RICHLY FIELD

RICHLY FIELD CHINA DEVELOPMENT LIMITED
裕田中國發展有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 313)

ANNOUNCEMENT

SUPPLEMENTAL INFORMATION IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2022

Reference is made to (i) the annual report of Richly Field China Development Limited (the "**Company**", together with its subsidiaries, the "**Group**") for the year ended 31 March 2022 (the "**2022 Annual Report**") published on 13 August 2022; (ii) the annual report of the Company for the year ended 31 March 2021 (the "**2021 Annual Report**"); and (iii) the Company's announcement dated 29 June 2021 (the "**MOU Announcement**"). Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the 2022 Annual Report, the 2021 Annual Report, and the MOU Announcement.

In addition to the information provided in the 2022 Annual Report, the Board would like to provide further information in relation to the Corporate Governance Report contained in the 2022 Annual Report pursuant to Code Provision D.1.3 of Appendix 14 of Listing Rules and in particular, addressing the disclaimer of opinion issued by the Company's auditors, SHINEWING (HK) CPA Limited (the "**Auditors**"), on the Company's financial statements for the year ended 31 March 2021 (the "**2021 Audit Modification**") following the publication of the 2021 Annual Report. The 2021 Audit Modification arose as the Group reported net loss of approximately HK$415,682,000 for the year ended 31 March 2021 and as at 31 March 2021, the Group had net current liabilities of approximately HK$1,905,441,000, which included principal and interest payable under the Group's certain bank and other borrowings that were in default and therefore the lenders had the right to demand immediate repayment of the entire outstanding balances as at 31 March 2021. As at 31 March 2021, the Group's cash and cash equivalents amounted to approximately HK$57,302,000. These conditions, together with other matters as described in note 2.1 to the consolidated financial statements in the 2021 Annual Report, led the Auditors to indicate the existence of material uncertainties which might cast significant doubt about the Group's ability to continue as a going concern.

STEPS TAKEN BY THE COMPANY SINCE THE PUBLICATION OF THE 2021 ANNUAL REPORT TO ADDRESS THE 2021 AUDIT MODIFICATION AND THE PROGRESS ACHIEVED

The management of the Company has been proactive throughout the year ended 31 March 2022 to address the 2021 Audit Modification, actions of which included the following:

1) Disposal of Changsha Outlets Project

As described in the 2021 Annual Report, and the interim report for the six months ended 30 September 2021, due to the large amount of financing required at the early stages of the Changsha Outlets Project, financial costs have been accumulating year over year, which, together with the tightening of the financing environment in the PRC, had made it more difficult for the Company to satisfy its working capital. Coupled with local PRC governments' forceful implementation of strict real estate policies, both consumers' purchasing power and the Company's profitability have been greatly reduced. The Group had also defaulted in the loans associated with the Changsha Outlets Project with principal amount of approximately RMB1.45 billion, as detailed in the Company's announcement dated 30 June 2020.

In light of the mounting financial costs of the Changsha Outlets Project and the aforesaid tightening of financial and regulatory environment in the PRC, 裕田幸福城（北京）投資顧問有限公司 (Richly Field (Beijing) Investment Consulting Co., Ltd*), and 奧特萊斯世界名牌折扣城控股有限公司 (Globe Outlets City Limited) (collectively the "**Potential Sellers**", both of which were wholly-owned subsidiaries of the Company) had entered into a non legally binding memorandum of understanding ("**MOU**") with 樂沃居控股集團有限公司 (Lewoju Holding Group Company Limited*) ("**Lewoju**", an independent third party) on 29 June 2021 in relation to the disposal of the Target Companies which held the Changsha Outlets Project ("**Disposal**"). For further details, please refer to the MOU Announcement.

During the year ended 31 March 2022, the Group had continuously been communicating with Lewoju, relevant government departments and major creditors on the commercial terms and conditions of the Disposal, sorted out various debt relationships, and prepared subsequent repayment schemes and development plans, in order to precipitate the Disposal. On 9 February 2022, the Potential Sellers, Lewoju and the Target Companies entered into separate equity transfer agreements in relation to the Disposal.

Subsequently, after several rounds of arm's length negotiations and reciprocal proactive cooperation among the parties to fulfill the conditions precedent to the Disposal, the Disposal was finally completed on 14 April 2022 as per the Company's announcement published on the same day. Upon completion of the Disposal of the Changsha Outlets Project, the Target Companies ceased to be subsidiaries of the Company and their financial information will no longer be consolidated in the financial statements of the Group for the year ending 31 March 2023.

However, as the completion of the Disposal happened on 14 April 2022, which took place subsequent to the Group's financial year ended 31 March 2022, the financial information of the Target Companies would still have been consolidated into the financial statements of the Group for the financial year ended 31 March 2022 and as a result, the Group recorded a net liability of approximately HK$852.3 million as at 31 March 2022, of which approximately HK$1,297.6 million net liability was directly attributable to the Target Companies as at 31 March 2022. However, upon completion of the Disposal and for the financial year ending 31 March 2023, the net liability of the Target Companies of up to approximately HK$1,297.6 million will no longer constitute part of the Group and as such, the Board expects the net asset/liability position of the Group to significantly improve for the financial year ending 31 March 2023. Furthermore, as the Disposal has been completed, the Group will no longer have to bear the mounting financing costs and administrative expenses associated with the Changsha Outlets Project. During the financial year ended 31 March 2022, whilst the Group recorded a net loss of approximately HK$398.9 million, approximately HK$356.3 million out of the approximately HK$1,044.7 million total costs were directly attributable to the Changsha Outlets Project. On the other hand, the revenue attributable to the Changsha Outlets Project was only approximately HK$31.0 million for the financial year ended 31 March 2022. Therefore, the Board believes that with the completion of the Disposal, the Group would be in a much better position to rationalise and deploy its resources to other areas of operations with the objective of enabling the Group to improve its overall business performance during the year ending 31 March 2023.

2) **Progress of the Group's property development projects**

The Group's property development projects had shown steady progress in the financial year ended 31 March 2022 compared to the previous financial year ended 31 March 2021. For the Yinchuan Project, the Group has during the financial year ended 31 March 2022 successfully delivered approximately HK$605.8 million of properties to its customers (2021: approximately HK$11.1 million) and received pre-sold proceeds of approximately HK$6.1 million of properties (2021: approximately HK$453.5 million). For the Qinhuangdao Project, the Group has during the financial year ended 31 March 2022 successfully pre-sold approximately HK$31.8 million of properties (2021: Nil). As at 31 March 2022, the Group still possessed pre-sale permits of around 27 block of properties for the Qinhuangdao Project that can generate approximately HK$66.6 million of estimated pre-sale proceeds based on average selling price in 2021. Moreover, the Board expected that construction of the Group's properties under development will resume which will enable the Group to accelerate the pre-sales and sales of its properties under development, and speed up the collection of outstanding sales proceeds during the year ending 31 March 2023.

3) **Continuous financial support from related parties**

The Group has been obtaining continuous financial support from related parties, including but not limited to the unutilised loan facility from a related company beneficially owned by its controlling shareholder, which was initially RMB1,000,000,000 during the financial year ended 31 March 2021 but subsequently increased to RMB2,000,000,000 by the same controlling shareholder during the financial year ended 31 March 2022. This loan facility in the sum of RMB2,000,000,000, which is set to expire in December 2023, remains unutilised as at 31 March 2022. In addition, related companies beneficially owned by its controlling shareholder also provided financial support to the Group, with the amount due to such related parties (excluding the Changsha Outlets Project) increased from approximately HK$467 million as at 31 March 2021 to approximately HK$520 million as at 31 March 2022, representing an increase of approximately 11%.

4) Other financing options

The Group is also negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future, such as new investors and business partners and disposal of assets. The outcome was not satisfactory during the financial year ended 31 March 2022 as the disposal of the Changsha Outlets Project had not been completed and there was a huge amount of default loan attached to the Changsha Outlets Project. With the completion of the Disposal (together with the default loan attached to it) on 14 April 2022, the Board believes the Group will be in a much better position to continue this initiative during the year ending 31 March 2023.

5) Cost control

The Group will continue to take appropriate measures to control administrative costs. For example, the monthly rental expense of the Company's office in Hong Kong has been decreased to approximately HK$22,000 from approximately HK$214,000 since September 2021 as the Company has moved to a smaller office.

ISSUE OF DISCLAIMER OF OPINION BY THE AUDITORS IN THE 2022 ANNUAL REPORT (THE "2022 AUDIT MODIFICATION")

As mentioned in the 2022 Annual Report, the Auditors noted that the Group reported net loss of approximately HK$398,884,000 for the year ended 31 March 2022 and as at 31 March 2022, the Group had net current liabilities of approximately HK$1,955,823,000. As at the same date, the Group's cash and cash equivalents amounted to approximately HK$74,501,000 of which approximately HK$8,520,000 was assets classified as disposal group held-for-sale. The Auditors were of the view that these conditions, together with other matters as described in note 2.1 to the consolidated financial statements in the 2022 Annual Report, indicated the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. Furthermore, the Auditors have indicated in the 2022 Annual Report that they have not been able to obtain sufficient appropriate audit evidence to satisfy themselves that the events or conditions underpinning the cash flow forecast of the Group for going concern assessment are reasonable and supportable.

In responding to the net loss of approximately HK$398,884,000 for the year ended 31 March 2022 and net current liabilities of approximately HK$1,955,823,000 as at 31 March 2022, the Directors have noted that a significant portion of the net loss were attributable to the Changsha Outlets Project (in particular finance costs and administrative expenses), and similarly, a significant portion of the net current liabilities (approximately HK$1,297.6 million) were attributable to the Changsha Outlets Project, as the completion of the Disposal only took place on 14 April 2022 and hence the financial information of the Target Companies were still consolidated into the financial statements of the Group for the financial year ended 31 March 2022. The Board believes that with the completion of the Disposal on 14 April 2022, the Group will be in a much better position to rationalise and deploy its resources on other areas of operations with the objective of enabling the Group to improve its overall business performance for the year ending 31 March 2023. Furthermore, the Directors of the Company are of the view that the main issue currently affecting its going concern operation is whether the cash flow generated in the next 12 months shall be sufficient to discharge liabilities falling due in the next 12 months. In the short run, whilst the Group's initial cash flow forecast for the 12 months ended 31 March 2022 were impacted by multiple factors such as Covid-19 and volatility of the property sector in Mainland China, the Group was still able to demonstrate operational improvement as described in "Steps taken by the Company since the publication of the 2021 Annual Report to address the 2021 Audit Modification and the progress achieved" above. These factors, together with the continuous support from related parties, including but not limited to the unutilised loan facility of RMB2,000,000,000 by the controlling shareholder as at 31 March 2022, formed the underlying reasons for the Board to take the view that there will still be sufficient cash flows generated to discharge the Group's liabilities falling due in the next 12 months. In the long-run and looking from the perspective of the Company's financial position, the Yinchuan Project and Qinhuangdao Project had been valued by an independent valuer at approximately HK$726.8 million and HK$1.8 billion respectively as at 31 March 2022, while the Group's outstanding liabilities (excluding Changsha Outlets Project) as at 31 March 2022 was approximately HK$1.8 billion which will put the Group in a net asset position. With the completion of the Disposal as mentioned above, the Board believes the Group would be in a much better position to rationalise and deploy its resources to other areas of operations with the objective of enabling the Group to improve its overall business performance for the year ending 31 March 2023.

AUDIT COMMITTEE'S VIEW TOWARDS THE 2022 AUDIT MODIFICATION

The audit committee of the Company (the "**Audit Committee**") has reviewed with the management the Group's audited consolidated financial results for the year ended 31 March 2022, including the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal control, and financial reporting matters.

The Audit Committee has reviewed the 2022 Audit Modification and the action plan of the Group to address the 2022 Audit Modification. The Audit Committee also had discussions with the Auditors, by which it understood that the main reasons for the 2022 Audit Modification were those described in the Independent Auditor's Report and in note 2.1 to the consolidated financial statements in the 2022 Annual Report, resulting in the Auditors noting the material uncertainties over the Group's status as a going concern. The Audit Committee agreed with the actions or measures to be implemented by the Group and agreed with the management's position that the Company was able to carry on as a going concern.

REMOVAL OF THE 2022 AUDIT MODIFICATION

The Directors believe that, after discussion with the Auditors, should the Group be able to provide sufficient evidence to prove that the Group could generate sufficient cash flows to discharge the Group's liabilities falling due in the next 12 months from the end of the next reporting period, including but not limited to (i) demonstrate steady progress from its property development projects to generate positive operating cash flows to the Group, (ii) provide supporting evidence in relation to the continuous financial support from banks and ability of related parties to provide adequate additional funding to the Group; and (iii) successful implementation of plans and measures the Directors have outlined in "Steps taken by the Company since the publication of the 2021 Annual Report to address the 2021 Audit Modification and the progress achieved" above, there is reasonably good prospect that the 2022 Audit Modification could be removed in the next Auditors' report for the financial year ended 31 March 2023.

* *No official English names are available and such English names are for identification purpose only.*

By Order of the Board
Richly Field China Development Limited
Li Yi Feng
Chairman and Chief Executive Officer

Hong Kong, 29 August 2022

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Li Yi Feng (Chairman and Chief Executive Officer) and Mr. Chen Wei (Vice President), and three independent non-executive directors, namely Ms. Hsu Wai Man Helen, Mr. Wong Chi Hong William and Mr. Xu Jinghong.