into:		
Bank loans and entrusted loan repayable:		
Within one year or on demand	430,897	430,897
In the second year	61,897	60,897
In the third year to fifth year, inclusive	<u>258,448</u>	<u>290,696</u>
	<b>751,242</b>	782,490
Other borrowings repayable:		
Within one year or on demand	<u>17,600</u>	<u>17,600</u>
	<b><u>768,842</u></b>	<b><u>800,090</u></b>

The Group's bank and other borrowings decreased from RMB800.1 million as at 31 March 2021 to RMB768.8 million as at 30 September 2021 attributable to the instalment repayment of certain bank and other borrowings.



The Group's gearing ratio as at 30 September 2021 was as follows:

	<b>30 September 2021 RMB'000</b>	31 March 2021 RMB'000
Loans from a controlling shareholder	175,052	121,415
Bank and other borrowings	768,842	800,090
Trade and other payables	537,776	507,210
Less: Cash and cash equivalents	(92,705)	(117,938)
Less: Pledged and restricted deposits	(9,635)	(8,715)
Net debt	<b>1,379,330</b>	1,302,062
Liability component of the Convertible Bonds	—	72,879
Equity	<b>53,214</b>	(13,707)
Adjusted Capital	<b>53,214</b>	59,172
Capital and debt	<b>1,432,544</b>	1,361,234
Gearing ratio	<b>96%</b>	96%

The gearing ratio of the Group as at 30 September 2021 remained stable as compared with that as at 31 March 2021.

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

For the six months ended 30 September 2021, the Group recorded net operating cash outflow of RMB6.6 million (six months ended 30 September 2020: outflow of RMB206.1 million). The outflow for the six months ended 30 September 2020 was mainly attributable to the net settlement of trade and other payables of RMB103.9 million and interest expenses of RMB46.0 million paid. Interest expenses paid were only RMB7.4 million for the six months ended 30 September 2021. For investing activities, the Group recorded net investing cash outflow of RMB2.1 million (six months ended 30 September 2020: inflow of RMB122.0 million). The inflow for the six months ended 30 September 2020 was mainly as a result of the settlement of the disposal consideration receivable in respect of the financial guarantee business. No such settlement for the six months ended 30 September 2021.

### ***Fund raising activities during the past twelve months***

On 16 March 2021, the Company entered into a placing agreement with Fosun Hani Securities Co., Limited in respect of the placement of up to 290,885,000 shares (the "Placing Shares") at a placing price of HK\$0.35 per Placing Share to not less than six places (the "Placing").

On 24 March 2021, the Placing was completed and a total of 290,885,000 Placing Shares were issued under the general mandate of the Company and the net proceeds from the Placing were approximately HK\$99.8 million (equivalent to approximately RMB84.2 million).

Details of the Placing are set out in the Company's announcements dated 16 March 2021 and 24 March 2021.

As at 30 September 2021, the net proceeds of the Placing had been applied as follows:

<b>Intended use of the net proceeds</b>	<b>Allocation</b> <i>RMB'000</i>	<b>Utilised net proceeds as at 30 September 2021</b> <i>RMB'000</i>	<b>Unutilised net proceeds as at 30 September 2021</b> <i>RMB'000</i>
Settlement of the costs and expenses of the Group's existing projects	50,503	50,503	–
Settlement of the Group's finance costs	25,252	7,367	17,885
Settlement of the Group's administrative and operation expenses	8,445	8,445	–
	<u>84,200</u>	<u>66,315</u>	<u>17,885</u>

#### **COMMITMENTS FOR DEVELOPMENT EXPENDITURE**

As at 30 September 2021, the Group had contracted but not provided for capital commitments in respect of properties under development of RMB74.2 million (as at 31 March 2021: RMB25.3 million). The development expenditure was prepaid and funded by the Group's internal resources and/or project loans.

#### **FOREIGN EXCHANGE EXPOSURE**

As at 30 September 2021, the Group was exposed to currency risk on financial assets and liabilities that were denominated in Hong Kong Dollars (HK\$). As at 30 September 2021, approximately 2.8% (31 March 2021: 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 2021: 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.

## 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 the repayment obligations of such purchasers. As at 30 September 2021, guarantees amounting to RMB798.4 million were given to banks with respect to mortgage loans procured by purchasers of property units (as at 31 March 2021: RMB790.9 million). Such guarantees will be terminated upon the earlier of (i) the issuance of the real estate ownership certificate to the purchasers and (ii) the satisfaction of mortgage loans by the purchasers of properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying 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 relevant 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 minimal and therefore the financial guarantee measured at fair value initially is immaterial. Also, in case of default in payments, the net realisable value of the relevant 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.

## CHARGE ON ASSETS

As at 30 September 2021, the Group had the following assets pledged against bank and other loans granted:

	<b>30 September 2021 RMB'000</b>	31 March 2021 RMB'000
Investment properties	<b>470,000</b>	507,000
Properties under development	<b>664,016</b>	644,800
Completed properties held for sale	<b>8,830</b>	11,034

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2021, the Group had 239 (as at 31 March 2021: 239) full-time employees. Total staff costs (including directors' emoluments) incurred for the six months ended 30 September 2021 amounted to approximately RMB7.9 million (six months ended 30 September 2020: RMB6.5 million); the increase in the total staff costs was mainly attributable to more employees were hired for the development of the new property projects in Jiutai District of Changchun City resulting in an increase of average staff number during the period. 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 2021.

## **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 (the "CG Code") as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the reporting period.

## **REVIEW OF THE INTERIM RESULTS**

The unaudited interim financial information for the six months ended 30 September 2021 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 2021 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 2021**

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 2021. 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 had net current liabilities RMB76,982,000. This condition, along with other matters as set forth in note 2 to the condensed interim financial information, indicates 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  
**Hua Yin International Holdings Limited**  
**Cui Xintong**  
*Chairperson*

Hong Kong, 26 November 2021

*As at the date of this announcement, the executive directors of the Company are Ms. Cui Xintong, Mr. Li Junjie, Mr. Cong Peifeng and Mr. Xu Yingchuan 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.*