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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 FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

The board (the “Board”) of directors (each a “Director”) of Hua Yin International Holdings Limited (the “Company”) announces the consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2022 together with the comparative figures for the previous year as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>Revenue</b>	4	<b>112,103</b>	153,336
Cost of sales and services		<u>(80,280)</u>	<u>(237,845)</u>
Gross profit (loss)		<b>31,823</b>	(84,509)
Other income and gains	4	<b>134,610</b>	1,458
Selling and distribution expenses		<b>(11,382)</b>	(9,022)
Administrative expenses		<b>(38,613)</b>	(33,149)
Finance costs	5	<b>(62,458)</b>	(105,132)
Other expenses		<b>(6,561)</b>	(232,676)
Change in fair value of investment properties	10	<b>(81,714)</b>	(45,800)
Change in fair value of derivative financial instruments	18	<u><b>(44,879)</b></u>	<u>(69)</u>
<b>LOSS BEFORE TAX</b>	6	<b>(79,174)</b>	(508,899)
Income tax	7	<u><b>22,214</b></u>	<u>(6,300)</u>
<b>LOSS FOR THE YEAR</b>		<u><b>(56,960)</b></u>	<u>(515,199)</u>
<b>Attributable to:</b>			
Owners of the parent		<u><b>(56,960)</b></u>	<u>(515,199)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT</b>			
Basic	9	<u><b>(0.84) cents</b></u>	<u>(8.94) cents</u>
Diluted		<u><b>(0.84) cents</b></u>	<u>(8.94) cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i> (Restated)
<b>LOSS FOR THE YEAR</b>	<b><u>(56,960)</u></b>	<b><u>(515,199)</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Other comprehensive income that are/may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>6,132</u>	<u>12,438</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b><u>6,132</u></b>	<b><u>12,438</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>(50,828)</u></b>	<b><u>(502,761)</u></b>
<b>Attributable to:</b>		
Owners of the parent	<b><u>(50,828)</u></b>	<b><u>(502,761)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i> (Restated)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		261	322
Investment properties	10	615,800	547,100
Right-of-use assets		332	2,070
Deferred tax assets		17,363	13,524
<b>Total non-current assets</b>		<u>633,756</u>	<u>563,016</u>
<b>CURRENT ASSETS</b>			
Properties under development and completed properties held for sale	11	1,262,844	1,211,824
Trade and other receivables	12	55,681	39,681
Prepaid income tax		9,257	6,067
Derivative financial instruments	18	9,709	22
Pledged and restricted deposits	13	7,596	8,715
Cash and cash equivalents	13	93,151	117,938
		<u>1,438,238</u>	<u>1,384,247</u>
Assets associated with disposal group classified as held for sale		–	334,018
<b>Total current assets</b>		<u>1,438,238</u>	<u>1,718,265</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	481,876	507,210
Contract liabilities	15	383,969	227,910
Lease liabilities		12,646	12,246
Loans from a controlling shareholder	16	234,819	72,615
Bank and other borrowings	17	420,697	448,497
Liability component of the Convertible Bonds	18	–	72,879
Income tax payable		42,753	67,595
		<u>1,576,760</u>	<u>1,408,952</u>
Liabilities associated with disposal group classified as held for sale		–	393,677
<b>Total current liabilities</b>		<u>1,576,760</u>	<u>1,802,629</u>
<b>NET CURRENT LIABILITIES</b>		<u>(138,522)</u>	<u>(84,364)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>495,234</u>	<u>478,652</u>

	<i>Notes</i>	<b>2022</b> <b><i>RMB'000</i></b>	2021 <i>RMB'000</i> (Restated)
<b>NON-CURRENT LIABILITIES</b>			
Liability component of the			
Convertible Bonds	<i>18</i>	<b>79,267</b>	–
Bank and other borrowings	<i>17</i>	<b>290,897</b>	351,593
Deferred tax liabilities		<b>52,042</b>	59,284
Lease liabilities		<b>28,487</b>	32,682
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>450,693</b>	443,559
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>44,541</b>	35,093
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Share capital	<i>19</i>	<b>292,554</b>	292,554
Convertible preference shares	<i>20</i>	<b>299,515</b>	299,515
Equity component of the Convertible			
Bonds	<i>18</i>	<b>60,276</b>	40,368
Reserves		<b>(607,804)</b>	(597,344)
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>44,541</b>	35,093
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## NOTES

### 1. GENERAL INFORMATION

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

During the year ended 31 March 2022, the Company was principally engaged in investment holding and the Group was principally engaged in property development and management, including planning, designing, budgeting, licensing, contract tendering and contract administration and property investment.

### 2. BASIS OF PREPARATION

The annual results set out in this announcement do not constitute the Group’s consolidated financial statements for the year ended 31 March 2022 but are extracted from those financial statements.

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). They have been prepared under the historical cost convention, except for investment properties and derivative financial instruments which have been measured at fair value. These consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

## Restatement of comparative information

Comparative information in relation to loans from a controlling shareholder and exchange reserve was incorrectly stated as certain repayments of loans from a controlling shareholder during the year ended 31 March 2021 had been inadvertently recorded in the consolidated statement of other comprehensive income as exchange differences on translation of foreign operations. Accordingly, the related information has been restated and summarised as below:

	<b>As previously reported</b>	<b>Reclassification</b>	<b>As restated</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Consolidated Statement of Financial Position at 31 March 2021:</b>			
Loans from a controlling shareholder	(121,415)	48,800	(72,615)
Reserves	646,144	(48,800)	597,344
Net (liabilities)/assets	(13,707)	48,800	35,093

## Consolidated Statement of Comprehensive Income for the year ended 31 March 2021:

Exchange differences on translation of foreign operations	36,362	(48,800)	(12,438)
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## Going concern basis

The Group incurred a loss of approximately RMB56,960,000 for the year ended 31 March 2022 and as of that date, the Group had net current liabilities of approximately RMB138,522,000. 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, 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 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 generate adequate cash flows to maintain its operations;
- (ii) 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; and

- (iii) the Group is in negotiation with financial institutions and other lenders for the renewals of the Group's short-term bank and other borrowings that expired or upon expiry and obtaining new borrowings; and expected to be able to renew existing borrowings and obtain new bank borrowings subsequent to the date of reporting period.

The Directors have prepared a cash flow forecast covering a period up to 30 June 2023 on the basis that the negotiation with financial institutions for the renewals of the Group's borrowings and credit facilities would be successful and would obtain the continuous financial support from the Group's controlling shareholder. The Directors 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 31 March 2022.

In light of the measures and arrangements implemented to date, the Directors of the Company are of the opinion that the Group has sufficient financial resources to satisfy its working capital and other financial obligations for the next twelve months after having taken into account the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the development of its business. Accordingly, the Directors of the Company are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Directors of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows in the near future and obtain the continuous financial support from its controlling shareholder.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their estimated recoverable amounts, to provide further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2021 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as detailed below.

## Changes in accounting policies and disclosures

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group:

### *Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform – Phase 2*

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the “Reform”). The amendments complement those issued in November 2019 and relate to:

- changes to contractual cash flows — a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting — a company will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and
- disclosures — a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The adoption of the amendments does not have any significant impact on consolidated financial statements.



### 3. 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 two 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

The Group's management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/ loss before tax is measured consistently with the Group's profit/loss before tax except that bank interest income, finance costs, fair value gains/losses from the Group's financial instruments, gain on disposal of subsidiaries as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, prepaid income tax, derivative financial instruments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, income tax payable, the liability component of the Convertible Bonds and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

**Year ended 31 March 2022**

	<b>Property development and management RMB'000</b>	<b>Property investment RMB'000</b>	<b>Total RMB'000</b>
<b>Segment revenue</b>			
Sales to external customers	<u>98,051</u>	<u>14,052</u>	<u>112,103</u>
<b>Segment results</b>	<u>72,022</u>	<u>(92,770)</u>	<u>(20,748)</u>
Bank interest income			1
Finance costs			(62,458)
Change in fair value of derivative financial instruments			(44,879)
Gain on disposal of subsidiaries	64,348	–	64,348
Unallocated head office expenses			<u>(15,438)</u>
Loss before tax			(79,174)
Income tax			<u>22,214</u>
<b>Loss for the year</b>			<u><u>(56,960)</u></u>
<b>Segment assets:</b>			
Reportable segment assets	1,349,660	615,808	1,965,468
Deferred tax assets			17,363
Prepaid income tax			9,257
Derivative financial instruments			9,709
Unallocated assets			<u>70,197</u>
<b>Total assets</b>			<u><u>2,071,994</u></u>
<b>Segment liabilities</b>			
Reportable segment liabilities	1,710,392	55,633	1,766,025
Deferred tax liabilities			52,042
Income tax payable			42,753
Liability component of the Convertible Bonds			79,267
Unallocated liabilities			<u>87,366</u>
<b>Total liabilities</b>			<u><u>2,027,453</u></u>
<b>Other segment information</b>			
Capital expenditure*	24	–	24
Depreciation**	57	–	57
Impairment on trade and other receivables	5,036	1,503	6,539
Reversal of properties under development to net realisable value	(20,733)	–	(20,733)
Write-down of completed properties held for sale to net realisable value	792	–	792

**Year ended 31 March 2021**

	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	142,055	11,281	153,336
<b>Segment results (Restated)</b>	<b>(334,318)</b>	<b>(52,680)</b>	<b>(386,998)</b>
Bank interest income			1
Finance costs			(105,132)
Change in fair value of derivative financial instruments			(69)
Unallocated head office expenses			(16,701)
Loss before tax			(508,899)
Income tax			(6,300)
<b>Loss for the year</b>			<b>(515,199)</b>
<b>Segment assets:</b>			
Reportable segment assets	1,293,723	550,275	1,843,998
Deferred tax assets			13,524
Prepaid income tax			6,067
Derivative financial instruments			22
Assets associated with disposed group classified as held for sale	334,018	–	334,018
Unallocated assets			83,652
<b>Total assets</b>			<b>2,281,281</b>
<b>Segment liabilities</b>			
Reportable segment liabilities (Restated)	1,492,841	61,608	1,554,449
Deferred tax liabilities			59,284
Income tax payable			67,595
Liability component of the Convertible Bonds			72,879
Liabilities associated with disposal group classified as held for sale	393,677	–	393,677
Unallocated liabilities			98,304
<b>Total liabilities (Restated)</b>			<b>2,246,188</b>
<b>Other segment information</b>			
Capital expenditure*	–	63	63
Depreciation**	1,098	7,529	8,627
Impairment on property, plant and equipment	2,873	778	3,651
Impairment on trade and other receivables	14,668	190	14,858
Write-down of properties under development to net realisable value	181,935	–	181,935
Write-down of completed properties held for sales to net realisable value	43,617	–	43,617

\* During the year, the head office did not incur any capital expenditure (2021: nil) which represents additions to non-current assets.

\*\* Included in unallocated head office expenses is depreciation of RMB1,709,000 (2021: RMB2,601,000).

## Geographical information

### (a) Revenue from external customers

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
The PRC	<b>112,103</b>	153,336

The revenue information above is based on the locations of the customers.

### (b) Non-current assets

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
The PRC	<b>616,062</b>	547,398
Hong Kong	<b>331</b>	2,094
	<b>616,393</b>	549,492

The non-current asset information above is based on the locations of the assets and excludes the Group's deferred tax assets.

## Information about major customers

There was no sale to a single customer which accounted for over 10% or more of the Group's revenue for the years ended 31 March 2022 and 2021.

#### 4. REVENUE, OTHER INCOME AND GAINS

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

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

##### Revenue

	Year ended 31 March 2022		
	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	65,040	–	65,040
Property management service income	33,011	–	33,011
	98,051	–	98,051
<b>Revenue from other sources:</b>			
Rental income	–	14,052	14,052
	98,051	14,052	112,103
	98,051	14,052	112,103
Representing geographical markets of:			
The PRC	98,051	14,052	112,103
	98,051	14,052	112,103
	98,051	14,052	112,103
Timing of revenue recognition			
– At a point in time	65,040	–	65,040
– Over time	33,011	14,052	47,063
	98,051	14,052	112,103
	98,051	14,052	112,103

Year ended 31 March 2021

	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	107,142	–	107,142
Property management service income	34,913	–	34,913
	<u>142,055</u>	<u>–</u>	<u>142,055</u>
<b>Revenue from other sources:</b>			
Rental income	–	11,281	11,281
	<u>142,055</u>	<u>11,281</u>	<u>153,336</u>
Representing geographical markets of:			
The PRC	<u>142,055</u>	<u>11,281</u>	<u>153,336</u>
	<u>142,055</u>	<u>11,281</u>	<u>153,336</u>
Timing of revenue recognition			
– At a point in time	107,142	–	107,142
– Over time	34,913	11,281	46,194
	<u>142,055</u>	<u>11,281</u>	<u>153,336</u>

## Other income and gains

	<i>Note</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
Gain on disposal of subsidiaries	21	64,348	–
Gain on revaluation upon transfer of investment properties	10	48,181	–
Reversal of write-down of properties under development	11	20,733	–
Other tax refund		–	164
Bank interest income		1	1
Sundry income		1,347	1,293
		<hr/>	<hr/>
Total other income and gains		<b>134,610</b>	1,458
		<hr/> <hr/>	<hr/> <hr/>

## 5. FINANCE COSTS

	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
Interest on bank and other borrowings	66,333	96,142
Interest on Convertible Bonds	3,427	7,233
Interest on lease liabilities	4,230	2,156
Other borrowing costs accrued on receipts in advance from customers	–	6,296
	<hr/>	<hr/>
	73,990	111,827
Less: Interest capitalised into properties under development*	(11,532)	(6,695)
	<hr/>	<hr/>
Total finance costs	<b>62,458</b>	105,132
	<hr/> <hr/>	<hr/> <hr/>

\* The borrowing costs have been capitalised at a rate of 7.3% per annum (2021: 7.3% per annum).

## 6. LOSS BEFORE TAX

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

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Cost of properties sold	<b>48,115*</b>	202,202*
Cost of services	<b>26,154</b>	27,304
Cost of rental	<b>6,011</b>	8,339**
Depreciation		
– property, plant and equipment	<b>85</b>	2,216
– right-of-use assets	<b>1,681</b>	9,012
	<b><u>          </u></b>	<b><u>          </u></b>
Staff costs (including directors' emoluments):		
Salaries, wages and other benefits	<b>22,787</b>	19,289
Contribution to defined contribution retirement plans	<b>4,350</b>	2,070
	<b><u>          </u></b>	<b><u>          </u></b>
Total staff costs	<b>27,137</b>	21,359
Less: Amount capitalised into properties under development	<b>(1,805)</b>	(433)
	<b><u>          </u></b>	<b><u>          </u></b>
	<b><u>25,332</u></b>	<b><u>20,926</u></b>



	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Auditor's remuneration:		
Audit services	822	1,001
Other services	329	505
Operating lease charges in respect of office premises and other leased assets under short term leases	2,745	1,497
Direct operating expenses arising from investment properties that generated rental income	110	460
Direct operating expenses arising from investment properties that did not generate rental income	27	59
(Reversal of)/provision for impairment on:		
– Property, plant and equipment	–	3,651***
– Goodwill	–	4,999***
– Trade receivables	(116)***	1,836***
– Other receivables	6,655***	13,022***
(Reversal of)/write-down of properties under development to net realisable value	(20,733)****	181,935***
Write-down of completed properties held for sale to net realisable value	792*	43,617*
	<u>792*</u>	<u>43,617*</u>

\* Included in cost of properties sold was the write-down of completed properties held for sale to net realisable value of RMB792,000 (2021: RMB43,617,000) for the year ended 31 March 2022.

\*\* Included in the cost of rental for the year ended 31 March 2021 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 RMB6,449,000 which was also included in the depreciation as disclosed separately.

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

\*\*\*\* This item is included in other income and gains in the consolidated statement of profit or loss.

## 7. INCOME TAX

PRC Corporate Income Tax (“CIT”) has been provided at the applicable income tax rate on the 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% (2021: 25%).

No Hong Kong profits tax has been provided for the years ended 31 March 2022 and 2021 as the Group incurred a loss for taxation purpose.

The Group’s subsidiaries are not subject to any income tax in Bermuda, BVI and Samoa pursuant to the respective rules and regulations.

Land Appreciation Tax (“LAT”) in the PRC 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 expenditures. The Group has estimated, made and included in taxation 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 liabilities are subject to the final review/approval by the tax authorities.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax:		
PRC CIT	974	–
PRC CIT over-provided in previous years	(7,094)	–
PRC LAT	14,190	5,619
PRC LAT over-provided in previous years	(19,203)	–
	<u>(11,133)</u>	<u>5,619</u>
Deferred tax	(11,081)	681
	<u>(22,214)</u>	<u>6,300</u>

## 8. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 March 2022 (2021: Nil).

## 9. LOSS PER SHARE

The calculation of the basic loss per share amounts is based on the loss for the year attributable to owners of the parent, and the weighted average of 6,764,286,000 shares (2021: 5,760,349,000 shares) in issue during the year.

The calculation of the diluted loss per share amounts is based on the loss for the year attributable to owners of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, 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 calculations of basic and diluted loss per share are based on:

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Loss</b>		
Loss attributable to owners of the parent	<u>(56,960)</u>	<u>(515,199)</u>
Effect of interest on the liability component of the Convertible Bonds	3,427	7,233
Effect of fair value loss on the derivative component of the Convertible Bonds	<u>44,879</u>	<u>69</u>
Adjusted loss attributable to owners of the parent	<u><b>(8,654)</b></u>	<u><b>(507,897)</b></u>
	<b>Number of shares</b>	
	<b>2022</b>	2021
	<b><i>'000</i></b>	<i>'000</i>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<b>6,764,286</b>	5,760,349
Effect of dilution – weighted average number of ordinary shares:		
Convertible preference shares	<b>439,353<sup>(a)</sup></b>	1,157,983 <sup>(a)</sup>
Convertible Bonds	<b>110,652<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)	<u><b>7,314,291</b></u>	<u><b>7,021,817</b></u>

- (a) Because the diluted loss per share amount was decreased when taking the convertible preference shares and/or the Convertible Bonds into account, the convertible preference shares and/or the Convertible Bonds had an anti-dilutive effect on the basic loss per share amount.
- (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 years ended 31 March 2022 and 2021, the share options had an anti-dilutive effect on the basic loss per share amount for the years ended 31 March 2022 and 2021.

## 10. INVESTMENT PROPERTIES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Carrying amount at 1 April 2021/2020	547,100	550,000
Transfer from right-of-use assets	10,714	42,900
Transfer from completed properties held for sale	139,700	–
Net loss on fair value adjustment	<u>(81,714)</u>	<u>(45,800)</u>
Carrying amount at 31 March 2022/2021	<u><b>615,800</b></u>	<u><b>547,100</b></u>

At 31 March 2022 and 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).

During the year, the Group transferred certain completed properties held for sale into investment properties with a total fair value of RMB139,700,000. The carrying amount of these properties at the date of transfer was RMB91,519,000. A gain on revaluation upon transfer of RMB48,181,000 and the related deferred tax thereon of RMB12,045,000 have been recognised in profit or loss during the year ended 31 March 2022.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Properties under development	2,125,264	1,962,791
Completed properties held for sale	163,890	295,284
	<u>2,289,154</u>	<u>2,258,075</u>
Write-down of properties under development and completed properties held for sale to net realisable value	<u>(1,026,310)</u>	<u>(1,046,251)</u>
	<u><u>1,262,844</u></u>	<u><u>1,211,824</u></u>

The Group's properties under development and completed properties held for sale situated in the PRC are stated at lower of cost and net realisable value and held on leases between 40 and 70 years.

At 31 March 2022, certain of the Group's properties under development and completed properties held for sale of RMB665,600,000 (2021: RMB644,800,000) and RMB8,069,000 (2021: RMB11,034,000) respectively, were pledged to banks to secure certain of the bank loans granted to the Group.

The movement of the write-down of properties under development and completed properties held for sale to net realisable value during the year is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At 1 April 2021/2020	1,046,251	943,848
(Decrease) increase in the write-down, net	(19,941)	225,552
Reclassified as disposal group held for sale	–	(123,149)
	<u>1,026,310</u>	<u>1,046,251</u>
At 31 March 2022/2021	<u><u>1,026,310</u></u>	<u><u>1,046,251</u></u>

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 RMB20,733,000 relating to the Fusong Property Project was made in current period as a result of a slight improvement in the general market and the government's vigorous promotion in the development of ski resort market.

## 12. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 RMB'000
Trade receivables		<b>20,679</b>	19,512
Less: provision for impairment		<b>(5,575)</b>	(5,691)
	<i>(a)</i>	<b>15,104</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 projects	<i>(c)</i>	<b>6,741</b>	6,741
Prepaid business tax and other taxes		<b>36,352</b>	15,367
Other receivables, prepayments and deposit		<b>46,323</b>	45,936
Less: provision for impairment	<i>(d)</i>	<b>(70,934)</b>	(64,279)
		<b>40,577</b>	25,860
Total trade and other receivables		<b>55,681</b>	39,681

- (a) In respect of property sales, no credit terms are granted to purchasers. 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, sufficient 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.

At 31 March 2022 and 2021, trade receivables are primarily related to revenue recognised from the provision of property management service and leasing of properties.

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

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 30 days	<b>1,610</b>	1,813
31 days–180 days	<b>8,033</b>	5,917
Over 180 days	<b>5,461</b>	6,091
	<b>15,104</b>	13,821

The ageing analysis of trade receivables that are not individually nor collectively considered to be impaired is as follows:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Neither past due nor impaired	–	29
	–	29
Less than 30 days past due	<b>1,610</b>	1,784
Over 30 days and less than 180 days past due	<b>8,033</b>	5,917
Over 180 days past due	<b>5,461</b>	6,091
	<b>15,104</b>	13,792
	<b>15,104</b>	13,821

Movements in provision for impairment of trade receivables are as follows:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
At 1 April 2021/2020	<b>5,691</b>	4,135
(Credited)/charged to profit or loss during the year	<b>(116)</b>	1,836
Reclassified as disposal group held for sale	–	(280)
At 31 March 2022/2021	<b>5,575</b>	5,691

- (b) The balances represented monies advanced to the local government for land development works at 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.
- (c) The balances mainly represented various deposits paid to local government authorities directly attributable to the construction of property projects which would be refundable upon completion of the development projects.
- (d) Movement in provision for impairment of other receivables are as follows:

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
At 1 April 2021/2020	<b>64,279</b>	308,802
Charged to profit or loss during the year	<b>6,655</b>	13,022
Reclassified as disposal group held for sale	–	(257,545)
	<hr/>	<hr/>
At 31 March 2022/2021	<b>70,934</b>	64,279
	<hr/> <hr/>	<hr/> <hr/>

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

		<b>2022</b>	2021
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Cash and bank balances		<b>100,747</b>	126,653
Less: Restricted bank deposits			
under pre-sale of properties	<i>(a)</i>	<b>(7,596)</b>	(8,715)
		<hr/>	<hr/>
Cash and cash equivalents		<b>93,151</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 the pre-sale of properties as guarantee deposits for the construction of the properties. The restriction will be released when 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 RMB amounted to RMB34,968,410 (2021: RMB52,041,815). RMB is not freely convertible into other currencies, however, under the PRC'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.

#### 14. TRADE AND OTHER PAYABLES

	<i>Notes</i>	<b>2022</b> <b><i>RMB'000</i></b>	2021 <i>RMB'000</i>
Trade payables	<i>(a)</i>	<b>57,850</b>	56,587
Accrued construction costs		<b>284,075</b>	271,097
Interest payable		<b>60,996</b>	94,571
Other creditors and accruals		<b>53,277</b>	48,995
Other deposits received		<b>25,678</b>	35,960
		<b>481,876</b>	507,210

(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>2022</b> <b><i>RMB'000</i></b>	2021 <i>RMB'000</i>
Within 30 days	<b>2,252</b>	13,627
31 days – 180 days	<b>24,742</b>	19,929
Over 180 days	<b>30,856</b>	23,031
	<b>57,850</b>	56,587

## 15. CONTRACT LIABILITIES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Deposits from sale of properties	371,944	216,718
Receipt in advance from management services	<u>12,025</u>	<u>11,192</u>
	<u><b>383,969</b></u>	<u><b>227,910</b></u>

## 16. LOANS FROM A CONTROLLING SHAREHOLDER

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

## 17. BANK AND OTHER BORROWINGS

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current			
Bank loans – secured	<i>(i)</i>	130,697	130,897
Other loans – secured	<i>(ii)</i>	–	17,600
Entrusted loans	<i>(iii), (iv)</i>	<u>290,000</u>	<u>300,000</u>
		<u><b>420,697</b></u>	<u><b>448,497</b></u>
Non-current			
Bank loans – secured	<i>(i)</i>	<u>290,897</u>	<u>351,593</u>
		<u><b>290,897</b></u>	<u><b>351,593</b></u>
		<u><b>711,594</b></u>	<u><b>800,090</b></u>

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Analysed into:		
Bank loans and entrusted loans repayable:		
Within one year or on demand	420,697	430,897
In the second year	61,897	60,897
In the third to fifth years, inclusive	229,000	290,696
	<u>711,594</u>	<u>782,490</u>
Other borrowings repayable:		
Within one year	–	17,600
	<u>711,594</u>	<u>800,090</u>

*Notes:*

- (i) Included in the secured bank loans as at 31 March 2022 are loan balances of RMB70,000,000 (31 March 2021: RMB70,000,000), RMB113,794,000 (31 March 2021: RMB170,690,000), RMB231,000,000 (31 March 2021: RMB232,000,000) and RMB6,800,000 (31 March 2021: RMB9,800,000) bearing interests at a fixed rate of 7.83% per annum, a fixed rate of 5.39% per annum, a fixed rate of 7.3% per annum and a fixed rate of 7.6% per annum respectively.

For the year ended 31 March 2022, the bank loan of RMB70,000,000 is secured by the 70% equity interests of a connected party. The bank loans of RMB113,794,000 and RMB231,000,000 are secured by pledges of the properties under development with carrying values of RMB477,000,000 and investment properties with fair value of RMB438,900,000 respectively. The bank loan of RMB6,800,000 is secured by the pledges of the completed properties held for sale with carrying amount of RMB8,069,000 and investment properties with fair value of RMB4,031,000.

For the year ended 31 March 2021, the bank loan of RMB70,000,000 was secured by the 60% equity interests of a subsidiary. The bank loans of RMB170,690,000 and RMB232,000,000 were secured by pledges of the properties under development with carrying values of RMB462,500,000 and investment properties with fair value of RMB507,000,000 respectively. The bank loan of RMB9,800,000 was secured by the pledges of completed properties held for sale with carrying amounts of RMB11,034,000.

- (ii) During the year, the secured other loan of 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 31 March 2022 are loan balances of RMB100,000,000 (31 March 2021: RMB100,000,000) and RMB190,000,000 (31 March 2021: 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 RMB188,600,000 as at 31 March 2022 (31 March 2021: RMB182,300,000).

The entrusted loan of RMB190,000,000 (31 March 2021: RMB200,000,000) bore interest at a fixed rate of 10% per annum (31 March 2021: 12% per annum) and was secured by a second charge of properties under development with carrying amounts of RMB665,600,000 as at 31 March 2022 (31 March 2021: RMB644,800,000), and was guaranteed by corporate guarantees of certain group companies of the Group.

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

## **18. DERIVATIVE FINANCIAL INSTRUMENTS AND CONVERTIBLE BONDS**

### **Convertible Bonds (“CBs”) due in 2021**

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 26 July 2021 (the “CBs due in 2021”) as part of the considerations in respect of the acquisition of Ka Yun Investments Limited in 2016 (“Ka Yun Acquisition”). The CBs due in 2021 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 CBs due in 2021 up to the maturity date of 26 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 CBs due in 2021 are not transferrable without the prior written consent of the Company.

The Company may at any time before the maturity date redeem the CBs due in 2021 (in whole or in part) at 100% of its principal amount.

The Company has not early redeemed any portion of the CBs due in 2021 during the year.

On 29 March 2017, the CBs due in 2021 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 CBs due in 2021 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 CBs due in 2021 in the principal amount of HK\$87,962,612 (equivalent to approximately RMB74,249,241) together with the accrued interest of HK\$15,114,118 were settled by the provision of a loan from controlling shareholder of HK\$103,076,730. Further details are set out in the Company's announcement dated 26 July 2021.

### **CBs due in 2023**

On 14 December 2021, the Company completed the issue of an aggregate principal amount of HK\$103,076,730 (equivalent to approximately RMB84,143,583 on the issue date) convertible bonds to Ka Yik Investments Limited ("Ka Yik"), the controlling shareholder, which are due on 13 June 2023 (the "CBs due in 2023") and may, subject to the controlling shareholder's written consent that shall not be unreasonably withheld, be extended for another eighteen months by notice issued by the Company at any time during the three months prior to the maturity date by serving at least thirty days prior written notice to Ka Yik in the event that the Company's directors are of the reasonable opinion that the redemption of the CBs due in 2023 on the maturity date will result in the Group not having sufficient working capital for the operation for the next twelve months. The CBs due in 2023 are convertible into the Company's ordinary shares of HK\$0.05 each at an initial conversion price of HK\$0.39 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 CBs due in 2023 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 CBs due in 2023 are not transferrable without the prior written consent of the Company.

The Company may at any time before the maturity date redeem the CBs due in 2023 (in whole or in part) at 100% of its principal amount.

The Company has not early redeemed any portion of the CBs due in 2023 during the year.

## **Convertible Bonds**

The CBs due in 2021 and the CBs due in 2023 are referred to as the “Convertible Bonds”.

### **Accounting treatment**

The Company’s early redemption right attaching to the respective Convertible Bonds are considered not closely related to the liability component of the respective 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 for a fixed number of equity instruments, the respective 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 respective Convertible Bonds are subsequently carried at amortised cost.

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

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

### Early redemption right features of the Convertible Bonds

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At 1 April 2021/2020	22	96
Additions upon issue	54,721	–
Derecognition at maturity date	(21)	–
Fair value change	(44,879)	(69)
Exchange realignment	(134)	(5)
	<hr/>	<hr/>
At 31 March 2022/2021	<b>9,709</b>	22
	<hr/> <hr/>	<hr/> <hr/>

### Liability component of the Convertible Bonds

The movements of the liability component of the Convertible Bonds in the consolidated statement of financial position are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At 1 April 2021/2020	72,879	73,155
Accrued effective interest	3,427	7,233
Accrued coupon interest transferred to interest payable	–	(1,530)
Additions upon issue	78,728	–
Settlement through the loans from a controlling shareholder at maturity date	(72,921)	–
Exchange realignment	(2,846)	(5,979)
	<hr/>	<hr/>
At 31 March 2022/2021	<b>79,267</b>	72,879
	<hr/> <hr/>	<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 rates of the CBs due in 2021 and CBs due in 2023 are 10.73% and 7.21% respectively.

## Equity component of the Convertible Bonds

The movements of the equity component of the Convertible Bonds in the consolidated statement of financial position are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At 1 April 2021/2020	40,368	40,368
Transfer to retained profits at maturity date	(40,368)	–
Additions upon issue	60,276	–
	<u>60,276</u>	<u>–</u>
At 31 March 2022/2021	<u>60,276</u>	<u>40,368</u>

As at 31 March 2022, the remaining principal amount of the Convertible Bonds was approximately HK\$103,076,730 (equivalent to RMB83,611,720) (2021: HK\$87,962,612 (equivalent to RMB74,249,241)). Should the conversion rights attaching to the CBs due in 2023 be exercised in full, additional 264,299,307 ordinary shares would have been allotted and issued, which represent approximately 3.9% of the issued share capital of the Company at 31 March 2022.

## 19. SHARE CAPITAL

	Number of ordinary shares '000	Nominal value	
		<i>HK\$'000</i>	<i>RMB'000</i>
<b>Authorised:</b>			
Ordinary shares of HK\$0.05 each	15,600,000	780,000	684,000
	<u>15,600,000</u>	<u>780,000</u>	<u>684,000</u>
<b>Issued:</b>			
Ordinary shares of HK\$0.05 each			
<b>At 31 March 2022</b>	<b>6,764,286</b>	<b>338,214</b>	<b>292,554</b>
	<u>6,764,286</u>	<u>338,214</u>	<u>292,554</u>
At 31 March 2021	6,764,286	338,214	292,554
	<u>6,764,286</u>	<u>338,214</u>	<u>292,554</u>



## 20. CONVERTIBLE PREFERENCE SHARES

On 27 July 2016, the Company allotted and issued 4,539,352,941 Convertible Preference Shares (“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 bye-laws 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. However, the CPS holder(s) has unconditionally and irrevocably waived the receipt of such preferred dividend.

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

- (a) The CPS holder(s) has 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 no liability component of the CPS.
- (b) The conversion options of the CPS will be settled by the exchange of a fixed amount for a fixed number of equity instruments.

As at 31 March 2022, 439,352,941 CPSs (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 31 March 2022.

## 21. DISPOSAL OF SUBSIDIARIES

On 26 February 2021 and 4 June 2021, the Group entered into a share transfer agreement and a supplementary agreement respectively to dispose of the entire equity interests in Ground Real Estate Group Company Limited and its subsidiaries ("Ground Real Estate") to two connected parties 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)
	<hr/>
Net outflow of cash and cash equivalents	(2,074)
	<hr/> <hr/>

	<i>RMB'000</i>
Gain on disposal of subsidiaries:	
Consideration received	–
Net liabilities disposed of	(64,348)
	<hr/>
	(64,348)
	<hr/> <hr/>

The gain on disposal of subsidiaries is included in the other income and gains in the consolidated statement of profit or loss.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

For the year ended 31 March 2022, the Group's overall revenue was approximately RMB112.1 million (year ended 31 March 2021: approximately RMB153.3 million), representing a decrease of 26.9%. The Group recorded a gross profit of approximately RMB31.8 million, a turnaround from the gross loss of approximately RMB84.5 million for the year ended 31 March 2021. Net loss for the year was approximately RMB57.0 million, representing a significant reduction in loss by approximately RMB458.2 million (year ended 31 March 2021: net loss for the year of approximately RMB515.2 million).

#### **Outlook**

Looking forward, the management is dedicated to the development of traditional cultural inheritance and training, tourist spot operation and management, healthcare, cultural innovation, tourism products and related consumer goods and infrastructure around themes such as culture, health, education, new concept tourism, tourism-related consumer goods; and related supporting industry development. In the meantime, to carry out research to prepare for the development of different businesses and new business opportunities. This enables the Group to (i) enrich the Group's business portfolio; (ii) create a sustainable business development model; (iii) diversify the Group's business risk from its property development business; and (iv) most important of all, bring value to its shareholders, employees and other stakeholders.

#### **Property Development**

The Group's project in Jiutai District, Changchun City, namely Guangze Jiuxi Red House, was previously expected to be completed and delivered in the last financial quarter of 2022. With the new wave of COVID-19 pandemic spreading in Jilin Province since the 2022 Chinese New Year, the completion and delivery of the project was delayed. The project's updated completion and delivery date is expected to be in the second quarter of the financial year ending 31 March 2023.

In June 2021, the Group completed the disposal of Ground Real Estate Group Company Limited and its project companies in Jilin City, and recorded a net gain on disposal of approximately RMB64.3 million.

#### ***Contracted Sales***

During the year ended 31 March 2022, the Group continued its pre-sales of Guangze Jiuxi Red House – Phase I and Guangze China House – Phase IA which amounted to approximately RMB208.4 million for the year.

### ***Properties completed, delivered and sale of properties recognised during the year ended 31 March 2022***

The Group recorded a decrease in sale of properties by approximately RMB42.1 million or 39.3% from the sales of approximately RMB107.1 million for the year ended 31 March 2021 to the sales of approximately RMB65.0 million for the year ended 31 March 2022.

For the year ended 31 March 2022, the sale of properties (excluding car park units) related to the remaining units of the completed property projects in prior years, mainly from residential units of Guangze Tudors Palace and Guangze Red House – Phase II; and commercial units of Guangze Amethyst City and Guangze Red House – Phase II and III with an aggregate GFA of 10,056 sq.m.

For the year ended 31 March 2021, the sales of properties (excluding car park units) related to the remaining units of completed projects; and was mainly contributed from the sales of Guangze Tudors Palace, Guangze Amethyst City, “緹香” and “花香四季”, Guangze China House Phase I, Guangze Red House Phase II and III which amounted to an aggregate of approximately RMB92.0 million and an aggregate GFA of 12,974 sq.m..

For car park units, the Group recognised sale of car park units of approximately RMB7.8 million from the sale of 144 car park units for the year ended 31 March 2022 as compared to approximately RMB15.2 million from 131 car park units for the year ended 31 March 2021.

### ***Projects under development and held for development***

As at 31 March 2022, the Group has two residential projects under development, namely Guangze Jiuxi Red House in Jiutai District, Changchun City and Guangze China House – Phase IA in Baishan City. These two projects were originally planned to complete in 2021/2022 financial year. However, due to the COVID-19 outbreak in Jilin Province, they had been delayed. The expected time for completion and delivery has been revised to second- and third-quarter of 2022/2023 financial year.

The Group also has a cultural tourism property projects located in Changbaishan, Baishan City, namely Ground Pine Township International Resort (“Fusong Property Project”). In prior years, the Company had plan to divest the Fusong Property Project or to offer for the government’s re-purchase. The management has during the year obtained approval from the Board to initiate a further research, forecast and assessment on the potential development of the Fusong Property Project. Up to now, the work is still ongoing.

### **Property Investment**

As at 31 March 2022, the Group’s self-owned investment properties and leased investment properties are the retailing shopping units at Guangze International Shopping Centre with respective GFA of 65,477 sq.m. and 19,644 sq.m. (At 31 March 2021: 52,971 sq.m. and 16,610 sq.m.). During the year ended 31 March 2022, the investment properties had an average occupancy rate of 77% (year ended 31 March 2021: 75%).

## FINANCIAL REVIEW

### Restatement of comparative information

Comparative information in relation to loans from a controlling shareholder and exchange reserve was incorrectly stated as certain repayments of loans from a controlling shareholder during the year ended 31 March 2021 had been inadvertently recorded in the consolidated statement of other comprehensive income as exchange differences on translation of foreign operations. Certain comparative figures have been restated such that (i) on the consolidated statements of financial position the loans from a controlling shareholder decreased by approximately RMB48.8 million and the exchange reserve debit balance decreased by approximately RMB48.8 million; and (ii) on the consolidated statement of comprehensive income, the exchange differences on translation of foreign operations turned from a debit amount of approximately RMB36.4 million to a credit amount of approximately RMB12.4 million. There was no impact on the consolidated statement of profit or loss for the year ended 31 March 2021.

### Key changes to profit or loss

#### Revenue

	Year ended 31 March 2022		Year ended 31 March 2021	
	RMB'000	%	RMB'000	%
Sale of properties	65,040	58.0	107,142	69.9
Rental income	14,052	12.5	11,281	7.4
Property management service income	33,011	29.5	34,913	22.7
	<u>112,103</u>	<u>100.0</u>	<u>153,336</u>	<u>100.0</u>

The Group's revenue decreased from RMB153.3 million for the year ended 31 March 2021 to RMB112.1 million for the year ended 31 March 2022 or an decrease by 26.9%, mainly due to the decrease in sale of properties by 39.3% or RMB42.1 million as compared with the corresponding year. The decrease in sales of properties during the year ended 31 March 2022 was attributable to the fact that there was no property projects newly completed and delivered during the year ended 31 March 2022; and a gradual decrease in sales and delivery of remaining units of the prior years completed property projects.

Rental income increased by 24.6% for the year ended 31 March 2022 as compared to last financial year mainly attributable to the rent free period offered to tenants over the COVID-19 pandemic period during the year ended 31 March 2021 and the increase in average occupancy rate during the year ended 31 March 2022 in respect of the shopping mall units in Baishan City, the PRC.

Property management service income decreased from RMB34.9 million for the year ended 31 March 2021 to RMB33.0 million for the year ended 31 March 2022 mainly attributable to the reduction of monthly management fee during the year ended 31 March 2022 in respect of the shopping mall units in Baishan City, the PRC.

### ***Gross profit and gross margin***

For the year ended 31 March 2022, the Group had a gross profit of approximately RMB31.8 million (year ended 31 March 2021: a gross loss of approximately RMB84.5 million) and a gross margin of approximately 28.4%. Such turnaround was attributable to the fact that, for the year ended 31 March 2021, the Group (i) sold certain car park units at Guangze Amethyst City – Phases I and II at a loss; and (ii) made further write-downs of RMB43.6 million mainly on the remaining car park units at various completed property projects.

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

For the year ended 31 March 2022, the Group recorded other income and gains of approximately RMB134.6 million mainly contributed from (i) the net gain arising from the completion of the disposal of Guangze Real Estate Group Company Limited and its project companies in Jilin City of approximately RMB64.3 million; (ii) a revaluation gain of approximately RMB48.2 million arising from the transfer of certain shopping units at Guaugze International Shopping Centre previously classified as “completed properties held for sales” to investment properties; and (iii) a reversal of write-downs of the Group’s cultural tourism property project, namely Ground Pine Township International Resort amounting to approximately RMB20.7 million.

### ***Selling and distribution costs***

The increase in selling and distribution costs by approximately RMB2.4 million from approximately RMB9.0 million for the year ended 31 March 2021 to approximately RMB11.4 million for the year ended 31 March 2022 was primarily attributable to further promotion activities held in respect of Guangze Jiuxi Red House in order to stimulate more pre-sales, which resulted in an increase in the promotion and advertising expenses during the year.

### ***Administrative expenses***

The increase in administrative expenses by approximately RMB5.5 million from approximately RMB33.1 million for the year ended 31 March 2021 to approximately RMB38.6 million for the year ended 31 March 2022 was primarily attributable to the fact that (i) the Group rented an office in Shenzhen resulting in an increase in office and rental expenses of approximately RMB1.0 million during the year; and (ii) for the year ended 31 March 2021, there was a reversal of over-provided lease liabilities of approximately RMB5.1 million which was credited to profit and loss in the last corresponding year.

### ***Other expenses***

The Group’s other expenses decreased significantly by approximately RMB226.1 million from approximately RMB232.7 million for the year ended 31 March 2021 to approximately RMB6.6 million for the year ended 31 March 2022.

Other expenses for the year ended 31 March 2021 mainly related to write-downs of RMB181.9 million in relation to the property under development for Ground Pine Townshop International Resort in Fusong County and other completed property projects in Jilin City as a result of the persistently unfavourable change in the operating environment in the surrounding area and impairment loss on other receivables of RMB13.0 million caused by the worsening local economic environment in Jilin Province resulting in the significant increase in credit risk of certain debtors. No significant write-downs and impairment losses were incurred during the year ended 31 March 2022.

## *Finance costs*

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Interest on bank and other borrowings	66,333	96,142
Interest on Convertible Bonds	3,427	7,233
Interest on lease liabilities	4,230	2,156
Other borrowing costs accrued on receipts in advance from customers	—	6,296
	<b>73,990</b>	111,827
Less: interest capitalised into properties under development	<b>(11,532)</b>	(6,695)
	<b>62,458</b>	105,132

The finance costs for the year ended 31 March 2022 decreased by RMB42.6 million from approximately RMB105.1 million for the year ended 31 March 2021 to approximately RMB62.5 million for the year ended 31 March 2022, which was mainly attributable to (i) a decrease in interest on bank and other borrowings as a result of (a) the repayment of certain bank loans and other borrowings during the year; and (b) derecognition of borrowings upon completion of the disposal of Ground Real Estate and its project companies in Jilin City; and (ii) a decrease in interest on convertible bonds upon maturity of CBs due in 2021 in July 2021 and new issue of CBs due in 2023 in December 2021.

## *Change in fair value of investment properties*

For the year ended 31 March 2022, the Group's investment properties stated at fair value had a further decrease in the fair value of RMB81.7 million mainly attributable to the deterioration of the market rent.

## *Change in fair value of derivative financial instruments*

In December 2021, the Group issued convertible bonds ("CBs due in 2023") to the controlling shareholder with an aggregate principal amount of HK\$103,076,730. The derivative financial instruments represented the Company's early redemption right features of the CBs due in 2023. A loss in fair value of approximately RMB44.9 million was recorded for the year ended 31 March 2022 as a result of the volatility of the Company's share price and deterioration of its time value.

## *Income tax*

The Group's current income tax includes Corporate Income Tax (CIT) and Land Appreciation Tax (LAT). For the year ended 31 March 2022, the Group recorded an income tax credit of approximately RMB11.1 million (year ended 31 March 2021: income tax charge of RMB5.6 million). The credit in CIT and LAT for the year ended 31 March 2022 was mainly attributable to the LAT finalisation with Yanji Local Tax Bureau resulting in a reversal of provision of approximately RMB19.2 million, partially offset by provision arising from current year's sales. A tax credit from deferred tax of RMB11.1 million was recorded for the year ended 31 March 2022 (year ended 31 March 2021: tax charge of RMB0.7 million) was mainly attributable to the fair value loss on the Group's investment properties during the year.



## Key changes to financial position

### *Investment properties*

As at 31 March 2022, the Group's investment properties are certain shopping mall units in Baishan City, Jilin Province, namely Guangze International Shopping Centre, which include self-owned portion and leased portion. 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 RMB615.8 million (as at 31 March 2021: RMB547.1 million). The balance as at 31 March 2022 increased compared to that as at 31 March 2021, mainly attributable to the transfer of certain self-owned shopping units at Guangze International Shopping Centre with an aggregate GFA of 12,505 sq.m. which were previously accounted for as "completed properties held for sales"; and offset by a loss in fair value of RMB81.7 million of the investment properties recognised for the year ended 31 March 2022 (year ended 31 March 2021: loss in fair value of RMB45.8 million).

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

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 RMB1,262.8 million as at 31 March 2022 was mainly attributable to the continual development of the Group's projects under development, namely Guangze Jiuxi Red House and Guangze China House – Phase 1A. As at 31 March 2022, accumulated write-downs of RMB92.2 million and RMB34.1 million were made on properties under development and completed properties held for sale (as at 31 March 2021: RMB1,012.9 million and RMB33.3 million) respectively.

### *Trade and other receivables*

		As at 31 March	
		2022	2021
	Notes	RMB'000	RMB'000
Trade receivables	(i)	20,679	19,512
Less: Provision for impairment		(5,575)	(5,691)
		<b>15,104</b>	13,821
Other receivables			
– Deposits for land development expenditure	(ii)	22,095	22,095
– Deposits for construction and pre-sale of property projects	(iii)	6,741	6,741
– Prepaid business tax and other taxes		36,352	15,367
– Other receivables, prepayments and deposits		46,323	45,936
Less: Provision for impairment		(70,934)	(64,279)
		<b>40,577</b>	25,860
		<b>55,681</b>	39,681

- (i) Trade receivables were mainly related to rental receivable from tenants and property management fee receivables from property unit owners. At 31 March 2022, 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 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.

### *Trade and other payables*

		<b>As at 31 March</b>	
		<b>2022</b>	2021
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
Trade payables	<i>(i)</i>	<b>57,850</b>	56,587
Accrued construction costs	<i>(i)</i>	<b>284,075</b>	271,097
Interest payable	<i>(ii)</i>	<b>60,996</b>	94,571
Other creditors and accruals		<b>53,277</b>	48,995
Other deposits received		<b>25,678</b>	35,960
		<b>481,876</b>	507,210

- (i) The increases in trade payables and accrued construction costs from RMB56.6 million and RMB271.1 million as at 31 March 2021 to RMB57.9 million and RMB284.1 million as at 31 March 2022 respectively were mainly attributable to the contraction costs incurred relating to Guangze Jiuxi Red House project; and partially offset by the gradual settlement of construction cost payable balances arising from the completed properties projects.
- (ii) The decrease in interest payable from approximately RMB94.6 million as at 31 March 2021 to approximately RMB61.0 million as at 31 March 2022 was primarily attributable to the settlement of interest payment during the year.

### *Contract liabilities*

		<b>As at 31 March</b>	
		<b>2022</b>	2021
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
Deposits from sale of properties	<i>(i)</i>	<b>371,944</b>	216,718
Receipt in advance from management services	<i>(ii)</i>	<b>12,025</b>	11,192
		<b>383,969</b>	227,910

- (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 cash received in respect of pre-sale of Guangze Jiuxi Red House and Guangze China House – Phase IA.
- (ii) Receipt in advance from management services represent the property 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 31 March 2022, the carrying amount of cash and bank deposits of the Group was approximately RMB93.2 million (as at 31 March 2021: approximately RMB117.9 million), representing a decrease of approximately 20.9% as compared with that as at 31 March 2021 which was mainly attributable to the settlement of construction costs, interests, operating expenditure partially offset by the cash receipt from pre-sale.

### *Debt and gearing*

The Group's bank and other borrowings as at 31 March 2022 decreased by RMB88.5 million to RMB711.6 million which were payable as follows:

	<b>As at 31 March</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Current	<b>420,697</b>	448,497
Non-current	<b>290,897</b>	351,593
	<b>711,594</b>	800,090
Analysed into:		
Bank loans and entrusted loan payable:		
Within one year or on demand	<b>420,697</b>	430,897
In the second year	<b>61,897</b>	60,897
In the third to fifth year, inclusive	<b>229,000</b>	290,696
	<b>711,594</b>	782,490
Other borrowings repayable:		
Within one year	–	17,600
	<b>711,594</b>	800,090

Both current and non-current portion of bank and other borrowings decreased from RMB448.5 million and RMB351.6 million as at 31 March 2021 to RMB420.7 million and RMB290.9 million as at 31 March 2022 respectively as repayment was made during the year.

The Group's gearing ratio as at 31 March 2022 was as follows:

	<b>As at 31 March</b>	
	<b>2022</b>	2021
	<b>RMB '000</b>	RMB '000 (Restated)
Loan from controlling shareholder	<b>234,819</b>	72,615
Bank and other borrowings	<b>711,594</b>	800,090
Trade and other payables	<b>481,876</b>	507,210
Less: Cash and cash equivalents	<b>(93,151)</b>	(117,938)
Pledged and restricted deposits	<b>(7,596)</b>	(8,715)
Net debt	<b>1,327,542</b>	1,253,262
Liability component of Convertible Bonds	<b>79,267</b>	72,879
Equity	<b>44,541</b>	35,093
Adjusted Capital	<b>123,808</b>	107,972
Capital and net debt	<b>1,451,350</b>	1,361,234
Gearing ratio	<b>92%</b>	92%

The gearing ratio of the Group as at 31 March 2022 and 2021 remained stable.

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

For the year ended 31 March 2022, the Group recorded net operating cash outflow of RMB94.7 million (year ended 31 March 2021: outflow of RMB152.8 million (restated)). The outflow was mainly attributable to the settlement of PRC corporate income tax of RMB12 million and interest expenses of not less than RMB66.3 million paid during the year ended 31 March 2022. For investing activities, the Group recorded a net cash outflow of RMB2.1 million (year ended 31 March 2021: inflow of RMB121.9 million). The inflow in last financial year was mainly as a result of the consideration received for disposal of subsidiaries in relation to the disposal of the Group's financing guarantee business which generated a net cash inflow of RMB122 million.

### ***Utilisation of proceeds from fund raising activity in prior year***

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 placees (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.

The table below shows the current year utilisation of the proceeds brought forward from fund raising activities made in previous years:

Intended use of the net proceeds	Allocation <i>RMB'000</i>	Utilised net proceeds as at	Unutilised net proceeds as at	Utilised net proceeds as at	Unutilised net proceeds as at
		31 March 2021 <i>RMB'000</i>	31 March 2021 <i>RMB'000</i>	31 March 2022 <i>RMB'000</i>	31 March 2022 <i>RMB'000</i>
Settlement of the costs and expenses of the Group's existing projects	50,503	–	50,503	50,503	–
Settlement of the Group's finance costs	25,252	–	25,252	25,252	–
Settlement of the Group's administrative and operation expenses	8,445	4,421	4,024	8,445	–
	<u>84,200</u>	<u>4,421</u>	<u>79,779</u>	<u>84,200</u>	<u>–</u>

## COMMITMENTS FOR DEVELOPMENT EXPENDITURE

As at 31 March 2022, the Group had contracted but not provided for commitments in respect of properties under development of RMB7.3 million (as at 31 March 2021: 25.3 million). The development expenditure was prepaid and funded by the Group's internal resources and/or project loans.

## PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties that may cause the Group's financial conditions or results materially different from the expected or historical results are described below.

### Risks pertaining to the property development and management business

The Group's property projects are located in Jilin Province, the PRC and the related assets accounted for 99.3% of the Group's total assets as at 31 March 2022 (as at 31 March 2021: 96.4%). The Group is therefore subject to the risks associated with the PRC property market both nationally and regionally. The Group's property development and management business in the PRC may also be exposed to the risks of policy change, interest rate change, demand-supply imbalance and the overall economic conditions, which may pose an adverse impact on the Group's business, financial conditions or results of operations. The Group is looking for projects at other regions in the PRC and overseas in order to diversify the risk.

## **Risks pertaining to the property investment business**

The rental rates and the occupancy rates depend on various factors, including but not limited to, prevailing supply and demand conditions, economic conditions as well as the quality of the properties. There is no assurance that the Group will be able to look for new tenants within a short period of time or procure new leases or renew existing leases at the prevailing market rates. The Group has other exit options to realise the property as and when considered necessary.

### **Financial risks**

As a matter of policy, the Group continues to manage the market risks directly relating to its operations and financing activities and does not undertake any speculative derivative trading activities. All treasury risk management activities are carried out in accordance with the Group's policies and guidelines, which are reviewed as and when needed.

### **Currency risk**

As at 31 March 2022, the Group was exposed to currency risk on financial assets and liabilities that were denominated in Hong Kong Dollars (HK\$) and United States Dollars (US\$). At 31 March 2022, approximately 4.4% and 60.9% of the Group's total cash and bank balance (including pledged bank deposit) were denominated in HK\$ and US\$ respectively (as at 31 March 2021: 59.0% and 0%) and 100% of the Group's total borrowings were denominated in RMB (as at 31 March 2021: 100% denominated in RMB). 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 against HK\$ and US\$, 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.

### **Interest rate risk**

As at 31 March 2022, the Group's total bank and other borrowings bore interest at fixed rates ranging from 5.39% to 10% per annum. Therefore, the Group is not exposed to significant interest rate risk.

### **Credit risk**

As at 31 March 2022, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to the failure to discharge an obligation by the counterparties arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to pledged bank deposits, bank balances and cash and trade and other receivables. Substantially all of the Group's pledged bank deposits and bank balances and cash were deposited in creditworthy global banks and stated-controlled financial institutions in the PRC, which management considers they are without significant credit risks. At the end of the reporting period, the Group has minimal concentration of credit risk as the trade receivables from the largest single customer represented less than 5% (as at 31 March 2021: 5%) of the total trade receivables.

In order to minimise this credit risk relating to trade and other receivables, the management has established credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the management considers that the Group's credit risk is significantly reduced.

### **Liquidity risk**

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

### **SIGNIFICANT INVESTMENTS HELD**

Other than disclosed elsewhere, the Group did not have any other significant investments held as at 31 March 2022.

### **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 31 March 2022, guarantees amounting to RMB378 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 terminate upon the earlier of (i) 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 related properties. The Group's guarantee period starts from the dates of grant of the mortgages. During the year, 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 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.

## CHARGE ON ASSETS

As at 31 March 2022, the Group had the following assets pledged against bank and other loans granted:

	As at 31 March	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Investment properties	442,931	507,000
Properties under development	665,600	664,800
Completed properties held for sale	8,069	11,034
	<u>442,931</u>	<u>664,800</u>

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2022, the Group had 235 (as at 31 March 2021: 239) full-time employees. Total staff costs (including directors' emoluments) incurred for the year ended 31 March 2022 amounted to approximately RMB27.1 million (year ended 31 March 2021: RMB21.4 million); the increase was mainly attribute to the gradual increase in staff number for the new project, namely Guangze Jiuxi Red House. 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

Save as disclosed in this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31 March 2022.

## MODEL CODE FOR DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. All Directors have confirmed, following specific enquiry by the Company, that throughout the year ended 31 March 2022, they complied with the required standard set out in the Model Code.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE AND CHANGE IN CHAIRPERSON OF REMUNERATION COMMITTEE

During the year ended 31 March 2022, the Company endeavours to comply with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules. The Company considers that it has complied with the CG Code during the year, except for a deviation specified below:



Under Rule 3.25 of the Listing Rule, an issuer must establish a remuneration committee (the “Remuneration Committee”) chaired by an independent non-executive director (“INED”) and comprising a majority of independent non-executive directors. The Company had Ms. Cui Xintong, the chairperson of the Board, as the chairperson of the Remuneration Committee which is deviated from the Listing Rules.

On 29 June 2022, Ms. Cui Xintong resigned as the chairperson of the Remuneration Committee and remained to be a member of the Remuneration Committee; and Mr. Tsang Hung Kei, an INED, has been appointed as the chairperson of the Remuneration Committee in place of Ms. Cui Xintong with effect from 29 June 2022.

Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors, as equal board members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Generally, they should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Due to the COVID-19 pandemic, certain of the independent non-executive Directors and executive Directors were unable to physically attend the Company’s annual general meeting on 25 August 2021 and special general meeting held on 19 October 2021 and 26 November 2021 but attended these meetings by video conference.

## **REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE**

The Audit Committee has reviewed the Group’s audited consolidated financial statements and annual results for the year ended 31 March 2022. The Audit Committee is of the view that the financial statements have been prepared in accordance with the applicable accounting standards and in compliance with the Listing Rules and relevant statutory provisions, and is satisfied that sufficient disclosure has been made.

## **SCOPE OF WORKS OF MAZARS CPA LIMITED**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, statement of comprehensive income and the related notes thereto for the year ended 31 March 2022 as set out in this announcement have been agreed by the Company’s auditors, Mazars CPA Limited, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by Company’s auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Company’s auditors on the preliminary announcement.

## **EXTRACT FROM DRAFT INDEPENDENT AUDITOR’S REPORT ON THE DRAFT CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 MARCH 2022**

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2022, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **Material Uncertainty Relating to Going Concern**

We draw attention to the “Going concern basis” section in note 2.1 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The Group incurred loss of RMB56,960,000 for the year ended 31 March 2022 and, as at that date, the Group had net current liabilities of approximately RMB138,522,000. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, 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 to be taken by the Group as disclosed in note 2.1 to the consolidated financial statements, are of the opinion that the Group would be able to continue as a going concern. Accordingly, the directors have prepared the consolidated financial statements on a going concern basis. The consolidated financial statements do 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 opinion is not modified in respect of this matter.

By order of the Board  
**Hua Yin International Holdings Limited**  
**Cui Xintong**  
*Co-chairperson and Executive Director*

Hong Kong, 29 June 2022

*As at the date of this announcement, the executive Directors are Ms. Cui Xintong, Mr. Li Junjie, Mr. Cong Peifeng and Mr. Xu Yingchuan; the non-executive Directors are Mr. Sui Guangyi and Mr. Cui Mindong; and the independent non-executive Directors are Mr. Tsang Hung Kei, Mr. Wang Xueguang and Mr. Wang Xiaochu.*