GROUND INTERNATIONAL DEVELOPMENT LIMITED
廣澤國際發展有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 989)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

The board (the "Board") of directors (each a "Director") of Ground International Development Limited (the "Company") announces the consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2018 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 March 2018

	Notes	2018 RMB'000	2017 RMB'000 (Restated)
Continuing operations			
REVENUE	4	**920,048**	1,032,469
Cost of sales and services		**(755,295)**	(757,544)
Gross profit		**164,753**	274,925
Other income and gains	4	**53,082**	26,997
Selling and distribution expenses		**(24,857)**	(28,243)
Administrative expenses		**(67,169)**	(92,023)
Finance costs	5	**(28,964)**	(33,879)
Other expenses		**(30,652)**	(7,855)
Change in fair value of investment properties		**25,461**	–
Change in fair value of derivative financial instruments	14	**(8,033)**	(25,488)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**83,621**	114,434
Income tax	7	**(24,451)**	(67,356)

	Notes	**2018** *RMB'000*	2017 *RMB'000* (Restated)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**59,170**	47,078
Discontinued operations			
(Loss)/profit for the year from discontinued operations		**(8,836)**	23,715
Profit for the year		**50,334**	70,793
Attributable to:			
Owners of the parent			
– continuing operations		**59,170**	47,078
– discontinued operations		**(8,836)**	23,715
		50,334	70,793
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic			
– for profit for the year		**RMB1.1 cents**	RMB4.2 cents
– for profit from continuing operations		**RMB1.3 cents**	RMB2.8 cents
Diluted			
– for profit for the year		**RMB0.7 cents**	RMB1.2 cents
– for profit from continuing operations		**RMB0.9 cents**	RMB0.8 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
PROFIT FOR THE YEAR	**50,334**	70,793
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified to profit or loss in subsequent periods:		
Change in fair value of an available-for-sale investment	**(18,648)**	23,999
Exchange differences on translation of foreign operations	**17,978**	(7,712)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(670)**	16,287
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**49,664**	87,080
Attributable to:		
Owners of the parent		
– continuing operations	**58,500**	63,365
– discontinued operations	**(8,836)**	23,715
	49,664	87,080

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**8,086**	12,441
Investment properties		**956,000**	961,138
Goodwill		**4,999**	4,999
Investment in a joint venture		**–**	8,158
Available-for-sale investment		**165,343**	201,131
Deferred tax assets		**81,341**	64,402
Total non-current assets		**1,215,769**	1,252,269
CURRENT ASSETS			
Properties under development and completed properties held for sale		**2,871,520**	3,118,485
Inventories		**–**	36,758
Trade and other receivables	*11*	**630,044**	668,941
Prepaid income tax		**20,088**	27,984
Derivative financial instruments	*14*	**14,843**	46,549
Held-to-maturity investment	*12*	**310,000**	–
Pledged and restricted deposits		**182,695**	46,598
Cash and cash equivalents		**64,220**	417,766
Total current assets		**4,093,410**	4,363,081
CURRENT LIABILITIES			
Trade and other payables	*13*	**931,900**	1,232,820
Deposits from sale of properties		**576,290**	884,347
Loans from a controlling shareholder		**111,160**	264,824
Bank and other borrowings		**586,772**	496,777
Income tax payable		**54,784**	39,307
Total current liabilities		**2,260,906**	2,918,075
NET CURRENT ASSETS		**1,832,504**	1,445,006
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,048,273**	2,697,275

	Notes	**2018** **RMB'000**	2017 RMB'000
NON-CURRENT LIABILITIES			
Liability component of the Convertible Bonds	*14*	**54,218**	206,104
Bank and other borrowings		**418,034**	470,970
Deferred tax liabilities		**311,462**	303,404
Total non-current liabilities		**783,714**	980,478
Net assets		**2,264,559**	1,716,797
EQUITY			
Equity attributable to owners of the parent			
Share capital	*15*	**228,335**	141,047
Convertible preference shares	*16*	**1,181,940**	2,206,954
Equity component of the Convertible Bonds	*14*	**40,368**	151,545
Reserves		**813,916**	(782,749)
Total equity		**2,264,559**	1,716,797

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 Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pursuant to a sale and purchase agreement (as amended by a supplemental agreement dated 3 July 2015, a second supplementary agreement dated 22 December 2015 and an extension letter dated 31 March 2016) dated 26 May 2015 (the "S&P Agreements") entered into among Frontier Power Investments Limited ("Frontier Power", a wholly owned subsidiary of the Company), Ka Yik Investments Limited ("Ka Yik", a company wholly-owned by Ms. Cui Xintong ("Ms. Cui") at those dates) and Ms. Cui, Frontier Power agreed to acquire and Ka Yik agreed to sell the entire equity interest in Ka Yun Investments Limited for a consideration of HK$4,650 million (the "Ka Yun Acquisition"). The Ka Yun Acquisition was completed on 26 July 2016.

During the year ended 31 March 2018, the Group was principally engaged in property development and management, including planning, design, budgeting, licensing, contract tendering and contract administration, property investment, and the provision of financial services upon the Fengrun Acquisition (as defined below) and the disposal of the telecommunication retail sales and management services business.

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 2018 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. These consolidated financial statement 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, derivative financial instruments and an available-for-sale investment 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.

Change in accounting policies disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements* to *HKFRSs 2014–2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

The nature and the impact of the amendments are described below:

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group had no subsidiary classified as a disposal group held for sale as at 31 March 2018 and no additional information is required to be disclosed.

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 most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

Operating segments	Nature of business activities	Place of operation
Continuing operations		
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 and Hong Kong
Financial services#	Provision of guarantee services and investment holding	The PRC and Hong Kong
Discontinued operations		
Telecommunications retail sales and management services	Sales of headphones, mobile phones, telecommunications equipment and other products and provision for (i) telecommunications call centre services; and (ii) telecommunications retail sales and management services	The PRC

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 before tax except that bank interest income, finance costs, fair value gains/losses from the Group's financial instruments, gain on disposal of subsidiaries, gain from a bargain purchase from the acquisition of subsidiaries, share of results of a joint venture 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.

In May 2017, the Group completed the acquisition of Jilin Zhongye Business Information Advisory Company Limited* (吉林省中業商務信息諮詢有限公司) ("JL Zhongye") and Jilin Fengrun Business Information Advisory Company Limited* (吉林灃潤商務信息諮詢有限公司) ("JL Fengrun"). The main asset of JL Zhongye and JL Fengrun is an investment in a subsidiary, Jilin Province Fengrun Guaranty Company Limited* (吉林省灃潤擔保有限公司) ("FR Guarantee"), which is a company established in the PRC and is principally engaged in the provision of guarantee services in the PRC. Subsequent to the acquisition, the Directors regularly review the operating results of the Group and make decisions about resources to be allocated to the segment and assess its performance. Hence, the Group's financial services segment is presented as one of the operating segments.

Year ended 31 March 2018

	Continuing operations				Discontinued operations
	Property development and management *RMB'000*	Property investment *RMB'000*	Financial services *RMB'000*	Total *RMB'000*	Telecommunications retail sales and management services *RMB'000*
Segment revenue					
Sales to external customers	881,852	23,114	15,082	920,048	44,435
Segment results	71,048	12,265	36,726	120,039	(3,021)
Bank interest income				1,516	7
Finance costs				(28,964)	(101)
Change in fair value of derivative financial instruments				(8,033)	–
Gain on disposal of subsidiaries				–	135
Gain from a bargain purchase from the acquisition of subsidiaries				19,078	–
Unallocated head office expenses				(20,015)	–
Share of results of a joint venture				–	20
Profit/(loss) before tax				83,621	(2,960)
Income tax				(24,451)	(5,876)
Profit/(loss) for the year				59,170	(8,836)
Segment assets:					
Reportable segment assets	3,467,532	965,174	754,539	5,187,245	–
Deferred tax assets				81,341	–
Prepaid income tax				20,088	–
Derivative financial instruments				14,843	–
Unallocated assets				5,662	–
Total assets				5,309,179	–
Segment liabilities					
Reportable segment liabilities	2,220,486	7,945	112,590	2,341,021	–
Deferred tax liabilities				311,462	–
Income tax payable				54,784	–
Liability component of the Convertible Bonds				54,218	–
Unallocated liabilities				283,135	–
Total liabilities				3,044,620	–
Other segment information					
Capital expenditure*	1,660	1,250	4	2,914	–
Depreciation**	1,141	762	11	1,914	455

Year ended 31 March 2017 (restated)

	Continuing operations			Discontinued operations
	Property development and management *RMB'000*	Property investment *RMB'000*	Total *RMB'000*	Telecommunications retail sales and management services *RMB'000*
Segment revenue				
Sales to external customers	1,012,350	20,119	1,032,469	192,724
Segment results	210,801	(5,746)	205,055	31,417
Bank interest income			461	211
Finance costs			(33,879)	(293)
Change in fair value of derivative financial instruments			(25,488)	–
Unallocated head office expenses			(31,715)	–
Share of results of a joint venture			–	(237)
Profit before tax			114,434	31,098
Income tax			(67,356)	(7,383)
Profit for the year			47,078	23,715
Segment assets:				
Reportable segment assets	3,717,590	975,369	4,692,959	99,328
Deferred tax assets			64,402	–
Prepaid income tax			27,984	–
Available-for-sale investment			201,131	–
Derivative financial instruments			46,549	–
Unallocated assets			482,997	–
Total assets			5,516,022	99,328
Segment liabilities				
Reportable segment liabilities	2,065,316	7,636	2,072,952	34,014
Deferred tax liabilities			303,404	–
Income tax payable			38,630	677
Liability component of the Convertible Bonds			206,104	–
Unallocated liabilities			1,242,772	–
Total liabilities			3,863,862	34,691
Other segment information				
Capital expenditure*	109	803	912	1,026
Depreciation**	1,351	713	2,064	1,816

* During the year, the head office also incurred capital expenditure of RMB91,000 (2017: RMB1,010,000) which represents additions to non-current assets.

** Included in unallocated head office expenses is depreciation of RMB86,000 (2017: RMB573,000).

Geographical information

(a) Revenue from external customers from continuing operations

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
The PRC	**911,929**	1,025,020
Hong Kong	**8,119**	7,449
	920,048	1,032,469

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

(b) Non-current assets

	2018	2017
	RMB'000	*RMB'000*
The PRC	**672,463**	684,366
Hong Kong	**296,622**	302,370
	969,085	986,736

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

Information about major customers

There was no sales to a single customer which accounted for over 10% of the Group's revenue for the years ended 31 March 2018 and 2017.

4. REVENUE, OTHER INCOME AND GAINS FROM CONTINUING OPERATIONS

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

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

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Revenue		
Sale of properties	**860,773**	994,492
Rental income	**23,114**	20,119
Property management service income	**21,079**	17,858
Guarantee fee income	**15,082**	–
Total revenue from continuing operations	**920,048**	1,032,469
Other income and gains		
Bank interest income	**1,516**	461
Interest income from held-to-maturity investments and entrusted loans	**18,007**	–
Sundry income	**407**	562
Government subsidy#	**–**	25,543
Gain on disposal of property, plant and equipment	**1,048**	431
Dividend income from an available-for-sale investment	**13,026**	–
Gain from a bargain purchase from the acquisition of subsidiaries	**19,078**	–
Total other income and gains from continuing operations	**53,082**	26,997

\# During the year ended 31 March 2017, the Group received a government subsidy from local government authorities as recognition of the Group's contribution in the relevant district in the PRC.

5. FINANCE COSTS FROM CONTINUING OPERATIONS

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Interest on bank loans	**54,435**	63,345
Interest on Convertible Bonds	**15,261**	23,596
Interest on other loans	**4,947**	1,221
Interest on an amount due to a related company *(Note)*	**–**	3,056
	74,643	91,218
Less: Interest capitalised*	**(45,679)**	(57,339)
Total finance costs from continuing operations	**28,964**	33,879

Note: During the year ended 31 March 2017, certain subsidiaries of the Group acquired from the Ka Yun Acquisition borrowed loans from a related party (a former non-controlling shareholder of those subsidiaries) which bore interest at 20% per annum. These loans were repaid prior to the completion of the Ka Yun Acquisition.

* The borrowing costs have been capitalised at rates ranging from 5.4% to 8.0% per annum (2017: 5.6% to 6.8% per annum).

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Cost of properties sold	**706,045**	713,594
Cost of services	**20,711**	20,566
Cost of rental	**28,539**	23,384
Depreciation	**2,000**	2,637
Staff costs (including directors' emoluments):		
Salaries, wages and other benefits	**32,049**	35,941
Equity-settled share option expense	**1,580**	6,215
Contribution to defined contribution plan	**6,518**	7,322
Total staff cost	**40,147**	49,478
Less: amount capitalised into properties under development	**(3,369)**	(6,758)
	36,778	42,720
Auditor's remuneration:		
Current year	**2,380**	2,380
Other services	**1,312**	1,301
Minimum lease payments under operating leases	**3,435**	4,283
Foreign exchange differences, net	**–**	(267)
Direct operating expenses arising from investment properties that generated rental income	**615**	560
Direct operating expenses arising from investment properties that did not generate rental income	**51**	355
Gain on disposal of items of property, plant and equipment	**(1,048)**	(431)
Impairment on:		
— Trade receivables*:	**659**	–
— Other receivables*:	**4,000**	–
Write-down of completed properties held for sale to net realisable value*	**22,609**	1,727

* The expenses are included in other expenses in the consolidated statement of profit or loss.

7. INCOME TAX FROM CONTINUING OPERATIONS

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% (2017: 25%).

CIT for the year includes PRC withholding tax on dividends declared and received during the year from the Group's available-for-sale investment amounting to approximately RMB1,303,000 (2017: Nil).

No Hong Kong profits tax has been provided for the years ended 31 March 2018 and 2017 as the Group's unrecognised tax losses brought forward from previous years exceeded the assessable profits for both years.

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") 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.

The estimated withholding tax effects on the distribution of the unremitted retained earnings of the PRC subsidiaries amounted to approximately RMB60,229,000 (2017: RMB50,025,000). In the opinion of the directors, these retained earnings, at the present time, are required for financing the continuing operations of the PRC subsidiaries and no distribution would be made in the foreseeable future. Accordingly, no provisions for deferred taxation have been made in this respect.

	2018 ***RMB'000***	2017 *RMB'000* (Restated)
Current tax:		
PRC CIT	**23,462**	40,737
PRC LAT	**9,638**	34,739
Hong Kong and overseas	**–**	–
	33,100	75,476
Deferred tax	**(8,649)**	(8,120)
Total charge from continuing operations	**24,451**	67,356

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2018		2017	
	RMB'000	*%*	*RMB'000 (restated)*	*%*
Profit before tax	**83,621**		114,434	
Tax at the statutory tax rate of 25%	**20,905**	**25**	28,609	25
Expenses not deductible for tax	**11,094**	**13**	6,218	5
Income not subject to tax	**(25,308)**	**(30)**	(9,412)	(8)
Effect on overseas tax rate differences	**735**	**1**	1,934	2
LAT deductible for PRC CIT purposes	**(2,409)**	**(3)**	(8,685)	(8)
LAT	**9,638**	**11**	34,739	30
Utilisation of previously unrecognised tax losses	**(5,782)**	**(7)**	(347)	–
Unrecognised temporary differences	**–**	**–**	481	1
Tax losses not recognised	**15,578**	**19**	13,819	12
Tax charge at the Group's effective rate	**24,451**	**29**	67,356	59

8. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 March 2018 (2017: Nil).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average of 4,446,473,000 shares (2017: 1,669,102,000 shares) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders 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 earnings 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 earnings per share are based on:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Earnings		
Profit attributable to equity holders of the parent,		
— continuing operations	**59,170**	47,078
— discontinued operations	**(8,836)**	23,715
	50,334	70,793
Effect of interest on the liability component of the Convertible Bonds	**15,261**	23,596
Effect of fair value loss on the derivative component of the Convertible Bonds	**8,033**	25,488
Adjusted profit attributable to equity holders of the parent		
— continuing operations	**82,464**	96,162
— discontinued operations	**(8,836)**	23,715
	73,628	119,877

	Number of shares	
	2018	2017
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**4,446,473**[(a)]	1,669,102[(a)]
Effect of dilution — weighted average number of ordinary shares:		
Convertible preference shares	**2,295,243**	4,220,175
Convertible Bonds	**246,014**[(b)]	599,331[(b)]
Share options	**33,175**	17,875
	7,020,905	6,506,483

(a) The number of ordinary shares used for the calculation of basic earnings per share for the year ended 31 March 2018 included the aggregate of the weighted average number of shares issued upon the conversion of 1,400,000,000 convertible preference shares (31 March 2017: 1,500,000,000 convertible preference shares), which were issued in connection with the Ka Yun Acquisition.

(b) Because the diluted earnings per share amount was increased when taking the Convertible Bonds into account, the Convertible Bonds had an anti-dilutive effect on the basic earnings per share amount for the year ended 31 Mach 2018 and were ignored in the calculation of diluted earnings per share. Therefore, the calculation of the diluted earnings per share amount was based on the profit for the year and the profit attributable to continuing operations of RMB50,334,000 (2017 (restated): RMB70,793,000) and RMB59,170,000 (2017 (restated): RMB47,078,000), respectively, and the weighted average number of ordinary shares of 6,774,891,000 shares (2017: 5,907,152,000 shares) in issue during the year.

10. DISCONTINUED OPERATIONS

On 30 June 2017, Shanghai Jinhan Yintong Communication Products Sales Co., Ltd.* ("Shanghai Jinhan", 上海錦瀚銀通通信產品銷售有限公司), an indirect wholly-owned subsidiary of the Company, entered into a disposal agreement with an independent third party (the "Purchaser"), pursuant to which Shanghai Jinhan has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire equity interests in Shanghai CM Concepts Communications Products Franchise Sale Company Limited* (上海潤迅概念通信產品連鎖銷售有限公司) (together with its subsidiaries and a joint venture known as the "Disposal Group" which are principally engaged in the telecommunications retail sales and management services business) for the consideration of RMB43,000,000 (the "Disposal"). The assets and liabilities of the Disposal Group were derecognised upon the completion of the Disposal. The Disposal was completed on 30 June 2017, upon which the Group ceased to operate the telecommunications retail sales and management services business. The telecommunications retail sales and management services business are treated and presented as discontinued operations. Comparative figures in the consolidated statement of profit or loss for the year ended 31 March 2017 have been re-presented to disclose separately the profit or loss from such discontinued operations.

The results of the discontinued operations are summarised as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue	**44,435**	192,724
Cost of sales and services	**(35,963)**	(132,011)
Gross profit	**8,472**	60,713
Other income and gains *(note (a))*	**2,323**	2,668
Gain on disposal of subsidiaries	**135**	–
Selling and distribution costs	**(6,151)**	(20,918)
Administrative expenses	**(7,658)**	(10,835)
Finance costs	**(101)**	(293)
Share of results of a joint venture	**20**	(237)
(Loss)/profit before tax *(note (b))*	**(2,960)**	31,098
Income tax	**(5,876)**	(7,383)
(Loss)/profit for the year from discontinued operations	**(8,836)**	23,715

Notes:

(a) Other income and gains from discontinued operations

	2018	2017
	RMB'000	*RMB'000*
Government subsidy	**2,316**	2,457
Bank interest income	**7**	211
	2,323	2,668

(b) (Loss)/profit before tax from discontinued operations is arrived at after charging:

	2018	2017
	RMB'000	*RMB'000*
Other item:		
Depreciation	**455**	1,816

The net cash flows incurred by the discontinued operations are as follows:

	2018	2017
	RMB'000	*RMB'000*
Net cash flows (used in)/generated from operating activities	**(17,316)**	4,113
Net cash flows generated from/(used in) investing activities	**523**	(910)
Net cash flows used in financing activities	**–**	(6,858)
Net cash flows	**(16,793)**	(3,655)

The consideration receivable of RMB43,000,000 relating to the Disposal was settled during the year. Further details of the Disposal are set out in note 18.

	2018	2017
(Losses)/earnings per share:		
Basic, from the discontinued operations	**RMB(0.2) cents**	RMB1.4 cents
Diluted, from the discontinued operations	**N/A**	RMB0.4 cents

The calculations of basic and diluted earnings per share from the discontinued operations are based on:

	2018	2017
	RMB'000	*RMB'000*
(Loss)/profit attributable to ordinary equity holders of the parent from the discontinued operation	**(8,836)**	23,715

	Number of shares	
	2018	2017
	'000	*'000*
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *(note 9)*	**4,446,473**	1,669,102
Weighted average number of ordinary shares used in the diluted earnings per share calculation *(note 9)*	**6,774,891**	5,907,152

11. TRADE AND OTHER RECEIVABLES

		2018	2017
		RMB'000	*RMB'000*
Trade receivables		**19,663**	51,329
Less: provision for impairment of trade receivables		**(905)**	(246)
	(a)	**18,758**	51,083
Other receivables:			
Deposits for land development expenditure	*(b)*	**353,418**	372,375
Deposits for construction and pre-sale of projects	*(c)*	**34,748**	54,379
Entrusted loan receivables	*(d)*	**74,642**	–
Prepaid business tax and other taxes		**19,704**	34,524
Interest income receivable from a held-to-maturity investment		**11,921**	–
Other receivables, prepayments and deposits		**116,853**	156,580
		611,286	617,858
		630,044	668,941

(a) In respect of property sales, no credit terms are granted to purchasers. For property investment, property management and guarantee services, the respective rental income, property management income and guarantee fee 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 or sufficient collaterals/counter-guarantees are obtained to minimise credit risk. For telecommunications retail sales and management services before the Disposal, the average credit period granted for trade receivables ranged from 30 to 60 days, with certain few customers being offered a period of 90 days. The carrying amounts of the receivables approximate to their fair values. Trade receivables are non-interest-bearing.

At 31 March 2018, 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:

	2018	2017
	RMB'000	*RMB'000*
Within 30 days	**2,452**	23,739
31 days–180 days	**6,417**	18,531
Over 180 days	**9,889**	8,813
	18,758	51,083

Included in the Group's trade receivable balances were debtors with a carrying amount of RMB12,202,000 (31 March 2017: RMB9,942,000) which are past due at the end of the reporting period for which the Group has not made provision for impairment. These receivables relate to a number of independent customers for whom there was no recent history of default and the Group has continuously monitored their credit status. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Other than certain customers under the financial services segment whereby the receivable balances are secured by certain assets of the customers, the Group did not hold any collateral over the remaining balances.

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

	2018	2017
	RMB'000	*RMB'000*
Neither past due nor impaired	**1,488**	41,141
	1,488	41,141
Less than 30 days past due	**2,064**	9,437
Over 30 days and less than 180 days past due	**4,623**	–
Over 180 days past due	**5,515**	505
	12,202	9,942
	13,690	51,083

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

	2018	2017
	RMB'000	*RMB'000*
At 1 April 2017/2016	**246**	–
Charged to profit or loss during the year	**659**	246
At 31 March 2018/2017	**905**	246

(b) The balances represented monies advanced to the local government for land development works at a land site. The Group will be reimbursed for the amount advanced to the local government in carrying out the land development irrespective of whether the Group will obtain the land use rights of the land in the future.

(c) The balances 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) FR Guarantee has entered into entrusted loan agreements with the banks and certain third parties in the PRC (the "Borrowers") pursuant to which FR Guarantee instructed the banks to act as a lending agent to release loans to the Borrowers which are funded by FR Guarantee. These entrusted loans are guaranteed by independent third parties, bearing interest at rates ranging from 5% to 18% per annum and are repayable within one year. These balances approximate to their fair value and are neither past due nor impaired.

12. HELD-TO-MATURITY INVESTMENT

	2018 RMB'000	2017 RMB'000
Wealth management products, at cost	**310,000**	–

The held-to-maturity investment is the financial product issued by a licensed commercial bank in the PRC with an expected annual return rate of 4.4% and matures within one year. The Group has the intention and ability to hold it upon maturity. The carrying amount approximates its fair value. The amount has been fully settled in May 2018.

13. TRADE AND OTHER PAYABLES

	Notes	2018 RMB'000	2017 RMB'000
Trade and bills payables	*(a)*	**230,342**	74,303
Accrued construction costs		**530,617**	685,051
Amounts due to related companies	*(b)*	**–**	134,580
Interest payable		**27,481**	22,299
Amount due to a joint venture	*(b)*	**–**	14,000
Deposits received from the government	*(c)*	**18,059**	2,189
Receipt in advance from management services		**8,096**	8,290
Deferred income	*(d)*	**14,085**	–
Provision for guarantee losses	*(e)*	**12,832**	–
Other creditors and accruals		**62,697**	260,168
Other deposits received		**27,691**	31,940
		931,900	1,232,820

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

	2018 RMB'000	2017 RMB'000
Within 30 days	**180,786**	19,674
31 days–180 days	**35,420**	11,415
Over 180 days	**14,136**	43,214
	230,342	74,303

(b) At 31 March 2017, amounts due to related companies and a joint venture were unsecured, interest-free and had no fixed terms of repayment. The amounts due to related companies were repaid during the year and the amount due to a joint venture was derecognised upon completion of the Disposal (as defined in note 18).

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

(d) The balance represented the financing guarantee service fees received, which are initially recognised as deferred income and are amortised in profit or loss over the term of the guarantee as income from the guarantee issued.

(e) The Group provided financing guarantees to certain banks in order for its customers to secure bank financing. At the end of the reporting period, a provision for guarantee losses of RMB12,832,000 (31 March 2017: Nil) has been made. The carrying amounts approximate their fair values.

14. DERIVATIVE FINANCIAL INSTRUMENTS AND 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 27 July 2021 (the "CBs due in 2021") as part of the considerations in respect of the 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 27 July 2021, provided that any conversion does not result in the public float of the Company's shares being less than 25% (or any given percentage as required by the Listing Rules).

The 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 CB 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.

CBs due in 2018

On 2 December 2016, the Company issued an aggregate principal amount of HK$40 million (equivalent to approximately RMB36 million on the issue date) convertible bonds which are due on 1 December 2018 (the "CBs due in 2018") to an independent third party. The CBs due in 2018 are convertible into the Company's ordinary shares of HK$0.05 each at an initial conversion price of HK$1.00 per share subject to adjustments. The interest rate is 8% per annum payable on the maturity date or the date on which early redemption of the CBs due in 2018 is made by the Company.

On 14 June 2017, the CBs due in 2018 in the principal amount of HK$40 million (equivalent to approximately RMB34.9 million on the conversion date) were fully converted into 40 million ordinary shares of the Company at the conversion price of HK$1.00 per share.

Accounting treatment

The CBs due in 2021 and the CBs due in 2018 are collectively referred to as the "Convertible Bonds".

The Company's early redemption right attaching to the Convertible Bonds are considered not closely related to the liability component of the Convertible Bonds; and therefore, these embedded features have been accounted for separately and classified as derivative financial instruments according to HKAS 39 *Financial Instruments: Recognition and Measurement.*

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

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

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

Early redemption right features of the Convertible Bonds

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

	2018	2017
	RMB'000	*RMB'000*
At 1 April 2017/2016	**46,549**	–
Additions upon issue	**–**	102,594
Fair value change	**(8,033)**	(25,488)
Transfer to equity upon conversion	**(20,840)**	(32,177)
Exchange realignment	**(2,833)**	1,620
At 31 March 2018/2017	**14,843**	46,549

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:

	2018	2017
	RMB'000	*RMB'000*
At 1 April 2017/2016	**206,104**	–
Additions upon issue	**–**	311,429
Accrued effective interest	**15,261**	23,596
Accrued coupon interest transferred to interest payable	**(3,621)**	(4,337)
Transfer to equity upon conversion	**(153,039)**	(133,569)
Exchange realignment	**(10,487)**	8,985
At 31 March 2018/2017	**54,218**	206,104

The imputed finance cost on the liability component of the Convertible Bonds is calculated using the effective interest method by applying effective interest rates per annum. The effective interest rate of the CBs due in 2021 is 10.73%.

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:

	2018	2017
	RMB'000	*RMB'000*
At 1 April 2017/2016	**151,545**	–
Additions upon issue	**–**	257,161
Transfer to equity upon conversion	**(111,177)**	(105,616)
At 31 March 2018/2017	**40,368**	151,545

As at 31 March 2017, the CBs due in 2018 and CBs due in 2021 with respective principal amounts of HK$40,000,000 and HK$287,500,000 were outstanding. During the year, the entire CBs due in 2018 and CBs due in 2021 with a principal amount of HK$199,537,388 were converted. As at 31 March 2018, the remaining principal amount of the CBs due in 2021 was approximately HK$87,962,612 (equivalent to RMB70,370,090) (31 March 2017: HK$287,500,000 (equivalent to RMB255,320,000). Should the conversion rights attaching to the CBs due in 2021 be exercised in full, an additional 103,485,427 ordinary shares would have been allotted and issued, which represent approximately 2% of the issued share capital of the Company at 31 March 2018.

15. SHARE CAPITAL

	Number of ordinary shares	**Nominal value**	
	'000	*HK$'000*	*RMB'000*
Authorised:			
Ordinary shares of HK$0.05 each	15,600,000	780,000	684,000
Issued:			
At 31 March 2017	3,252,650	162,633	141,047
At 31 March 2018	5,272,551	263,628	228,335

Summary of movements in the Company's issued share capital is as follows:

		Number of ordinary shares in issue	**Issued capital**	
	Notes	*'000*	*HK$'000*	*RMB'000*
At 1 April 2017		3,252,650	162,633	141,047
The share subscriptions under the specific mandate	*(a)*	338,351	16,917	14,992
The conversion of convertible preference shares	*(b)*	1,400,000	70,000	60,295
The conversion of the CBs due in 2018	*(c)*	40,000	2,000	1,747
The conversion of the CBs due in 2021	*(d)*	234,750	11,738	9,968
The exercise of share options	*(e)*	6,800	340	286
At 31 March 2018		5,272,551	263,628	228,335

(a) On 27 April 2017, 338,351,000 new ordinary shares of the Company were allotted and issued to six independent third parties (the "Subscribers") under the specific mandate granted to the directors of the Company by the shareholders at the special general meeting of the Company held on 6 April 2017 at a subscription price of HK$1.20 per subscription share for a total cash consideration of HK$406.0 million (equivalent to approximately RMB359.8 million) pursuant to six separate subscription agreements dated 9 January 2017 as amended and supplemented by six separate extension letters dated 10 March 2017 and entered into between the Company and the Subscribers respectively. Further details of the issuance of the subscription shares are set out in the Company's circular dated 20 March 2017.

(b) On 26 May 2017 and 15 December 2017, an aggregate of 600,000,000 and 800,000,000 new ordinary shares of the Company were allotted and issued upon the conversion of 600,000,000 and 800,000,000 non-redeemable convertible preference shares, respectively.

(c) On 14 June 2017, 40,000,000 new ordinary shares of the Company were allotted and issued upon the conversion of the CBs due in 2018, with a principal amount of HK$40 million (equivalent to approximately RMB34.9 million), at the conversion price of HK$1.00 per share.

(d) On 27 October 2017, 234,749,867 new ordinary shares of the Company were allotted and issued upon the conversion of the CBs due in 2021, with a principal amount of HK$199.5 million (equivalent to approximately RMB169.4 million), at the conversion price of HK$0.85 per share.

(e) 6,800,000 new ordinary shares of the Company were allotted and issued, upon the exercise of the 6,800,000 share options. The exercise price of these share options is HK$0.98 per share.

16. CONVERTIBLE PREFERENCE SHARES

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

Key terms of the CPS are as follows:

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

(2) Holders of the CPS have the right to convert each CPS, during the conversion period, into ordinary share(s) of the Company at the CPS conversion price. The holders may exercise the conversion right, provided that any conversion of the CPS does not result in (i) the CPS conversion shares being issued at a price below their nominal value as at the conversion date; or (ii) if immediately after such conversion, the public float of the shares being less than 25% (or any given percentage as required by the Listing Rules). The ordinary shares of the Company when allotted and issued upon the exercise of the conversion right of the CPS shall rank equally among themselves and pari passu in all respects with the ordinary shares of the Company in issue on the date of allotment and issuance.

(3) The CPS cannot be redeemed by the Company or the holder of CPS.

(4) The CPS is transferrable subject to the conditions stated in the terms of the CPS and in accordance with the provision as set out in the Company's bye-laws.

(5) CPS shall confer on the CPS holders the right to be paid, in priority to any return of assets in respect of the ordinary shares of the Company, pari passu as between themselves an amount equal to the aggregate notional value of the CPS plus all dividends accrued and unpaid with respect thereto, whereupon if the assets of the Company available for distribution shall be insufficient to provide for full payment to holders of the CPS, the Company shall make payment on the CPS on a pro rata basis on return of capital on liquidation, winding up or dissolution of the Company. The CPS do not confer on the holders of CPS any further or other right to participate in the assets of the Company upon liquidation, winding up or dissolution of the Company.

    Subject to compliance with all applicable laws and the 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. The CPS holder(s) has unconditionally and irrevocably waived the receipt of such preferred dividend.

The CPS are classified as equity instruments in the Group's 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 or fixed number of equity instruments.

For the year ended 31 March 2018, 1,400 million CPSs were converted into 1,400 million ordinary shares of the Company. As at 31 March 2018, 1,639,352,941 CPSs remained outstanding. Should the conversion rights attaching to the remaining 1,639,352,941 CPSs be exercised in full, an additional 1,639,352,941 ordinary shares would have been allotted and issued, which represented approximately 31.1% of the issued share capital of the Company as at 31 March 2018.

17. BUSINESS COMBINATION

On 2 May 2017, the Group completed the acquisition of the entire equity interests in JL Zhongye and JL Fengrun. The main asset of JL Zhongye and JL Fengrun is an investment in a subsidiary, FR Guarantee, which is a company established in the PRC and is principally engaged in the provision of guarantee services in the PRC, which is in line with the Group's development strategies in the micro-finance sector. The purchase consideration for the acquisition was RMB505.9 million in the form of cash which has been settled.

The fair values of the identifiable assets and the liabilities of JL Zhongye and JL Fengrun as at the date of acquisition were as follows:

	Carrying amount	**Fair value recognised on acquisition**
	RMB'000	*RMB'000*
Property, plant and equipment	33	33
Trade and other receivables	88,761	88,761
Pledged and restricted deposits	112,446	112,446
Cash and cash equivalents	353,459	353,459
Trade and other payables	(11,360)	(11,360)
Deferred income	(9,778)	(9,778)
Provision for guarantee losses	(8,543)	(8,543)
Income tax payable	(24)	(24)
Total identifiable net assets at fair value		524,994
Bargain purchase *(note 4)*		(19,078)
		505,916
Satisfied by:		
Purchase consideration, paid in cash		505,916
Net cash flows on acquisition:		
Net cash acquired		353,459
Consideration paid		(505,916)
		(152,457)

From the date of the acquisition to 31 March 2018, Jilin Zhongye, Jilin Fengrun and FR Guarantee contributed revenue and profit after tax of RMB15,082,000 and RMB19,153,000 respectively. Had the acquisition taken place at 1 April 2017, there would have been an increase in revenue and profit after tax for the year ended 31 March 2018 by RMB951,000 and RMB91,000, respectively. The Group incurred acquisition-related costs of RMB683,000 relating to the legal and professional fees which have been included in "administrative expenses".

18. DISPOSAL OF SUBSIDIARIES

As set out in note 10 the Disposal Group was disposed of for the consideration of RMB43,000,000, with further details as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	3,787
Investment in a joint venture	5,803
Deferred tax assets	1,080
Inventories	40,003
Trade and other receivables	78,797
Cash and cash equivalents	9,233
Trade and other payables	(75,352)
Income tax payable	(1,286)
Bank and other borrowings	(19,200)
	42,865
Total consideration:	
Cash consideration received	43,000
Net assets disposed of	(42,865)
Gain on disposal of subsidiaries *(note 10)*	135

An analysis of the net outflow of cash and cash equivalents in respect of disposal of subsidiaries is as follows:

	RMB'000
Cash consideration received	43,000
Cash and cash equivalents disposed of	(9,233)
Net outflow of cash and cash equivalents	33,767

19. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated to conform with the current year presentation as a result of the discontinued operations, as set out in notes 10 and 18, in accordance with HKFRS 5.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

As stated in the 2016/17 annual report of Company, the Group's new growth model of "one primary sector as supplemented by two" (一主兩輔) has been identified to effectively promote its business development. The "one primary sector" refers to cultural tourism and healthcare and elderly care sectors and the "two supplementary sectors" refer to (i) the property development and operation management sector; and (ii) the financial services sector.

As an initial step to implement the above growth model, in the financial year of 2016/17 the Group completed the acquisition of the entire equity interest in Ka Yun Investments Limited and its subsidiaries, which is principally engaged in the development, sale and leasing of residential, commercial and tourism properties and the provision of property management services in the PRC. Further steps were taken by the Group during the year by completing the Fengrun Acquisition (as defined below) under the financial services sector (being one of the supplementary sectors within the model); and by disposal of the Telecommunication Business (as defined below) to focus on the Group's new growth model. Details of the material acquisition and disposal that took place during the year are set out below.

The Fengrun acquisition

In May 2017, the Group completed the acquisition of JL Zhongye and JL Fengrun (the "Fengrun Acquisition"). The underlying main asset of JL Zhongye and JL Fengrun is FR Guarantee, which is a company established in the PRC and is principally engaged in provision of guarantee services in the PRC.

The Fengrun Acquisition has given opportunities to the Group to develop privately-owned economy and the micro-finance service in Jilin Province over the year of 2017. In addition, it is noted that the micro-finance sector has been announced by the PRC Government to be an area that will help accelerate the development of privately-owned economy. Through the establishment of more micro-finance enterprises, it helps build "supportive" relationship between financial, governmental and privately-owned commercial sectors. In view of the above, the Group is also seeking opportunities to develop and expand into the micro-finance sectors to create potential synergies with the Group's current property development business and to enhance its value to the shareholders (the "Shareholders") and stakeholders of the Company.

The disposal of the telecommunications retail sales and management services business (the "Telecommunication Business")

During the year, the Group completed the disposal of the entire equity interest of 上海潤迅概念通信產品連鎖銷售有限公司 (Shanghai CM Concepts Communications Products Franchise Sale Company Limited*), a company established under the laws of the PRC with limited liability, its subsidiaries and joint venture (collectively the "Disposal Group") for the consideration of RMB43 million (the "Disposal"). As disclosed in the Company's announcements dated 5 May 2017 and 7 June 2017, based on the latest understanding of 中國信息產業部 (China Ministry of Information Industry*), 上海潤迅君斯通信科技有限公司 (Shanghai Motion JUNS Communication Technology Company Limited*) (a member of the Disposal Group and the operating entity of the telecommunications call center services business in Shanghai) would be unlikely to obtain the 全國呼叫中心業務經營許可證 (nationwide call center business operation permit*) ("CCBO Permit") given that it was then ultimately and wholly-owned by foreign shareholders. Accordingly, in the absence of the CCBO Permit, the Group would not be eligible to participate in the tender to be conducted by a national telecommunication operator which is the sole customer of the call center services business ("Operator A") and consequently the operation of the call center services business would have to cease following the expiry of its current contracts with Operator A in June 2017.

In view of the above and taking into account that (i) all businesses (including the call center services business) under the Telecommunication Business of the Group have been operated under the same management team and are inter-dependent upon each other, (ii) the diminishment of synergistic effect among each of the businesses within the Telecommunication Business following the cessation of operation of the telecommunication call centre services business in Shanghai; and (iii) the Telecommunication Business was a relatively small business segment of the Group, the Directors consider it would be in the best interests of the Company and the Shareholders to discontinue the whole Telecommunication Business by disposing of the Disposal Group and focusing on the development of the remaining key businesses of the Group. Upon the completion of the Disposal, the Disposal Group ceased to be subsidiaries of the Company; and since then the results of and the assets and liabilities of the Telecommunication Business were no longer consolidated into the Group's financial statements.

BUSINESS REVIEW

For the year ended 31 March 2018, the Group's overall revenue from continuing operations was approximately RMB920.0 million (2017: RMB1,032.5 million), representing a year-on-year decrease of 10.9%. Gross profit from continuing operations was RMB164.8 million (2017: RMB274.9 million). Net profit after tax from continuing operations was RMB59.2 million (2017: RMB47.1 million).

Property development

Contracted sales

For the year ended 31 March 2018, the Group newly launched its pre-sale of Guangze Red House Phase III project and continued its pre-sale of (i) Guangze Red House Phase II project, which is mainly a residential property project located in Yanji City, Jilin Province; and (ii) Wansheng•Qiancheng International (Phase Two-Part I and II were branded as "緹香" and "花香四季" for marketing purpose), a project that was acquired by the Group in January 2016. In addition, the Group was focusing on the sales of the remaining high-end villas, other residential units and commercial units at Guangze•Tudors Palace and Guangze•Amethyst City, both of which are located at Jilin City, Jilin Province.

The decrease in overall pre-sold GFA from 146,500 sq.m. to 102,460 sq.m. and contracted pre-sale amount from RMB773.8 million to RMB604.4 million during the year ended 31 March 2018 was primarily attributable to (i) only one new residential project, namely Guangze Red House — Phase III, commencing pre-sale in the year; and (ii) the inventory units for the remaining existing projects reducing in number.

Properties completed, delivered and sale of properties recognised during the year ended 31 March 2018

For the year ended 31 March 2018, the Group's sales of properties (excluding car parks) decreased by 16.4% from RMB983.5 million to RMB822.7 million. During the year ended 31 March 2018, the Group completed and delivered the residential projects of Guangze Red House — Phase II, 緹香 and 花香四季, which enabled the revenue recognition on sales of properties. The decrease in sales of properties was attributable to the fact that (i) the average selling prices for Guangze Red House — Phase II, 緹香 and 花香四季 were lower than that of Guangze•Tudors Palace that was completed, delivered and sales recognised for the year ended 31 March 2017 and (ii) there was a decrease in delivered saleable GFA of the remaining units of Guangze•Amethyst City — Phases I and II, Guangze International Shopping Center — commercial and residential portions, and Guangze Red House — Phase I from 83,949 sq.m. for the year ended 31 March 2017 to 23,410 sq.m. for the year ended 31 March 2018.

In terms of car park sales, for the year ended 31 March 2018, the Group delivered and recognised sale of car park units of approximately RMB38.1 million from the sale of 284 car park units (2017: RMB11 million from the sale of 101 car park units).

Projects under development and held for development

As at 31 March 2018, the Group had a total of three projects at various stages of development, including an estimated GFA of projects under development of approximately 277,942 sq.m., and an estimated GFA of project held for future development of approximately 547,977 sq.m.

The Group has been focusing on its residential property projects in Yanji City, Jilin Province. The Group has had a great success with Guangze Red House — Phases I and II during the past few years; and the Group will continue to focus its property development business in Yanji City. As at 31 March 2018, Guangze Red House — Phase III's construction is progressing as planned.

City	**Project name**	**Type of project**	**Estimated GFA** *Sq.m*
Projects under development			
Baishan	Changbaishan Ground Pine Township International Resort (長白山廣澤果松小鎮國際度假村)	– Commercial (including hotels)	76,002
Baishan	Guangze China House Phase I (廣澤蘭亭一期)	– Residential	128,736
Yanji	Guangze Red House (廣澤紅府) – Phase III	– Residential/ Commercial	73,204
		Sub-total	277,942
Projects held for future development			
Baishan	Changbaishan Ground Pine Township International Resort (長白山廣澤果松小鎮國際度假村)	– Residential/ Commercial (including hotels)	463,644
Baishan	Guangze China House Phase II (廣澤蘭亭二期)	– Residential	84,333
		Sub-total	547,977
		Total	825,919

Property investment

At 31 March 2018, the Group held two investment properties, one being office premises and car parks in Kowloon Bay, Hong Kong and the other being a shopping centre in Baishan City, the PRC. During the year, the Hong Kong property market maintained its upward momentum and the demand in leasing market was still strong. The Group's office premises and car parks are fully occupied; hence, the market sentiment and the existing tenancies resulted in a net gain of RMB25.5 million on the fair value change of investment properties in Hong Kong. The property market in Baishan City, Jilin Province remained stable, the occupancy rate was improved due to the strong emphasis put on the enhancement of tenants mix by the management.

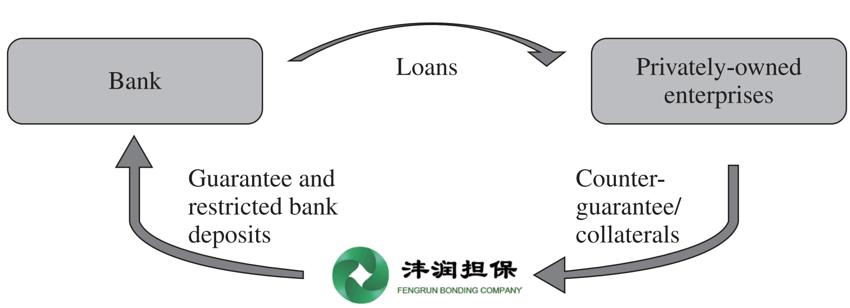
	Location of the property	**Total leasable area**	**Year ended 31 March 2018 Occupancy rate**	Year ended 31 March 2017 Occupancy rate
Enterprise Square	Kowloon Bay, Hong Kong	40,505 sq.ft.	**100%**	89.9%
Guangze International Shopping Centre (廣澤國際購物中心)	Baishan City, the PRC	26,235 sq.m	**87.4%**	78.0%

Financial services

Provision of financing guarantee services

For the year ended 31 March 2018, the Group completed the acquisition of JL Zhongye, JL Fengrun and FR Guarantee of which FR Guarantee is principally engaged in provision of financing guarantee services business in Jilin Province. The acquisition is expected to give the Group opportunities to develop and expand into micro-finance sectors.

With high emphasis being placed on privately-owned economy and the micro-finance sector in Jilin Province, privately-owned economy has been supported by micro-finance sector to improve financing structure and to resolve its high-difficulty high-cost financing problem. The Group's guarantee business has been exploring business opportunities over the "supportive" relationships between financial institutions, government and privately-owned commercial sectors. The Group's business model for the financing guarantee business is as follow:



Since the completion date of the acquisition up to 31 March 2018, the revenue and net profit of the Group from provision of financing guarantee services were RMB15.1 million and RMB19.2 million respectively (eleven months ended 31 March 2017: revenue of RMB8.4 million and net profit of RMB7.1 million respectively). The result of FR Guarantee has met the expectation of management. As at 31 March 2018, the Group's total outstanding guarantees were RMB1,108.5 million, of which the property development and agriculture sectors accounted for 27% and 49% of the Group's outstanding guarantees respectively. The provision of financing guarantee services to customer in property development sector also gives opportunities to create potential synergies with the Group's current property development segment.

The financial information of FR Guarantee is set out below:

	From 2 May 2017 (date of acquisition) to 31 March 2018	From 2 May 2016 to 31 March 2017*
	RMB'000	*RMB'000*
Revenue	**15,082**	8,389
Profit before tax	**25,547**	9,417
Net profit	**19,153**	7,063

	As at 31 March 2018	As at 31 March 2017*
	RMB'000	*RMB'000*
Non-current assets	**3,547**	158
Net current assets	**538,581**	504,520
Non-current liabilities	**(3,208)**	–
Net assets	**538,920**	504,678

* This financial information of FR Guarantee for the period from 2 May 2016 to 31 March 2017 and at 31 March 2017 is for comparison purpose only.

As at 31 March 2018, the type of outstanding guarantees are set out below:

	RMB'000	*%*
Assets/securities backed	765,700	69
Secured by counter-guarantees	342,800	31
	1,108,500	100

Expressed in RMB'000 unless otherwise stated	**31 March 2018**
Leverage ratio	2.06
Outstanding guarantee liability	1,108,500
Net assets of the guarantee business	538,920
Provision rate	1.2%
Provision for guarantee losses	12,832
Outstanding guarantee liability	1,108,500

Available-for-sale investment

The Group from time to time looks at and considers desirable investment opportunities and will make such investment if it is in the interest of the Company to do so. On 30 December 2016, the Group subscribed for shares in Jilin Jiutai Rural Commercial Bank Corporation Limited, its H-shares of which are listed on Main Board of The Stock Exchange of Hong Kong Limited as the Board considers it will have a positive prospect.

Although the Group's available-for-sale investment has a fair value loss recognised in other comprehensive income amounting to RMB18.6 million for the year ended 31 March 2018 (2017: fair value gain of RMB24 million) due to the volatility of Hong Kong stocks market, the fair value of the available-for-sale investment as at 31 March 2018 remained above its cost of subscription.

PROSPECTS

Cultural tourism and healthcare

Riding on the growth trend in the cultural tourism, healthcare and elderly care sectors in the PRC and carrying on the focus on the growth model policy of "one primary sector as supplemented by two", the Group's primary direction in developing into these emerging sectors is without doubt the way to go forward. The report from the 19th Communist Party of National Congress held recently had re-iterated clearly the need to implement a "Healthy China" (健康中國) as a national strategy. Notwithstanding, the cultural tourism, healthcare and elderly care sectors cover a very wide spectrum of business realms with numerous differing niche markets: from resort hotel operation to tourist site operation in the cultural tourism sector; from health management systems to high-tech medical products in the healthcare sector; and from nursing home for the elderly to rehabilitation and care centre for the old-aged with chronic illness under the elderly care sector. The complexity of and the potential professional barriers in the healthcare and elderly sectors give rise to this wide spectrum which leads to many business opportunities within differing segmented business realms. The Group's senior management is making careful consideration on the specific business realm, which the Group should focus on in the coming years, that will enhance its sustainability in the longer term; and maximise the contribution to the Shareholders as a whole. The Group's senior management is in the process of carrying out detailed market research, data analysis and feasibility studies on the various business realms within these sectors.

Property development

As for the property development, despite of the measures by the government to stabilise the property price through the like of controlling mortgage loan, the property market in each province and city in the PRC continues to have a sustainable demand for residential housing; and it is expected that the business development in the future remains stable. Accordingly, the Group will remain cautiously optimistic in connection with the development aspect to the domestic property development industry. The Group will be entering into a process of business transition in the coming years; and property development will remain as the Group's primary profit contributor. In order to more accurately and effectively grasp the potentials and market penetration, the Group will timely replenish the land resources required for the property development business; and will choose selectively cities in Jilin Province that has development potentials for the purpose of land bank replenishment. By taking advantage of the Group's property brand regionally and realising its strong foundation built in Jilin Province, the Group is committed to the development of regional property development business and market expansion in the Jilin Province so as to retain its leading position in this primary region. Moreover, the Group will continue to actively identify suitable residential projects located within the cities in Yangtze River Delta and Pearl River Delta suitable for negotiation and development in order to strategically achieve regional penetration and continue to bring sustainable long-term value to the Shareholders.

Financial services

Since the completion of the Fengrun Acquisition, the Group has expanded further in its financing guarantee business as well as its entrusted loan business. The post-acquisition results of FR Guarantee have been contributed by an increasing guarantee portfolio largely due to the synergy effects from the Group's other segments. In recent years, financing guarantee sector has achieved a rapid development under high emphasis and active support from various authorities and government at various levels in the PRC. Following the gradual refinement and improvement of the regulations in the industry, enterprises in the financing guarantee business become more compliant. They not only provided more tailor-made financial services to their customers and assessed responsively and managed customers' financial risks, they also helped achieve in promoting local economic development. Following the high emphasis on private sector economy and micro-finance sector by the government of Jilin Province, the Group will continue, with the "support" relationship of financial institutions, government authority and private-owned enterprises as well as the trusted relationship with local banks, to explore business opportunities. Through the assistance to provide micro-financing services for small-medium enterprises in Jilin Province, the Group will focus on optimising in this business to grasp growth opportunities, so to create long-term and long-lasting value for the Shareholders and stakeholders.

In the future, with the all-round development of real estate business, healthcare tourism and financial services business, the Group will strive to implement asset divarication to realise the synergy effect of those three major businesses, and enhance its competitiveness to build a new premium brand of Ground International.

Given the fact that (i) the Group's current business portfolio of property development and financing guarantee businesses are subject to cooling measures implemented or improved regulations put in place by the government; and (ii) the uncertainties of development lying within the cultural tourism, healthcare and elderly care sectors, the Group's management is also actively exploring other business opportunities in different business realms so as to ensure the Group's sustainability as well as bringing long-term and continual values, returns and benefits to the Shareholders and stakeholders.

FINANCIAL REVIEW

During the year ended 31 March 2018, the Group continued to expand its business operation and acquired the entire equity interest in FR Guarantee in May 2017, the principal activity of which is to provide financing guarantee services to individual and corporates. In addition, the Group has disposed of the telecommunications retail sales and management services business.

Preparation of the Group's financial statements for the year ended 31 March 2018

For the purpose of the financial statements of the Group for the year ended 31 March 2018, the results of and the assets and liabilities of JL Zhongye, JL Fengrun and FR Guarantee were consolidated into the Group from the date of the Fengrun Acquisition. For the Disposal, the assets and liabilities of the Disposal Group were derecognised upon completion of the Disposal. After the Disposal, the Group ceased to operate the telecommunications retail sales and management services business. The telecommunications retail sales and management services business is treated and presented as discontinued operations. Comparative figures in the consolidated statement of profit or loss and consolidated statement of comprehensive income for the year ended 31 March 2017 have been represented to disclose separately the profit or loss and total comprehensive income from such discontinued operations.

Key changes to statement of profit or loss items

Revenue

Sales of properties remained the major source of income for the Group accounting for 93.6% of the Group's total revenue for the year ended 31 March 2018 (31 March 2017 (restated): 96.3%). The analysis of the Group's revenue is as follows:

	Year ended 31 March			
	2018		2017	
	RMB'000	*%*	*RMB'000* (restated)	*%* (restated)
Sale of properties	**860,773**	**93.6**	994,492	96.3
Rental income	**23,114**	**2.5**	20,119	2.0
Property management service income	**21,079**	**2.3**	17,858	1.7
Guarantee fee income	**15,082**	**1.6**	–	–
	920,048	**100**	1,032,469	100

The Group's revenue decreased from RMB1,032.5 million for the year ended 31 March 2017 (restated) to RMB920 million for the year ended 31 March 2018 or a decrease by 10.9%, mainly contributed by the decrease in sales of properties by RMB133.7 million. During the year ended 31 March 2018, the Group completed and delivered the residential projects of Guangze Red House — Phase II, 緹香 and 花香四季, which enabled the revenue recognition on sales of properties. The decrease in sales of properties was attributable to the fact that (i) the average selling prices for both Guangze Red House — Phase II, 緹香 and 花香四季 were lower than that of Guangze•Tudors Palace that was completed, delivered and sales recognised for the year ended 31 March 2017; and (ii) there was a decrease in delivered saleable GFA of the remaining units of Guangze•Amethyst City — Phases I and II, Guangze International Shopping Center — commercial and residential portions, and Guangze Red House — Phase I from 83,949 sq.m. for the year ended 31 March 2017 to 23,410 sq.m. for the year ended 31 March 2018.

Rental income was mainly contributed by the leasing of the office premises in Kowloon Bay, Hong Kong; and shopping malls in Baishan City, the PRC. The Group's rental income for the year ended 31 March 2018 increased by 14.9% due to the improvement of occupancy rate during the year.

The financial service segment that was acquired in May 2018 contributed guarantee fee income of RMB15.1 million for the year ended 31 March 2018 (2017: RMBNil).

Gross profit and gross margin

The Group's overall gross profit and gross margin has decreased from RMB274.9 million and 26.6% for the year ended 31 March 2017 (restated) to RMB164.8 million and 17.9% for the year ended 31 March 2018 mainly attributable to the recognised sales of Guangze•Tudors Palace that earned a higher margin for last financial year than the property projects delivered with a lower margin for the year.

Other income and gains

The Group's other income and gains increased from RMB27.0 million for the year ended 31 March 2017 (restated) to RMB53.1 million for the year ended 31 March 2018 which was attributable to the interest income of RMB18.0 million generated from held-to-maturity investments and entrusted loans since the acquisition of FR Guarantee, dividend income of RMB13.0 million generated from the available-for-sale investment since subscription in January 2017 and the one-off gain from a bargain purchase from the Fengrun Acquisition of RMB19.1 million in respect of the provision of financing guarantee business.

Selling and distribution costs

The decrease in selling and distribution costs by RMB3.3 million from RMB28.2 million for the year ended 31 March 2017 (restated) to RMB24.9 million for the year ended 31 March 2018 was mainly contributed by the decrease in the advertising activities for the pre-sales of Guangze Red House in the corresponding financial year given the strong brand presence established in Yanji City, Jilin Province with the Group's previous Phases I and II projects.

Administrative expenses

The decrease in administrative expenses by RMB24.8 million from RMB92.0 million for the year ended 31 March 2017 (restated) to RMB67.2 million for the year ended 31 March 2018 was mainly contributed by the decrease in bank charges of RMB8.9 million arising from the re-financing of the Group's bank borrowings and decrease in staff cost by RMB7.8 million.

Other expenses

The increase in other expenses for the year ended 31 March 2018 to RMB30.7 million from RMB7.9 million for the year ended 31 March 2017 (restated) was primarily attributable to the impairment loss of RMB4.7 million made on trade and other receivables and a write-down on the completed properties held for sale of RMB22.6 million provided for the car park units for its existing projects in Jilin City, Jilin Province. In last year, the amount was mainly related to legal and professional fee expenses in relation to the acquisition of Ka Yun Investments Limited and its subsidiaries.

Finance costs	**Year ended 31 March**	
	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Interest on bank loans	**54,435**	63,345
Interest on Convertible Bonds	**15,261**	23,596
Interest on other loans	**4,947**	1,221
Interest on amount due to a related company	**–**	3,056
	74,643	91,218
Less: interest capitalised into properties under development	**(45,679)**	(57,339)
	28,964	33,879

The decrease in finance costs by RMB4.9 million from RMB33.9 million for the year ended 31 March 2017 (restated) to RMB29.0 million for the year ended 31 March 2018 was mainly attributable to the decrease in effective interest expenses on the Convertible Bonds issued in July and December 2016 due to the conversion of the Convertible Bonds and a decrease in interest expenses incurred from the bank loans.

Income tax

The Group's income tax includes CIT, LAT and deferred tax. For the year ended 31 March 2018, the Group's income tax amounted to RMB24.5 million (2017 (restated): RMB67.4 million), with effective tax rate of 29.2% (2017 (restated): 58.9%). The decrease in effective tax rate was largely attributable to: (i) higher CIT and LAT provision made in respect of the Guangze•Tudors Palace with higher margin during the year ended 31 March 2017; and (ii) a withholding tax rate of 10% on the dividend income arising from the available-for-sale investment for the current financial year.

Key changes to financial position items

Investment properties

As at 31 March 2018, the Group's investment properties included the office premises in Kowloon Bay, Hong Kong and a shopping mall in Baishan City, Jilin Province. These investment properties were stated at fair value and were valued by Savills Valuation and Professional Services Limited (an independent professional qualified valuer). A gain in fair value of RMB25.5 million of the investment properties in Hong Kong was recognised for the year ended 31 March 2018 (2017: no change in fair value).

Available-for-sale investment

On 30 December 2016, the Group subscribed for shares in Jilin Jiutai Rural Commercial Bank Corporation Limited ("Jilin Jiutai Bank"). Jilin Jiutai Bank is a joint-stock commercial bank headquartered in Changchun City, Jilin Province, the PRC; and the H-shares of which are listed in Main Board of the Stock Exchange. As at 31 March 2018, the fair value of the subscribed shares is RMB165.3 million (2017: RMB201.1 million). A negative change in fair value of the investment of RMB18.6 million was recognised under the "other comprehensive income" in the consolidated statement of comprehensive income for the year ended 31 March 2018 (2017: an increase in fair value of RMB24.0 million). The carrying value of the available-for-sale investment as at 31 March 2018 was still above the original subscription costs.

Properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sales are located in Jilin Province. The decrease in properties under development and completed properties held for sales from RMB3,118.5 million as at 31 March 2017 to RMB2,871.5 million as at 31 March 2018 was mainly attributable to the transfer of development costs to costs of sales in respect of Guangze Red House — Phase II, 缇香 and 花香四季; and partially offset by development work on the remaining phases of the property projects of Changbaishan Ground Pine Township International Resort and Guangze Red House — Phase II during the year ended 31 March 2018.

Held-to-maturity investment

Since the Fengrun Acquisition, the Group's financing guarantee business invested in financial products in order to maximise returns. The investment was related to financial products issued by a PRC bank which are interest-bearing and mature within one year. Subsequent to year end, the Group redeemed the principal and interest upon maturity in May 2018.

Trade and other receivables

		As at 31 March	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
Trade receivables		**19,663**	51,329
Less: provision for impairment of trade receivables		**(905)**	(246)
	(a)	**18,758**	51,083
Other receivables			
— Deposits for land development expenditure	*(b)*	**353,418**	372,375
— Deposits for construction and pre-sale of property projects	*(c)*	**34,748**	54,379
— Entrusted loan receivables	*(d)*	**74,642**	–
— Prepaid business tax and other taxes		**19,704**	34,524
— Interest income receivable from a held-to-maturity investment		**11,921**	–
— Other receivables, prepayments and deposits	*(e)*	**116,853**	156,580
		630,044	668,941

Notes:

(a) The decrease in trade receivables from RMB51.1 million as at 31 March 2017 to RMB18.8 million as at 31 March 2018 was mainly attributable to the derecognition of trade receivable balance relating to the disposal of telecommunication business.

(b) The balances represented monies advanced to the local government for land development works at a land site. The Group will be reimbursed for the amount advanced to the local government in carrying out the land development irrespective of whether the Group will obtain the land use rights of the land in the future. The decrease was primarily attributable to the repayment of RMB120 million made by local government during the year; and partially offset by further advanced for another land site.

(c) The balances mainly represented various deposits paid to the local government authorities directly attributable to the construction of property projects which would be refundable when the construction is complete.

(d) FR Guarantee has entered into entrusted loan agreements with the banks and certain third parties in the PRC (the "Borrowers") pursuant to which FR Guarantee instructed the banks to act as a lending agent to release loans to the Borrowers which are funded by FR Guarantee. These entrusted loans are guaranteed by independent third parties, bearing interest at rates ranging from 5% to 18% per annum and are repayable within one year. These balances approximate to their fair values and are neither past due nor impaired.

(e) Included in the balances were mainly related to prepayments and deposits made to construction vendors for the Group's property projects which would be refundable upon completion of construction. Also, included in the balance as at 31 March 2017 was a prepayment of consideration for the acquisition of FR Guarantee of RMB45 million (2018: Nil).

Trade and other payables

		As at 31 March	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
Trade and bills payables	*(a)*	**230,342**	74,303
Accrued construction costs	*(a)*	**530,617**	685,051
Amounts due to related companies	*(b)*	**–**	134,580
Interest payable		**27,481**	22,299
Amount due to a joint venture	*(b)*	**–**	14,000
Deposits received from government	*(c)*	**18,059**	2,189
Receipt in advance from management services		**8,096**	8,290
Deferred income	*(d)*	**14,085**	–
Provision for guarantee losses	*(e)*	**12,832**	–
Other creditors and accruals		**62,697**	260,168
Other deposits received		**27,691**	31,940
		931,900	1,232,820

Notes:

(a) The increase in trade and bills payable and accrued construction costs from RMB759.4 million as at RMB761.0 million as at 31 March 2018 was mainly attributable to more development cost incurred for the property projects.

(b) At 31 March 2017, amounts due to related companies and a joint venture were unsecured, interest-free and had no fixed terms of repayment. The amounts due to related companies were repaid during the year and the amount due to a joint venture was derecognised upon completion of the Disposal.

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

(d) The balance represented the financing guarantee service fees received, which are initially recognised as deferred income and are amortised in profit or loss over the term of the guarantee as income from the guarantee issued.

(e) The Group provided financing guarantees to certain banks in order for its customers to secure bank financing. The Group made provision for guarantee losses based on the past default history of the business, taking consideration of industry information and market data. At the end of the reporting period, a provision for guarantee losses of RMB12,832,000 (the provision as at 2 May 2017 (the date of completion of the Fengrun Acquisition) amounted to RMB8,543,000) has been made.

Deposits from sales of properties

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

The decrease in the balance to RMB576.3 million as at 31 March 2018 from RMB884.3 million as at 31 March 2017 end was mainly attributable to the transfer of pre-sales of Guangze Red House — Phase II and 緹香及花香四季 during the year, and partially offset by the new pre-sales of the Group's residential projects, namely Guangze Red House — Phase III.

Loans from a controlling shareholder

The decrease in loans from a controlling shareholder from RMB264.8 million as at 31 March 2017 to RMB111.2 million as at 31 March 2018 was attributable to the repayment made during the year. These loans are interest free, unsecured and repayable on demand.

Liquidity and financial resources

Cash position

As at 31 March 2018, the carrying amount of cash and bank deposits of the Group was approximately RMB64.2 million (2017: RMB417.8 million), representing a decrease of approximately 84.6%. The decrease was mainly attributable to the settlement of the trade payables of the property projects held by the Group during the year and the net purchase of held-to-maturity investment of RMB310 million and consideration of RMB505.9 million paid for Fengrun Acquisition, which were partly offset by the cash acquired of RMB353.5 million and the consideration of RMB43 million received for disposal of the telecommunication business.

Debt and gearing

The Group's bank and other borrowings as at 31 March 2018 increased by RMB37.1 million to RMB1,004.8 million which payable as follows:

	As at 31 March	
	2018	2017
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable and trust receipt loan payable:		
Within one year or on demand	**494,166**	383,542
In the second year	**56,448**	268,342
In the third to sixth year, inclusive	**361,586**	202,628
	912,200	854,512
Other borrowings repayable:		
Within one year	**92,606**	113,235
	1,004,806	967,747

The gearing ratio of the Group is calculated as follows:

	As at 31 March	
	2018	2017
	RMB'000	*RMB'000*
Loans from a controlling shareholder	**111,160**	264,824
Bank and other borrowings	**1,004,806**	967,747
Trade and other payables	**931,900**	1,232,820
Less: Cash and cash equivalents	**(64,220)**	(417,766)
Pledged and restricted deposits	**(182,695)**	(46,598)
Net debt	**1,800,951**	2,001,027
Liability component of the Convertible Bonds	**54,218**	206,104
Equity	**2,264,559**	1,716,797
Adjusted Capital	**2,318,777**	1,922,901
Capital and net debt	**4,119,728**	3,923,928
Gearing ratio	**44%**	51%

The decrease in the gearing ratio of the Group from 51% as at 31 March 2017 to 44% as at 31 March 2018 was mainly attributable to the increase in equity during the year as a result of share subscriptions and conversion of Convertible Bonds and share options, the proceeds of which were primarily applied to repay borrowings of the Group.

Cash flows for the Group's operating and investing activities

For the year ended 31 March 2018, the Group recorded net cash operating outflow of RMB82.1 million (2017: inflow of RMB122.1 million). The outflow was mainly attributable to the settlement of the construction costs of the property projects held by the Group during the year. For investing activities, the Group recorded a cash outflow of RMB406.7 million (2017: outflow of RMB330.3 million). The outflow was mainly attributable to the net purchase for held-to-maturity investment of RMB334 million and consideration paid for Fengrun Acquisition which were partly offset by the cash acquired and the consideration received for disposal of the telecommunication business.

COMMITMENTS FOR DEVELOPMENT EXPENDITURE

As at 31 March 2018, the Group had commitments in respect of properties under development of RMB530.6 million (2017: RMB806.0 million). The development expenditure will be funded by the Group's internal resources and/or project loans. The Group also had unutilised banking facilities of RMB15.8 million as at 31 March 2018 (2017: RMB217 million).

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 90.9% of the Group's total assets as at 31 March 2018 (2017: 88.5%). 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 value if and when considered necessary.

Risks pertaining to the financing guarantee business

Financing guarantee business is a regulated-industry in the PRC. Governmental policy changes will directly impact on the business. Also, the business is subject to credit risk and concentration risk. In view of these, the Group is trying to develop and maintain a diversified customer base to reduce the risks of any downturn in any of the customers' industries causing a material adverse effect on the business. In addition, the Group has a rigorous risk management system to monitor risks at each key stage of the business operations, from pre-approval assessment, customer due diligence, approval processes, counter-guarantee arrangement to post-transaction monitoring.

Financial risks

As a matter of policy, the Group continues to manage the market risks directly relating to its operations and financing activity 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 2018, the Group was exposed to currency risk on financial assets and liabilities that were denominated in Hong Kong Dollars (HK$). At 31 March 2018, approximately 1.2% of the Group's total cash and bank balance (including pledged bank deposit) were denominated in HK$ (2017: 41.5%) and approximately 31.5% of the Group's total borrowings were denominated in HK$, while 68.5% were denominated in RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign current assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arises. The Group will continue to monitor the change in the trend of interest rates and the potential causes that trigger large fluctuation in the exchange rates of RMB and HK$, and will consider hedging significant foreign currency exposure if necessary so as to mitigate the foreign currency exposure arising from the Group's business operation and to minimise the Group's financial risks.

Interest rate risk

As at 31 March 2018, 2% of the Group's total bank and other borrowings were interest free, 63% bore interest at fixed rates ranging from 5.4% to 8.0% per annum, and 35% of the Group's total borrowings bore interest at floating rates ranging from HIBOR+2.4% to loan prime rate +3.7%. The Group does not enter into any financial instruments to hedge its interest rate risk exposure.

Credit risk

As at 31 March 2018, 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 concentration of credit risk as the trade receivables from the five largest customers represented 38% (2017: 94%) of the total trade receivables, while 24% (2017: 37%) of the total trade receivables were due from the largest single customer.

In addition, the Group is subject to credit risk arising from financing guarantees provided by FR Guarantee to banks in order for its customers to obtain bank financing. In order to minimise this credit risk relating to (i) the provision of financing guarantee services; and (ii) trade and other receivables (including entrusted loan receivables), the management has established credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts/guarantee losses. 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 longer term.

SIGNIFICANT INVESTMENTS HELD

Other than disclosed elsewhere in this announcement, the Group did not have any significant investments held as at 31 March 2018.

CONVERTIBLE BONDS, SHARE CAPITAL AND CONVERTIBLE PREFERENCE SHARES

Details of movements of Convertible Bonds, share capital and convertible preference shares are set out in notes 14, 15 and 16.

CONTINGENT LIABILITIES

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

(i) 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 2018, guarantees amounting to RMB1,035.3 million were given to banks with respect to mortgage loans procured by purchasers of property units (2017: RMB971.0 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 period, the Group did not incur any material losses in respect of any of these guarantees. The Directors consider that the likelihood of default in payments by the purchasers is minimal and therefore the financial guarantee measured at fair value 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.

(ii) The Group has provided financing guarantee services to certain borrowers to secure obligation of such borrowers for repayments. As at 31 March 2018, the financing guarantees amounting to RMB1,108.5 million were provided to financial institutions with respect to these borrowers. Such guarantees will terminate upon the full repayment of loans by the borrowers to the financial institutions; and two year after the obligations under the loan agreements have been fulfilled.

Pursuant to the terms of the guarantees, upon default in loan repayments by these borrowers, the Group is responsible for repaying the outstanding loans together with accrued interest to the financial institutions. 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 borrowers is minimal and therefore the guarantees measured at fair value are immaterial. Also, the pledged assets were provided by the borrowers pursuant to the terms of the guarantees and a provision of RMB12.8 million has been made in connection with the guarantees.

CHARGE ON ASSETS

As at 31 March 2018, the Group had the following assets pledged against bank and other loans granted:

	As at 31 March	
	2018	2017
	RMB'000	*RMB'000*
Investment properties	**296,000**	301,138
Properties under development and completed properties held for sale	**1,490,712**	967,873
Pledged deposits	**–**	18,859
Available-for-sale investment	**165,343**	201,131

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Group had 357 (2017: 1,248) full-time staff. Total staff costs (including directors' emoluments) incurred for the year ended 31 March 2018 amounted to approximately RMB42.4 million (2017: RMB127.3 million). The decrease was mainly attributable to the disposal of the Telecommunication Business. 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

Other than disclosed elsewhere 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 2018.

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 2018, they complied with the required standard set out in the Model Code.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Year, 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 one non-compliance that is discussed as follows.

Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to the other business engagements, Mr Xiang Qiang, being an independent non-executive Director at the relevant time, could not attend the annual general meeting of the Company held on 18 August 2017. Therefore, Code provision A.6.7 of the CG Code was being deviated from. However, all other executive Directors and independent non-executive Directors were present to answer any question of the Shareholders.

Subsequent to 31 March 2018, following the re-designation of Mr. Xiang Qiang from an independent non-executive Director to an executive Director on 4 May 2018, there are only two independent non-executive Directors, namely Mr. Chan Yuk Tong and Mr. Zhu Zuoan at the date of this announcement. Accordingly, the number of independent non-executive directors fell below the minimum number of three as required under Rule 3.10(1) of the Listing Rules, and the number of members of the audit committee of the Company fell below the number prescribed under Rule 3.21 of the Listing Rules. As a result, the Company was not in compliance with the requirements under Rule 3.10(1) and Rule 3.21 of the Listing Rules. The Company is in the process of identifying suitable candidates to act as an independent non-executive director and a member of the audit committee and the appointment will be made as soon as practicable within three months pursuant to Rules 3.11 and 3.23 of the Listing Rules.

REVIEW OF ANNUAL RESULTS

The Group's final results for the year ended 31 March 2018 have been reviewed by the audit committee of the Company. 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 2018 as set out in the preliminary announcement have been agreed by the Company's auditors, Ernst & Young, 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.

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

Hong Kong, 27 June 2018

As at the date of this announcement, the executive Directors are Ms. Cui Xintong, Mr. Xiang Qiang and Ms. Liu Hongjian; non-executive Director is Mr. Cong Peifeng and the independent non-executive Directors are Mr. Chan Yuk Tong and Mr. Zhu Zuoan.