You should read this section in conjunction with our consolidated financial statements, including the notes thereto, included in the Accountants' Report set out in Appendix I to this listing document. The consolidated financial statements have been prepared in accordance with HKFRS.

The following discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in the section headed "Risk Factors" in this listing document.

OVERVIEW

As a boutique residential property developer, we are principally engaged in development and sales of residential properties in the fast-developing residential markets in Dongguan, Huizhou and Foshan. With cooperation of external contractors, we are involved in all phases of planning and building of our residential property development projects, including land acquisition/transformation, site planning, preparation and improvement of land and design, construction and marketing of homes. We acquire land for our property development projects mainly through (i) public tender, auction or listing-for-sale; and (ii) acquisition of redevelopment sites and conversion into residential development sites. As at the Valuation Date, approximately 64.1% of our land in terms of GFA were acquired from public tender, auction or listing-for-sale, whereas approximately 35.9% of our land were acquired from acquisition of redevelopment sites and conversion into residential development sites.

We have developed two major product series for our homebuyers, namely, "Villas" (豪庭) series, targeting middle income and move-up homebuyers, and "Mansion" (公館) series, targeting first-time homebuyers and retirees. We place a great emphasis on the quality of our products and set detailed standards on a number of design and construction requirements. As at the Valuation Date, we had land bank of approximately 259,632 sq.m., including (i) total GFA saleable for completed properties of approximately 128,160 sq.m. and (ii) total GFA of 131,472 sq.m. held for future development.

For the three years ended 31 March 2022 and the six months ended 30 September 2022, the average selling price was RMB26,527, RMB27,444, RMB30,134 and RMB29,176 per sq.m., respectively. For the three years ended 31 March 2022 and the six months ended 30 September 2022, we recorded revenue of RMB481.8 million, RMB590.8 million, RMB775.6 million and RMB473.0 million, respectively. For the three years ended 31 March 2022 and the six months ended 30 September 2022, our net profit was RMB128.9 million, RMB160.5 million, RMB243.7 million and RMB143.1 million, respectively.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 2 September 2020 as an exempted company with limited liability under the Companies Act Cap. 22 (As Revised) of the Cayman Islands.

The ultimate holding company of our Company is Karrie International which is incorporated in Bermuda with its shares listed on the Main Board of the Stock Exchange.

Our Company is an investment holding company. Our Group is principally engaged in development and sales of residential properties in Dongguan, Huizhou and Foshan.

During the Track Record Period, the principal activities of our Group were carried out by certain subsidiaries of the controlling shareholder of Karrie International, including certain subsidiaries of Karrie International. To rationalise the corporate structure in preparation of the listing of our Shares on the Stock Exchange, we underwent Reorganisation, as more fully explained in the section headed "History, Reorganisation and Corporate Structure" in this listing document.

As part of the Reorganisation, we acquired Dongguan City Jiaxuntong and Kar Info International, the fellow subsidiaries that shared control with Karrie International over the development and sales of the residential units of Phase 3 of Castfast Villas (the "**Property Development Project**") during the Track Record Period. Prior to the Reorganisation, Dongguan City Jiaxuntong completed a corporate division such that only the assets and liabilities in connection with the Property Development Project was retained by Dongguan City Jiaxuntong, whereas all other businesses, assets and liabilities unrelated to the Property Development Project were transferred to a new entity outside of our Group. The table below sets forth the details of the assets and liabilities of Phase 3 Project Company as at the time of transfer of its equity interest from Kar Info Property to our Group in March 2022:

	(RMB'000)
Non-current assets	
Property, plant and equipment	23
Deferred tax assets	94,326
	94,349
Current assets	
Inventories	22,628
Other receivables	4,727
Amounts due from related companies	259,642
Pledged deposits	80
Cash and bank deposits	271
	287,348
Current liabilities	
Other payables	1,210
Receipt in advance	20,292
Amounts due to fellow subsidiaries	194,683
Current tax payable	25,775
	241,960
Net current assets	45,388
Total assets less current liabilities	139,737
NET ASSETS	139,737

As far as the financial information of Dongguan City Jiaxuntong and Kar Info International are concerned, the historical financial information only includes those assets, liabilities, results of operations and cash flows attributable to the Property Development Project during the Track

Record Period to reflect the substance of our Group's principal activities during the periods. Transactions and balances attributed to the Property Development Project have been included in the historical financial information based on specific identification.

Upon completion of the Reorganisation, our Company became the holding company of our Group. The companies now comprising our Group were under common control by Mr. Ho Cheuk Fai before and after the Reorganisation. The control is not transitionary and, consequently, there was a continuation of the risks and benefits to the Controlling Shareholder. Therefore, the Reorganisation is a business combination of entities under common control. The historical financial information has been prepared using the merger basis of accounting as if the companies or businesses now comprising our Group have been combined at the beginning of the Track Record Period. The assets and liabilities of the companies now comprising our Group are combined using the historical carrying amounts from the perspective of the Controlling Shareholder.

The intra-group balances, transactions and unrealised gains/losses on intra-group transactions were eliminated in full in preparing the historical financial information.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, many of which may be beyond our control, including those factors set out in the section headed "Risk Factors" in this listing document and those set out below:

Economic growth and the state of real estate market in the PRC

Economic growth, urbanisation and rising disposable income in China have been the key drivers behind increasing market demand for residential properties. Currently, the real estate industry is regarded by the PRC government as one of the country's pillar industries, it is significantly dependent on overall economic growth, in particular, the cities where we operate and intend to operate are especially important to our sales and profitability. Therefore, this factor will continue to have a significant impact on our business and results of operations.

In addition, our results of operations are primarily subject to the performance of the PRC's real estate market, in particular, supply and demand for residential properties and pricing trends of mid to high-end residential properties in the cities where we operate. Any general economic downturn or downturn in the real estate market, particularly in the cities where we operate, could adversely affect our business, results of operations and financial position. For details, please refer to the section headed "Risk Factors — Risks Relating to Conducting Business in the PRC — The PRC economic, political, social conditions as well as government policies could adversely affect our business, prospects, financial performance and results of operations" in this listing document.

Regulatory environment and measures affecting the real estate industry in China

Our business has been, and will continue to be, affected by the regulatory environment in China, including, specifically, policies and measures adopted by the PRC government on the property development and related industries. In recent years, the PRC government has implemented a series of measures to contain the pace of economic growth, particularly the perceived over-heating in the real estate market. While the PRC government may still regard the real estate industry as important, it has taken restrictive measures to discourage speculation and increase the supply of affordable residential properties. From time to time, the PRC government adjusts or introduces macroeconomic policies to encourage or restrict development in the property sector through regulating, among others, land grants, pre-sales of properties, bank financing, mortgage and taxation. Measures taken by the PRC government to control money supply, credit availability and fixed assets also have a direct impact on our business.

The PRC government may introduce initiatives, which may affect our access to capital and the means through which we finance our property developments. Since the first half of 2010, in response to the rising property prices across the country, the PRC government announced new policies, adopted new measures to curtail speculation in the property market, and imposed more stringent requirements on the payment of land premiums by property developers. These policies include the abolishment of certain preferential treatment in respect of business tax payable upon transfer of residential properties, increased minimum down payment for mortgage loans, more stringent requirements on the payment of land premium, further limits on the number of residential properties one household can buy and a 20% capital gains tax on residential property re-sales. More recently, the property market in the PRC witnessed signs of a slowdown, with some developers reported to have lowered prices in order to stimulate sales, and many local government have relaxed property purchase restrictions previously imposed as cooling measures to help boost demand. PRC regulatory measures in the real estate industry will continue to affect our business. For more details on the relevant PRC laws and regulations, please refer to the sections headed "Risk Factors — Risks Relating to Our Industry" and "Regulatory Overview" in this listing document.

Availability and cost of financing

Financing is an important source of funding for property development. During the Track Record Period, we financed our operations primarily through internally generated cashflow from the pre-sale of our properties, as well as external financings, such as borrowings from banks and amounts due to fellow subsidiaries. The monetary regulations imposed by the PRC government from time to time may affect our access to capital and cost of financing. We are also highly susceptible to any regulations or measures adopted by PBOC, that restrict bank lending, especially those that restrict the ability of property developers to obtain bank financing. As commercial banks in the PRC link the interest rates on their loans to benchmark lending rates published by the PBOC, namely loan prime rates, or LPRs, we expect that any increase in the LPRs benchmark lending rates will increase our borrowing costs. As such, any increase in interest rates offered to our Group and the general credit availability may significantly impact our real estate development business.

In addition, a significant portion of our finance costs are capitalised at the time it is incurred to the extent such costs are directly attributable to the land acquisition and project construction. An increase in our finance costs will negatively affect our profitability and results of operations and the availability of financing will affect our ability to engage in our project development activities, which will adversely affect our results of operations.

Availability and land use rights costs in strategically selected locations

Land use rights costs are one of the major components of our cost of sales for property development. Our continued business growth is highly dependent on our ability to secure and acquire quality land parcels at reasonable prices that can yield favourable returns. As the PRC economy continues to grow and demand for commodity properties remains relatively strong, we expect competition among property developers to intensify, especially in new markets in Dongguan, Huizhou and Foshan where most of our properties are located in.

In addition, PRC governmental land supply policies and implementation measures are likely to further intensify competition, consequently, increase the land use rights costs. In order to participate in the public tender, auction and listing-for-sale processes, we are required to pay a deposit upfront, which typically represents a significant portion of the actual cost of the relevant land and we are required to settle the land use rights costs within the prescribed time limit after signing the land grant contract in accordance with relevant regulation, which has accelerated the timing of our payment for land use rights costs and has had a significant impact on our cash flows. It is generally expected that land use rights costs will continue to rise in the PRC as the economy continues to grow, which may materially and adversely affect our business and operating results.

Construction and labour costs

A key component of our cost of sales is construction costs. Construction costs are affected by the price of certain key construction materials, such as steel and cement. Most building construction materials, including steel and cement, are procured by our contractors. We typically designate the brands and quality requirements of these construction materials in our construction agreements. In most of our construction agreements, the contract price will be adjusted if the market price of such materials fluctuates beyond a certain threshold, and we, as a result, will bear the risks or enjoy the benefits associated with such price increases or decreases outside this range.

We can pass the increases in construction material costs to our homebuyers only to the extent that we are able to increase the prices of our properties and therefore bear the risk of price fluctuations in raw materials to the extent that we are unable to increase our prices to fully cover any increases in costs.

In addition, our results of operations are affected by labour costs, directly on our staff cost and indirectly on our contractors' staff cost. In general, labour costs in the PRC have been increasing in recent years. Increases in labour costs will continue to have an impact on our results of operations.

Pre-sale

Our ability to sell properties prior to completion, known as the pre-sale of properties, constitutes the most important source of our operating cash inflow during project development. The relevant pre-sale requirements vary from city to city and pre-sale proceeds of a project are required to be used to finance its development. The amount and timing of cash inflows from pre-sales are affected by a number of factors, including timing and other restrictions on pre-sale imposed by the PRC government, market demand for our properties subject to pre-sale and the number of properties we have available for pre-sale. Timing of pre-sale is subject to not only our internal schedules but also relevant PRC laws and regulations. For details, please refer to the section headed "Risk Factors — Risks Relating to Our Business — We are exposed to contractual and legal risks related to pre-sales" in this listing document. In addition, delays in construction, regulatory approval and other processes may also adversely affect the timetable of our property development projects. As a result of the time differences between cost incurred, cash received from pre-sales and revenue recognition, our results of operation have fluctuated in the past and are likely to continue to fluctuate in the future.

Revenue and change in product mix

We derive our revenue principally from the sale of residential properties that we develop. As we recognise revenue from the sale of properties upon their delivery, our revenue primarily depends on the volume of properties we sell, the prices at which we make the sales and the timing of delivery of sold properties to homebuyers. The volume of properties we sell and the timing of delivery of sold properties depend on the progress of the construction of our properties and the market response we obtain when we launch our property sales.

Revenue from sales of properties fluctuate based on the levels of actual completion of construction and delivery of our properties and therefore may vary significantly from period to period. Our revenue may fluctuate because of the mix of our property development projects, the timing of completion of our property development projects and the timing of recognition of revenue from pre-sales of units in our development properties. The average selling prices per sq.m. and the gross profit margin of our property products vary by the type of properties we develop and sell. We offer two main series of residential property developments, namely, "Villas" (豪庭) series and "Mansion" (公館) series. Generally, "Villas" (豪庭), which mainly targets middle income and move-up homebuyers, command relatively higher ASP as compared to that of "Mansion" (公館), which mainly target first-time homebuyers and retirees. Our product mix varies from period to period based on a number of factors, including government-regulated plot ratios, project locations, land size and cost, market conditions and our development planning. We adjust our product mix from time to time but may nonetheless be unable to maintain or increase the average selling prices or gross profit margin, which would materially and adversely affect our profitability.

LAT

All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the property, which is calculated by deducting from the gross sales proceeds the cost associated with the property development and certain other deductibles. During the Track Record Period, we assessed the difference between the amount we prepaid and our estimated LAT liability. For the three years ended 31 March 2022 and the six months ended 30 September 2022, we recorded provision for LAT in the amount of RMB135.0 million, RMB168.3 million, RMB222.1 million and RMB130.0 million, respectively. The provision for LAT requires our management to use a significant amount of judgement and estimates and we cannot assure you that the relevant tax authorities will agree to the basis on which we have calculated our LAT liabilities for provision purposes, or that such provisions will be sufficient to cover all LAT obligations that tax authorities may ultimately impose on our Group. Under such circumstances, our results of operations and cashflows may be materially and adversely affected.

CERTAIN SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES AND JUDGEMENT

We have identified certain accounting policies that are significant to the preparation of our Group's financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management judgements based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider: (i) our selection of significant accounting policies; (ii) the judgements and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgements used in the preparation of our Group's financial statements. Our significant accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set forth in detail in note 2 and note 3 to the Accountants' Report in Appendix I to this listing document.

For our accounting estimates on valuation of investment properties, recognition of LAT and the recognition of deferred tax assets, we have not noted material difference of our estimates from the actual results during the Track Record Period. In addition, we did not make any material change in the assumptions underlying such estimates during the Track Record Period. We do not currently expect the methodology and assumptions regarding such estimates to change in the foreseeable future.

We set forth below those accounting policies that we believe are of critical importance to our Group or involve the most significant estimates and judgements used in the preparation of our financial statements:

Revenue recognition

Sale of properties

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when the property is accepted by the customer, or deemed as accepted according to the contract, whichever is earlier, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statements of financial position under contract liabilities. For details, please refer to note 2(j) to the Accountants' Report in Appendix I to this listing document.

If any advance payments received from the buyers are regarded as providing a significant financing benefit to our Group, interest expense arising from the adjustment of time value of money will be accrued by our Group during the period between the payment date and the date of delivery property. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs*, in accordance with the policies set out in note 2(s) to the Accountants' Report in Appendix I to this listing document.

Property development

Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses and an appropriate proportion of overheads and borrowing costs capitalised. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

Completed property held for sale

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In the case of completed properties developed by our Group which comprise of multiple units which are sold individually, the cost of each unit is determined by apportionment of the total development costs for that property development project to each unit on a per square meter basis, unless another basis is more representative of the cost of the specific unit. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

Income tax

Income tax comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, our Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if our Company or our Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, our Company or our Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

— different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

RESULTS OF OPERATIONS

The following table sets forth selected items of our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	Years ended 31 March			Six months ended 30 September	
	2020	2021	2022	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	481,778	590,803	775,555	359,868	473,010
Cost of sales	(132,756)	(161,477)	(188,554)	(88,717)	(118,577)
Gross profit	349,022	429,326	587,001	271,151	354,433
Other net income/gains	2,368	1,153	2,547	820	1,688
Selling expenses	(16,665)	(17,989)	(10,533)	(4,558)	(8,150)
General and administrative expenses	(16,588)	(31,427)	(29,600)	(9,502)	(18,180)
Operating profit	318,137	381,063	549,415	257,911	329,791
Finance income	7,198	9,235	12,764	5,722	3,507
Finance costs	(11,021)	(314)	(4,018)	(941)	(2,185)
Finance (costs)/income, net	(3,823)	8,921	8,746	4,781	1,322
Profit before taxation	314,314	389,984	558,161	262,692	331,113
Income tax charge	(185,377)	(229,481)	(314,501)	(147,427)	(187,986)
Profit for the year/period	128,937	160,503	243,660	115,265	143,127
Other comprehensive income for the year/period	(24,407)	28,346	13,779	6,057	(42,104)
Total comprehensive income for the year/period	104,530	188,849	257,439	121,322	101,023

DESCRIPTION OF SELECTED ITEMS IN OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

Our revenue represents revenue from sales of properties in the PRC. For the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022, our total revenue amounted to approximately RMB481.8 million, RMB590.8 million, RMB775.6 million and RMB473.0 million, respectively. Currently, our Group engages in residential property development in the PRC as the only one operating segment.

We develop and sell residential properties in Dongguan, Huizhou and Foshan. During the Track Record Period, all of our revenue was derived from Castfast Villas in Dongguan and Louvre Mansion in Huizhou.

Cost of sales

Our cost of sales primarily represents the costs we incur directly relating to our property sale activities.

- *Construction and labour costs.* Construction and labour costs include all the costs for the design and construction of a property development project, including costs of construction materials and labour costs. Our construction and labour costs are affected by a number of factors, including the type and geographic condition of the properties constructed and the type and amount of construction materials used, which may vary from city to city. Historically, construction material costs, which are generally included in the payments to the construction contractors, particularly the cost of steel and cement, have been a primary contributing factor in terms of fluctuations in our construction and labour costs.

- *Land use rights costs.* Land use rights costs include costs relating to acquisition of the rights to occupy, use and develop land and primarily land premiums incurred in connection with a land grant from the government. These costs for a project are affected by a number of factors, such as the location of the underlying property, regional property market condition, the timing of the land acquisition, the project's plot ratios, the method of acquisition and changes in PRC regulations. We may also be required to pay demolition and resettlement costs, subject to the condition of the land parcel acquired.

- *Capitalised interest.* We capitalise a significant portion of our finance costs to the extent that such costs are directly attributable to the construction of a particular project. Finance costs that are not directly attributable to the development of a property project are expensed and recorded as finance costs in our consolidated profit or loss in the period in which they are incurred.

The following table sets forth a breakdown of our cost of sales by nature for the years/periods indicated:

	For the year ended 31 March						For the six months ended 30 September			
	2020		2021		2022		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Cost of sales										
Construction and labour costs	113,261	85.3	133,934	82.9	152,173	80.7	71,770	80.9	98,031	82.7
Land use rights costs	16,706	12.6	23,517	14.6	31,237	16.6	15,127	17.1	17,056	14.4
Capitalised interest	2,789	2.1	4,026	2.5	5,144	2.7	1,820	2.0	3,490	2.9
Total	132,756	100.0	161,477	100.0	188,554	100.0	88,717	100.0	118,577	100.0

Construction and labour costs are one of the major components of our cost of sales, accounting for 85.3%, 82.9%, 80.7% and 82.7% of our total cost of sales for the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022, respectively.

The table below sets forth a sensitivity analysis relating to our construction and labour costs, illustrating, for the periods indicated, what the impact on our profit before taxation would have been if our construction and labour costs had been 5% higher or lower.

	For the year ended 31 March			For the six months ended 30 September	
	2020	2021	2022	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Increase/(decrease) in profit before taxation					
If construction and labour costs had been 5% lower	5,663	6,697	7,609	3,589	4,902
If construction and labour costs had been 5% higher	(5,663)	(6,697)	(7,609)	(3,589)	(4,902)

The table below sets forth a sensitivity analysis relating to our ASP, illustrating, for the years/periods indicated, what the impact on our profit before taxation would have been if our ASP had been 5% higher or lower.

	For the year ended 31 March			For the six months ended 30 September	
	2020	2021	2022	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Increase/(decrease) in profit before taxation					
If ASP had been 5% higher	24,088	29,540	38,778	15,984	23,651
If ASP had been 5% lower	(24,088)	(29,540)	(38,778)	(15,984)	(23,651)

During the Track Record Period, our cost of sales continued to increase in absolute amount, primarily due to the increase in the number of our residential property projects completed and delivered, and accordingly, our total delivered GFA continued to grow, which was in line with our overall business expansion activities.

Gross profit and gross profit margin

Our gross profits for the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022 were RMB349.0 million, RMB429.3 million, RMB587.0 million and RMB354.4 million, respectively. Our gross profit margins for the same periods were 72.4%, 72.7%, 75.7% and 74.9%, respectively.

Gross profit and gross profit margin by project series

The following table sets forth a breakdown of gross profit and gross profit margin by projects for the years/periods indicated:

	For the year ended 31 March						For the six months ended 30 September			
	2020		2021		2022		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Phase 3 of Castfast Villas	349,022	72.4	352,866	72.4	52,007	73.7	19,262	73.3	8,425	71.7
Phase 4 of Castfast Villas	—	—	76,460	73.9	402,193	75.9	251,889	75.5	85,821	76.3
Phase 5 of Castfast Villas	—	—	—	—	132,801	76.0	—	—	256,531	75.7
Louvre Mansion	—	—	—	—	—	—	—	—	3,656	36.2
Total	349,022	72.4	429,326	72.7	587,001	75.7	271,151	75.3	354,433	74.9

Our gross profit margin during the Track Record Period is generally higher than that of other industry players mainly due to the fact that vast majority of our GFA delivered during the Track Record Period were urban renewal projects with relatively lower land acquisition cost.

The following table shows the number of units sold, GFA delivered, ASP and revenue by projects of the respective years/periods.

	For the year ended 31 March			For the six months ended 30 September	
	2020	2021	2022	2021	2022
Number of units sold	**202**	**229**	**268**	**132**	**150**
Phase 3 of Castfast Villas	202	188	22	9	4
Phase 4 of Castfast Villas	—	41	195	123	40
Phase 5 of Castfast Villas	—	—	51	—	89
Louvre Mansion	—	—	—	—	17
GFA delivered (sq.m.)	**19,797**	**23,464**	**28,053**	**13,276**	**17,671**
Phase 3 of Castfast Villas	19,797	19,521	2,758	1,040	493
Phase 4 of Castfast Villas	—	3,943	19,402	12,236	4,086
Phase 5 of Castfast Villas	—	—	5,893	—	11,546
Louvre Mansion	—	—	—	—	1,546

	For the year ended 31 March			For the six months ended 30 September	
	2020	2021	2022	2021	2022
ASP (RMB/sq.m.) (VAT inclusive)	**26,527**	**27,444**	**30,134**	**29,547**	**29,176**
Phase 3 of Castfast Villas.	26,527	27,207	27,894	27,538	25,954
Phase 4 of Castfast Villas.	—	28,617	29,788	29,718	29,999
Phase 5 of Castfast Villas.	—	—	32,321	—	31,974
Louvre Mansion	—	—	—	—	7,129
Land acquisition cost (RMB/sq.m.) *(Note)*	**844**	**1,002**	**1,113**	**1,139**	**965**
Phase 3 of Castfast Villas.	844	844	844	844	844
Phase 4 of Castfast Villas.	—	1,786	1,214	1,165	1,190
Phase 5 of Castfast Villas.	—	—	908	—	933
Louvre Mansion	—	—	—	—	649

	For the year ended 31 March			For the six months ended 30 September	
	2020	2021	2022	2021	2022
	(audited)	(audited)	(audited)	(unaudited)	(audited)
Revenue (RMB'000)	**481,778**	**590,803**	**775,555**	**359,868**	**473,010**
Phase 3 of Castfast Villas.	481,778	487,272	70,593	26,266	11,750
Phase 4 of Castfast Villas.	—	103,531	530,235	333,602	112,458
Phase 5 of Castfast Villas.	—	—	174,727	—	338,692
Louvre Mansion	—	—	—	—	10,110

Note:

Phases 4 and 5 of Castfast Villas is comprised of several lots of land with different sizes of area and residential densities, the land acquisition cost of Phases 4 and 5 of Castfast Villas therefore varied throughout the Track Record Period.

The general increase in our gross profit during the Track Record Period was primarily attributable to the general increase in our revenue for development and sales of properties, which was in line with our business growth. Our gross profit margin for sale and development of properties generally increased from the year ended 31 March 2020 to the year ended 31 March 2022, primarily driven by (i) the delivery of Phases 3, 4 and 5 of Castfast Villas, coupled with (ii) the standardisation of our project development, which helped us control development and construction costs and (iii) the general improvement in residential property market condition in Dongguan in the same periods. Our gross profit margin decreased slightly from the six months ended 30 September 2021 to the six months ended 30 September 2022 primarily due to the lower gross profit margin of Louvre Mansion.

According to the C&W Report, the average land acquisition cost of public tender, auction or listing-for-sale process organised by government authorities in Fenggang and Dongguan were RMB 4,112 per sq.m. and RMB 3,344 per sq.m. respectively in the same year when our Group obtained its land. Our Group's average land acquisition cost including land grant premiums, other land-related taxes and government surcharge and costs relating to payments made for demolition of existing buildings and compensation for resettlement of existing residents was RMB 1,150 per sq.m., which is 72% and 66% lower than the average land acquisition cost in Fenggang and Dongguan, respectively as aforesaid.

The average land acquisition cost of Louvre Mansion is RMB649 per sq.m. and is relatively lower than the average land acquisition costs per sq.m. of Phases 3, 4 and 5 of Castfast Villas due to its location and market positioning. We offer two main series of residential property developments, namely, "Villas" (豪庭) series and "Mansion" (公館) series. Generally, "Villas" (豪庭), which mainly targets middle income and move-up homebuyers, command relatively higher ASP as compared to that of "Mansion" (公館), which mainly target first-time homebuyers and retirees. Therefore, the ASP of Louvre Mansion was lower than that of Phases 3, 4 and 5 of Castfast Villas. The gross profit margin of Louvre Mansion is lower than that of different phases of Castfast Villas as Louvre Mansion is not an urban renewal project and has a relatively higher land acquisition cost and relatively lower ASP due to its location and market positioning.

The land acquisition cost of Hecheng Neighbourhood Parcel is RMB1,664 per sq.m. and is relatively higher than the average land acquisition costs of Phases 3, 4 and 5 of Castfast Villas. The ASP of the future project to be developed on Hecheng Neighbourhood Parcel is expected to be higher than that of Phases 3, 4 and 5 of Castfast Villas. Our gross profit margin of the project on Hecheng Neighbourhood Parcel is expected to be lower than that of Phases 3, 4 and 5 of Castfast Villas. For the risk factor relating to the possible impact of the higher land acquisition cost on the Group's gross profit margin, please refer to the section headed "Risk Factors — Our historical financial growth, including revenue and profit margin growth, may not be indicative of our future financial performance" in this listing document.

Other net income/gains

Other net income/gains mainly represents our rental income in connection with our Industrial Complex in Yantian Management Area, Fenggang Town, Dongguan City, net valuation gain or loss on investment properties and net exchange gain or loss.

The following table sets forth a breakdown of our other net income/gains by nature for the years/periods indicated:

	For the year ended 31 March			For the six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Rental income	1,490	1,376	1,404	708	756
Net valuation gain/(loss) on investment properties	80	(235)	900	90	490
Net exchange gain/(loss)	798	(93)	24	22	14
Others	—	105	219	—	428
Total	2,368	1,153	2,547	820	1,688

Selling expenses

Our selling expenses mainly consist of (i) sales commission to real estate agents, (ii) advertising and promotion expenses and (iii) employee salaries and benefit expenses relating to our sales and marketing staff. The decrease in employee salaries and benefit expenses from RMB 1.2 million for the year ended 31 March 2021 to RMB0.7 million for the year ended 31 March 2022 was mainly due to the decrease in the number of employees in sales and marketing function during the year ended 31 March 2022 for the sales of Phase 3 of Castfast Villas as it was close to completion. Our selling expenses accounted for 3.5%, 3.0%, 1.4% and 1.7% of our total revenue for the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022, respectively.

The following table sets forth a breakdown of our selling expenses for the years/periods indicated.

	For the year ended 31 March						For the six months ended 30 September			
	2020		**2021**		**2022**		**2021**		**2022**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Sales commission	11,373	68.2	14,649	81.4	5,681	53.9	2,700	59.2	4,286	52.6
Advertising and promotion expenses . .	3,661	22.0	2,125	11.8	4,106	39.0	1,537	33.7	3,339	41.0
Employee salaries and benefit expenses	1,631	9.8	1,215	6.8	746	7.1	321	7.1	525	6.4
Total	16,665	100.0	17,989	100.0	10,533	100.0	4,558	100.0	8,150	100.0

General and administrative expenses

General and administrative expenses primarily comprise employee salaries and benefit expenses, management and service fees, legal and professional fee, listing expenses, depreciation and amortisation, office expenses, travelling and entertainment expenses, PRC taxes and other. Our general and administrative expenses accounted for 3.4%, 5.3%, 3.8% and 3.8% of our total revenue for the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022, respectively.

The following table sets forth a breakdown of our general and administrative expenses for the years/periods indicated.

	For the year ended 31 March						For the six months ended 30 September			
	2020		2021		2022		2021		2022	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Employee salaries and benefit expenses *(Note 1)*	6,270	37.8	10,222	32.5	9,372	31.7	4,742	49.9	5,880	32.4
Management and service fees *(Note 2)*	3	0.0	2,285	7.3	2,498	8.4	1,165	12.3	4,553	25.0
Legal and professional fee	541	3.3	723	2.3	1,253	4.2	343	3.6	544	3.0
Listing expenses	—	0.0	7,038	22.4	8,233	27.8	30	0.3	3,387	18.6
Office expenses	1,938	11.7	2,342	7.5	1,270	4.3	628	6.6	1,171	6.4
Depreciation and amortisation	758	4.6	820	2.6	768	2.6	400	4.2	636	3.5
Travelling and entertainment expenses	235	1.4	318	1.0	405	1.4	336	3.5	290	1.6
PRC taxes including surcharges and miscellaneous tax	4,312	26.0	6,155	19.6	5,570	18.8	1,746	18.4	1,451	8.0
Other	2,531	15.2	1,524	4.8	231	0.8	112	1.2	268	1.5
Total	16,588	100.0	31,427	100.0	29,600	100.0	9,502	100.0	18,180	100.0

Notes:

(1) Include salaries, bonus, staff benefits, medical welfare and social insurance.

(2) Include management fee of on-site sales offices in our properties. The increase for the year ended 31 March 2021 was mainly because the setting up of new sales office to facilitate sales of Phases 4 and 5 of Castfast Villas and Louvre Mansion. The increase for the six months ended 30 September 2022 was mainly because the management fees paid in respect of unsold residential and commercial units and car parks after completion of the property development projects.

Finance costs, net

Our finance costs mainly represent our interest expenses on bank and other borrowings and amounts due to fellow subsidiaries less capitalised interest relating to properties under development for sale.

The following table sets forth the components of our finance costs for the years/periods indicated.

	For the year ended 31 March			For the six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Finance costs					
— Interest expense from financial liabilities measured at amortised cost	32,890	23,197	24,436	13,567	5,828
— Interest expense on leased liabilities	—	—	18	—	51
Less: Interest expenses capitalised into property under development for sale *(Note)*	(21,869)	(22,883)	(20,436)	(12,626)	(3,694)
	11,021	314	4,018	941	2,185
Finance income					
— Interest income from financial assets measured at amortised cost	(7,198)	(9,235)	(12,764)	(5,722)	(3,507)
Finance costs/(income), net	3,823	(8,921)	(8,746)	(4,781)	(1,322)

Note: The borrowing costs have been capitalised at weighted average rate of 5.14%, 4.23%, 4.14%, 4.08% and 5.25% per annum for the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2021 and 2022.

The construction period for a project does not necessarily coincide with the drawdown and repayment schedules of the relevant loan, and not all of the interest costs related to a project can be capitalised. Our finance costs may fluctuate from period to period, depending on the level of total interest expenses as well as the level of interest costs that are capitalised within the reporting period.

Income tax charge

Our Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

(i) Cayman Islands/BVI profits tax

Our Group has not been subject to any taxation in the Cayman Islands/BVI.

(ii) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5%, for the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022 on the estimated assessable profit for the Track Record Period.

(iii) PRC enterprise income tax

PRC enterprise income tax ("**EIT**") has been generally provided at the applicable enterprise income tax rate of 25% on the estimated assessable profits of the companies in our Group during the Track Record Period.

Our EIT, net of deferred tax impact was RMB50.4 million, RMB61.2 million, RMB92.4 million and RMB58.0 million for the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022, respectively. Our provision for EIT was RMB74.4 million, RMB93.4 million, RMB203.6 million and RMB61.9 million as at 31 March 2020, 2021 and 2022 and 30 September 2022, respectively. The significant increase in EIT provision was mainly due to the increase in revenue recognised for Phase 4 and Phase 5 of Castfast Villas during the year ended 31 March 2022. A significant proportion of the EIT expenses that remained unsettled as at 31 March 2022 had been settled in May 2022. As at 31 January 2023, approximately RMB7,000 of the EIT expenses that remained unsettled as at 30 September 2022 were subsequently settled.

(iv) PRC land appreciation tax

PRC land appreciation tax, or LAT, is levied on properties developed by our Group for sale, at progressive rates ranging from 30% to 60% on appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures, including lease charges of land use rights, borrowing costs and relevant property development expenditures.

The following table sets forth the components of our income tax charge for the years/periods indicated.

	For the year ended 31 March			For the six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current taxation					
Taxes in Mainland China					
— provision for enterprise income tax	81,745	98,400	145,459	67,796	88,769
— reversal for enterprise income tax	—	—	—	—	(96,294)
	81,745	98,400	145,459	67,796	(7,525)
— provision for land appreciation tax	135,002	168,257	222,099	104,288	129,983
Deferred taxation					
Origination and reversal of temporary differences	(31,370)	(37,176)	(53,057)	(24,657)	65,528
Total income tax charge	185,377	229,481	314,501	147,427	187,986

Our income tax charges were RMB185.4 million, RMB229.5 million, RMB314.5 million and RMB188.0 million for the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022, respectively; the effective tax rate for the corresponding periods was 59.0%, 58.8%, 56.3% and 56.8%, respectively.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATION

The six months ended 30 September 2021 compared to the six months ended 30 September 2022

Revenue

Our revenue increased by RMB113.1 million or 31.4% from RMB359.9 million for the six months ended 30 September 2021 to RMB473.0 million for the six months ended 30 September 2022 mainly due to the commencement of the sale and delivery of Phase 5 of Castfast Villas and Louvre Mansion which was partially offset by the slight decrease in ASP from RMB29,547 per sq.m. for the six months ended 30 September 2021 to RMB29,176 per sq.m. for the six months ended 30 September 2022.

Cost of sales

Our cost of sales increased by RMB29.9 million or 33.7% from RMB88.7 million for the six months ended 30 September 2021 to RMB118.6 million for the six months ended 30 September 2022 mainly due to the increase in our construction and labour costs. Our construction and labour costs increased by RMB26.3 million or 36.6% from RMB71.8 million for the six months ended 30 September 2021 to RMB98.0 million for the six months ended 30 September 2022, primarily due to an increase in the scale of our operation in relation to Phase 5 of Castfast Villas and Louvre Mansion.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB83.2 million or 30.7% from RMB271.2 million for the six months ended 30 September 2021 to RMB354.4 million for the six months ended 30 September 2022. Our gross profit margin remained stable at 75.3% for the six months ended 30 September 2021 and 74.9% for the six months ended 30 September 2022.

Other net income/gains

Our other net income/gains increased by RMB0.9 million or 105.9% from RMB0.8 million for the six months ended 30 September 2021 to RMB1.7 million for the six months ended 30 September 2022. The increase in other income was mainly due to the net valuation gain of RMB490,000 in relation to investment properties.

Selling expenses

Our selling expenses increased by RMB3.6 million or 78.8% from RMB4.6 million for the six months ended 30 September 2021 to RMB8.2 million for the six months ended 30 September 2022. The increase was primarily due to the increase in sales commission paid to sales agents of RMB1.6 million and advertising and promotion expenses of RMB1.8 million in relation to the sales of Phase 5 of Castfast Villas and Louvre Mansion.

General and administrative expenses

Our general and administrative expenses increased by RMB8.7 million or 91.3% from RMB9.5 million for the six months ended 30 September 2021 to RMB18.2 million for the six months ended 30 September 2022. The increase was primarily due to (i) the increase in management and service fees of RMB3.4 million as a result of the management fees paid for the unsold units and car parks upon completion of the property development projects; and (ii) the increase in listing expenses of RMB3.4 million.

Finance income

Our finance income decreased by RMB2.2 million or 38.7% from RMB5.7 million for the six months ended 30 September 2021 to RMB3.5 million for the six months ended 30 September 2022. The decrease was mainly due to the decrease in interest income on bank deposits as a result of a decrease in the amount of pre-sale proceeds received.

Finance costs

Our finance costs increased by RMB1.2 million or 132.2% from RMB0.9 million for the six months ended 30 September 2021 to RMB2.2 million for the six months ended 30 September 2022. The increase was mainly because of a decrease in interest capitalised upon completion of Phases 4 and 5 of Castfast Villas.

Profit before taxation

As a result of the foregoing, our profit before taxation increased by RMB68.4 million or 26.0% from RMB262.7 million for the six months ended 30 September 2021 to RMB331.1 million for the six months ended 30 September 2022.

Income tax charge

We recorded an income tax charge of RMB147.4 million and RMB188.0 million for the six months ended 30 September 2021 and 2022, respectively. Effective tax rate was 56.1% for the six months ended 30 September 2021 and 56.8% for the six months ended 30 September 2022.

Profit for the period

As a result of the foregoing, profit for the period increased by RMB27.9 million or 24.2% from RMB115.3 million for the six months ended 30 September 2021 to RMB143.1 million for the six months ended 30 September 2022. Our net profit margin decreased from 32.0% for the six months ended 30 September 2021 to 30.3% for the six months ended 30 September 2022.

The year ended 31 March 2021 compared to the year ended 31 March 2022

Revenue

Our revenue increased by RMB184.8 million or 31.3% from RMB590.8 million for the year ended 31 March 2021 to RMB775.6 million for the year ended 31 March 2022, mainly due to the increase in total GFA delivered from 23,464 sq.m. for the year ended 31 March 2021 to 28,053 sq.m. for the year ended 31 March 2022, as a result of the commencement of the sale of Phase 5 of Castfast Villas and increased GFA delivered of Phase 4 of Castfast Villas coupled with the increase in ASP from RMB27,444 per sq.m. for the year ended 31 March 2021 to RMB 30,134 per sq.m. for the year ended 31 March 2022.

Cost of sales

Our cost of sale increased by RMB27.1 million or 16.8% from RMB161.5 million for the year ended 31 March 2021 to RMB188.6 million for the year ended 31 March 2022, primarily due to the increase in our construction and labour costs. Our construction and labour costs increased by RMB18.2 million or 13.6% from RMB133.9 million for the year ended 31 March 2021 to RMB152.2 million for the year ended 31 March 2022, primarily due to an increase in the scale of our operations in relation to Phase 5 of Castfast Villas.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit rose by RMB157.7 million or 36.7% from RMB429.3 million for the year ended 31 March 2021 to RMB587.0 million for the year ended 31 March 2022 in line with the increase of our revenue primarily due to the GFA delivered increased from 23,464 sq.m. to 28,053 sq.m.. Our gross profit margin increased from 72.7% for the year ended 31 March 2021 to 75.7% for the year ended 31 March 2022, primarily due to contributions from the delivery of Phase 4 and Phase 5 of Castfast Villas which recorded comparatively higher gross profit margins. Phase 4 and Phase 5 of Castfast Villas had higher gross profit margin as they had comparatively high ASP, which was the result of the prevailing price, alongside with an upward trend in price, in the local market.

Other net income/gains

Our other net income/gains increased by RMB1.4 million or 120.9% from RMB1.2 million for the year ended 31 March 2021 to RMB2.5 million for the year ended 31 March 2022, primarily due to net valuation gain of RMB0.9 million in relation to investment properties.

Selling expenses

Our selling expenses decreased by RMB7.5 million or 41.4% from RMB18.0 million for the year ended 31 March 2021 to RMB10.5 million for the year ended 31 March 2022, primarily due to the decreased sales commission paid to sales agent in relation to the sales of Phase 4 and Phase 5 of Castfast Villas which we engaged agents with lower sales commission rates. These agents were agents assigned by various professional real estate agent companies in the PRC. We held a number of sales fair where we engaged professional real estate agent companies which would assign their staff to assist in the sales fair and conduct sales activities such as taking the potential customers to the show flats/residential units, handling sales contracts and customers' enquiries. Since the amount of work load of these agents at the sales fair were less than other real estate agents who are responsible for referring potential customers, they were willing to accept a lower sales commission rate.

General and administrative expenses

Our general and administrative expenses decreased by RMB1.8 million or 5.8% from RMB31.4 million for the year ended 31 March 2021 to RMB29.6 million for the year ended 31 March 2022, primarily due to decrease in employee salaries and benefit expenses of RMB0.9 million as a result of completion of Phase 3 of Castfast Villas, and decrease in PRC taxes of RMB0.6 million as a result of provision of PRC taxes for the year ended 31 March 2021 due to the lower VAT position following the completion of Phase 3 of Castfast Villas.

Finance income

Our finance income increased by RMB3.5 million or 38.2% from RMB9.2 million for the year ended 31 March 2021 to RMB12.8 million for the year ended 31 March 2022. The increase was mainly due to increase in pre-sale proceeds received.

Finance costs

We incurred finance costs of RMB4.0 million for the year ended 31 March 2022, as compared to RMB0.3 million for the year ended 31 March 2021 primarily because less finance costs can be capitalised upon completion of Phases 4 and 5 of Castfast Villas for the year ended 31 March 2022.

Profit before taxation

As a result of the foregoing, our profit before taxation increased by RMB168.2 million or 43.1% from RMB390.0 million for the year ended 31 March 2021 to RMB558.2 million for the year ended 31 March 2022.

Income tax charge

We recorded an income tax charge of RMB229.5 million and RMB314.5 million for the years ended 31 March 2021 and 2022, respectively. Effective tax rate remained stable and was 58.8% for the year ended 31 March 2021 and 56.3% for the year ended 31 March 2022, respectively.

Profit for the year

As a result of the foregoing, our profit for the year increased by RMB83.2 million or 51.8% from RMB160.5 million for the year ended 31 March 2021 to RMB243.7 million for the year ended 31 March 2022. Our net profit margin increased from 27.2% for the year ended 31 March 2021 to 31.4% for the year ended 31 March 2022.

The year ended 31 March 2020 as compared to the year ended 31 March 2021

Revenue

Our revenue increased by RMB109.0 million or 22.6% from RMB481.8 million for the year ended 31 March 2020 to RMB590.8 million for the year ended 31 March 2021, mainly due to the increase in the total GFA delivered from 19,797 sq.m. for the year ended 31 March 2020 to 23,464 sq.m. for the year ended 31 March 2021, which was primarily attributable to the completion and delivery of Phase 4 of Castfast Villas coupled with the increase in ASP of the Phase 3 of Castfast Villas from RMB26,527 per sq.m. for the year ended 31 March 2020 to RMB27,207 per sq.m. in the year ended 31 March 2021.

Cost of sales

Our cost of sales increased by RMB28.7 million or 21.6% from RMB132.8 million for the year ended 31 March 2020 to RMB161.5 million for the year ended 31 March 2021, primarily due to the increase in our cost for development and capitalised interest. Our construction and labour costs increased by RMB20.7 million or 18.3% from RMB113.3 million to RMB133.9 million, primarily due to an increase in the scale of our operations as illustrated with the increase in GFA delivered in relation to Phase 4 of Castfast Villas.

Gross profit and gross profit margin

Our gross profit rose by RMB80.3 million or 23.0% from RMB349.0 million for the year ended 31 March 2020 to RMB429.3 million for the year ended 31 March 2021 in line with the increase in our revenue and primarily due to the GFA delivered increased from 19,797 sq.m. to 23,464 sq.m.. Our gross profit margin remained stable and was 72.4% for the year ended 31 March 2020 and 72.7% for the year ended 31 March 2021.

Selling expenses

Our selling expenses increased by RMB1.3 million or 7.9% from RMB16.7 million for the year ended 31 March 2020 to RMB18.0 million for the year ended 31 March 2021, primarily due to slight increase of sales commission paid to real estate agents.

General and administrative expenses

Our general and administrative expenses increased by RMB14.8 million or 89.5% from RMB16.6 million for the year ended 31 March 2020 to RMB31.4 million for the year ended 31 March 2021, primarily due to increase in employee salaries and benefit expenses of RMB4.0 million due to increase in number of our administrative staff, and increase in listing expenses of RMB7.0 million.

Other net income/gains

Our other net income/gains decreased by 51.3% from RMB2.4 million for the year ended 31 March 2020 to RMB1.2 million for the year ended 31 March 2021, primarily because of a net valuation loss on investment properties of RMB0.2 million and net exchange loss of RMB0.1 million.

Finance income

Our finance income increased by 28.3% from RMB7.2 million for the year ended 31 March 2020 to RMB9.2 million for the year ended 31 March 2021. The increase was mainly due to increase in pre-sale proceeds received.

Finance costs

We incurred finance costs of RMB11.0 million for the year ended 31 March 2020, as compared to RMB0.3 million for the same period in 2021, primarily due to lower finance costs capitalised upon completion of Phase 3 of Castfast Villas and higher weighted average rate of borrowing in relation to new loans obtained for construction of Phases 4 and 5 of Castfast Villas.

Profit before taxation

As a result of the foregoing, our profit before taxation increased by RMB75.7 million or 24.1% from RMB314.3 million for the year ended 31 March 2020 to RMB390.0 million for the same period in 2021.

Income tax charge

We recorded an income tax charge of RMB185.4 million and RMB229.5 million for the year ended 31 March 2020 and 2021, respectively. Effective tax rate remained stable and was 59.0% for the year ended 31 March 2020 and 58.8% for the year ended 31 March 2021.

Profit for the year

As a result of the foregoing, our profit for the year increased by RMB31.6 million or 24.5% from RMB128.9 million for the year ended 31 March 2020 to RMB160.5 million for the year ended 31 March 2021. Our net profit margin increased from 26.8% for the year ended 31 March 2020 to 27.2% in the same period in 2021.

DESCRIPTION OF CERTAIN ITEMS OF OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment primarily comprise (i) furniture, tools and computer equipment, (ii) motor vehicles; and (iii) fixtures and leasehold improvement. Our property, plant and equipment amounted to RMB1.9 million, RMB1.1 million, RMB4.3 million and RMB4.4 million as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively. Increase for the year ended 31 March 2022 was primarily due to an increase in motor vehicles and properties leased for own use.

Investment properties

Investment properties primarily are properties we retain mainly for rental income purposes and for capital appreciation and properties under construction for such purposes. They are measured initially at cost, including transaction costs and subsequent to initial recognition, measured at fair value. Our investment properties as at 31 March 2020, 2021, 2022 and 30 September 2022 amounted to RMB76.3 million, RMB76.4 million, RMB77.3 million and RMB77.8 million, respectively. The fair value of our investment properties as of each reporting date was valued by an independent professional valuer and has demonstrated a continuous increasing trend during the Track Record Period. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Inventories and other contract costs

Our inventories and other contract costs primarily consist of properties under development for sale, completed properties held for sale and other contract costs. The following table sets forth our property development as at the dates indicated:

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property development				
Properties under development for sale.	606,868	861,855	149,650	—
Completed properties held for sale . . .	179,405	88,844	876,738	913,041
	786,273	950,699	1,026,388	913,041
Other contract costs	298	2,860	3,497	1,358
Total	786,571	953,559	1,029,885	914,399

Properties under development for sale

Properties for development for sale in our consolidated statements of financial position are accounted for as current assets. Properties under development include properties in respect of which concrete planning and preparatory activities have been approved by management and have commenced. Properties under development are stated at lower of cost comprising land costs, construction costs and capitalised interests during the development period and net realisable value. Upon completion, the properties are transferred to completed properties for sale. The value of our properties under development was approximately RMB606.9 million, RMB861.9 million, RMB149.7 million and nil, respectively, as at 31 March 2020, 2021 and 2022 and 30 September 2022. The increase in our properties under development from 2020 to 2021 was primarily due to the construction of Castfast Villas and Louvre Mansion. The decrease in our properties under development from 2021 to 2022 was primarily due to the completion of Castfast Villas. As at 30 September 2022, all properties under development for sale as at 31 March 2022 had been transferred to completed properties held for sale due to the completion of Louvre Mansion.

Completed properties held for sale

Completed properties held for sale primarily represent completed properties remaining unsold as at the end of each financial period and are stated at the lower of cost and net realisable value. Cost of completed properties for sale is determined by an apportionment of related costs incurred attributable to the unsold properties. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable selling expenses, or by management estimates of the estimated selling prices based on prevailing market conditions. As at 31 March 2020, 2021 and 2022 and 30 September 2022, we had completed properties for sale of RMB179.4 million, RMB88.8 million, RMB876.7 million and RMB913.0 million, respectively. The value of the completed properties held for sale as at 30 September 2022 that was sold and delivered subsequent to the Track Record Period and up to the Latest Practicable Date amounted to approximately RMB38.3 million, representing 4.2% of the total value of the completed properties held for sale as at 30 September 2022.

The value of completed properties held for sale was assessed at the end of each financial period during the Track Record Period. During the Track Record Period, we did not make any provision for impairment of completed properties held for sale primarily because the development costs that we had incurred for our property development projects were lower than their estimated net realizable value, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions. The market value of the Group's completed properties held for sale as at 31 December 2022 as stated in the Property Valuation Report in Appendix III to this listing document is RMB2,695.6 million, which is higher than their respective costs (after considering, among others, the estimated cost of completion and applicable selling expenses). Based on our estimates of the realizable value of such properties and pursuant to our accounting policies, we have performed the impairment test by comparing the net realizable value and costs, which has showed an estimated surplus of RMB1,780.2 million. As such, our Directors are of the view that there is no recoverability issue for the completed properties, and that no provision has been made.

Prepayments, deposits and other receivables

Our prepayments mainly include the prepayments made to our suppliers or contractors in relation to the feasibility studies, advertising and promotional fee and prepayment of VAT. Deposits are mainly deposits for office equipment and tendering of land. Other receivables are mainly receivables of Dongguan Wansheng, our subsidiary for procuring construction materials. The following table sets forth our prepayments, deposits and other receivables as at the dates indicated:

	As at 31 March			As at 30 September
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	34,520	49,103	54,127	18,168
Deposits	364	327	31,876	78,466
Other receivables	4,318	2,903	596	834
	39,202	52,333	86,599	97,468
Representing:				
Non-current portion	43	—	—	—
Current portion	39,159	52,333	86,599	97,468
	39,202	52,333	86,599	97,468

Note:

The balance of deposits as at 31 March 2022 and 30 September 2022 included a deposit of approximately RMB31.1 million and RMB77.6 million paid in the respective periods in respect of the land-bidding for the land situated at Foshan City. We have successfully won the bidding on 1 April 2022 at a consideration of approximately RMB155.3 million.

For more details of the land, please refer to the section headed "Business — Description of our development projects — Foshan City" in this listing document.

As at the Latest Practicable Date, approximately RMB2.7 million or 2.8% of our prepayments, deposits and other receivables as at 30 September 2022 was subsequently settled.

Prepayments

The following table sets for the breakdown of our prepayments as of the dates indicated.

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments				
VAT recoverable and prepayment	32,861	44,144	47,407	3,833
Other.	1,659	4,959	6,720	14,335
Total.	34,520	49,103	54,127	18,168

VAT recoverable represents the 6% input VAT which is included in the price when our Group purchases materials and construction services for the construction of property development projects.

VAT prepayment represents the VAT paid to the corresponding tax authority when our Group received pre-sale proceeds from our customers, which is 3% of the pre-sale instalment received by our Group.

VAT recoverable and prepayment balances were in line with our construction activities and sales proceeds received during the respective periods. VAT recoverable would be accumulated during the construction stage of the property development projects, and VAT prepayment would be accumulated during the pre-sales stage of the property development projects. When the control over the residential units were passed to our customers (i.e. when sales were recognised), our Group would be liable to a VAT amounted to 9% of the selling price of the residential units. VAT prepayments would be utilized in determining the output VAT payment relating to the units sold, and the VAT recoverable could be used to offset with the net output VAT amount.

The substantial decrease in VAT recoverable and prepayment as at 30 September 2022 was mainly attributable to (i) the limited increase in VAT recoverable due to the completion of constructions for property development projects; and (ii) the utilisation of VAT prepayment that were paid in previous periods and the offset of VAT recoverable due to the completion of sales for the residential units of Phases 4 and 5 of Castfast Villas and Louvre Mansion.

Pledged deposits

As at 31 March 2020, 31 March 2022 and 30 September 2022, we recorded pledged deposits of RMB50.0 million, RMB68.7 million and RMB21.9 million, respectively, representing deposits pledged to secure our banking facilities. We had no pledged deposits as at 31 March 2021.

RELATED PARTY TRANSACTIONS

The related party transactions during the Track Record Period are as set forth in note 27 to the Accountants' Report in Appendix I to this listing document.

	For the years ended 31 March			For the six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales to related parties *(note (i))*	4,650	3,707	—	—	2,740
Construction costs paid to related parties *(note (i))*	30,044	636	—	—	—
Rental expenses paid to related parties *(note (i))*	819	—	—	—	12
Rental income received from related parties *(note (i))*	246	246	246	123	123
Finance costs payable to related parties	9,457	5,963	6,150	3,072	—

Note:

(i) These related party transactions are trade-in-nature.

Balances with related parties

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from Dongguan Jiale *(note (i))*	436,942	435,621	1,719	5,739
Amount due from Kar Info Property Limited *(note (ii))*	—	—	28,616	—
Amount due from related parties	436,942	435,621	30,335	5,739
Amounts due from fellow subsidiaries *(note (iii))*	52,560	140,684	5,484	335
Amounts due from related companies	489,502	576,305	35,819	6,074
Amount due to Kar Info Property Limited *(note (ii))*	—	—	—	3,221
Amounts due to fellow subsidiaries *(note (iv))*	466,536	543,328	—	26,934
Amount due to related companies	466,536	543,328	—	30,155

Notes:

(i) Represents the amount due from Dongguan Jiale, a new entity established by Mr. Ho Cheuk Fai as a result of the Corporate Division as mentioned in note 1 to the Accountants' Report in Appendix I to this listing document. The amount with Dongguan Jiale was paid by Dongguan City Jiaxuntong prior to the Corporate Division to provide financial support to Dongguan Jiale's business operations. The amounts are unsecured, interest-free, recoverable on demand and non-trade in nature. Our Directors confirm that the amounts will be settled prior to the Listing.

During the year ended 31 March 2022, the amount due from the related party of RMB276.3 million was settled by debt assumption as part of the consideration pursuant to the acquisition agreement of Dongguan City Jiaxuntong, and the amount was recognised as merger reserve as set out in note 24(c)(iii) to the Accountants' Report in Appendix I to this listing document.

(ii) Represents the amount due from/(to) Kar Info Property Limited, the vendor for the acquisition of Dongguan City Jiaxuntong that was wholly-owned by Mr. Ho Cheuk Fai. The balance as at 31 March 2022 was related to LAT payment by Dongguan City Jiaxuntong that was in excess of the provision amount for LAT when acquisition consideration was determined. Such excess amount of RMB28.6 million would be refunded to our Group pursuant to the acquisition agreement of Dongguan City Jiaxuntong.

During the six months ended 30 September 2022, Dongguan City Jiaxuntong received EIT refund of RMB42.9 million that was in excess of the net tax positions when acquisition consideration was determined. Such excess amount is entitled by the vendor pursuant to the acquisition agreement of Dongguan City Jiaxuntong. In addition, provision for LAT and EIT related to the Corporate Division, amounted to RMB11.4 million, are payable by Dongguan City Jiaxuntong to tax authority, while such amount is payable by the vendor pursuant to the acquisition agreement of Dongguan City Jiaxuntong, this amount is recoverable from the vendor as at 30 September 2022. The amounts are unsecured, interest-free, recoverable/repayable on demand and non-trade in nature. Our Directors confirm that the amounts will be settled prior to the Listing.

(iii) The amounts due from fellow subsidiaries are unsecured, interest-free, recoverable/repayable on demand and non-trade in nature.

Our Directors confirm that the amounts due from fellow subsidiaries will be recovered prior to the Listing.

(iv) Throughout the Track Record Period, funding was provided by Karrie International and its fellow subsidiaries to our Group to financially support our Group's operations. The amounts due to fellow subsidiaries are unsecured, interest-free, repayable on demand and non-trade in nature, except for the balance amounted to RMB375.1 million, RMB363.6 million, nil and nil as at 31 March 2020, 2021 and 2022 and 30 September 2022 which were deemed to have an effective interest rate of 3.59%, 2.10%, nil and nil, respectively. The amounts are non-trade in nature.

During the year ended 31 March 2022, the amounts due to related companies of RMB374.4 million was capitalised as consideration for one Share issued, details of the transaction are more fully explained in the section headed "History, Reorganisation and Corporate Structure" in this listing document.

Our Directors confirm that the amounts due to related companies will be settled prior to the Listing.

Our Directors confirm that the amounts due from/to related companies and related companies will be settled prior to Listing. All the balances with the related parties are non-trade in nature.

Save as disclosed in the section headed "Continuing Connected Transactions" in this listing document, there will be no other continuing connected transactions after Listing.

Trade and other payables

Our trade payables were mainly purchases with invoices while our other payables and accruals primarily include accruals for construction costs, loan interest payables and other expenses payables.

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	2,320	901	914
Other payables and accruals	82,904	43,895	164,071	80,628
	82,904	46,215	164,972	81,542

All of the other payables as at 31 March 2020, 2021, 2022 and 30 September 2022 are expected to be settled within one year.

Ageing analysis of trade payables as at the end of the reporting period, based on invoice date, is as follows:

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	—	2,320	883	13
6 months to 12 months	—	—	—	883
Over 12 months	—	—	18	18
	—	2,320	901	914

As at the Latest Practicable Date, approximately RMB854,000 or 93.5% of our trade payables as at 30 September 2022 were subsequently settled.

Lease Liabilities

As at 31 March 2022 and 30 September 2022, we had lease contracts of an exhibition centre used in our operations. This lease has a lease term of five years. The carrying amount of lease liabilities was RMB2.4 million and RMB2.2 million as at 31 March 2022 and 30 September 2022, respectively.

Contract liabilities

Our contract liabilities consist of the amounts received by our Group from customers when they sign the sale contract. These receipts in advance are recognised as contract liabilities until the properties are completed and accepted by our customers, or deemed as accepted according to the sale contract, whichever is earlier, as the point in time when the control of completed property is transferred to our customers resulting in recognition of the corresponding revenue. All contract liabilities are expected to be recognised as revenue within one year. Our contract liabilities increased from RMB176.0 million as at 31 March 2020 to RMB359.2 million as at 31 March 2021 and further increased to RMB407.2 million as at 31 March 2022, which was aligned with the expansion of our property development activities. Our contract liabilities decreased from RMB407.2 million as at 31 March 2022 to RMB133.5 million as at 30 September 2022, mainly due to the decrease in pre-sale proceeds and the corresponding recognition of revenue as a result of delivery of the property development projects.

As at the Latest Practicable Date, approximately RMB74.6 million, representing 55.9% of our contract liabilities as at 30 September 2022 were subsequently recognised as revenue.

NET CURRENT ASSETS

During the Track Record Period, we had met our working capital needs mainly from cash flow from operations, bank and other borrowings and amounts due to fellow subsidiaries.

The following table sets forth a breakdown of our net current assets as at the dates indicated.

	As at 31 March			As at 30 September	As at 31 January
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current assets					
Inventories and other contract costs	786,571	953,559	1,029,885	914,399	910,824
Prepayments, deposits and other receivables	39,159	52,333	86,599	97,468	104,232
Amounts due from related companies	489,502	576,305	35,819	6,074	11,243
Prepaid taxes	198	4	247	—	—
Pledged deposits	50,000	—	68,731	21,931	—
Cash and bank deposits and restricted deposits	220,635	446,860	524,099	369,644	264,195
Total current assets	1,586,065	2,029,061	1,745,380	1,409,516	1,290,494
Current liabilities					
Bank borrowings	25,157	85,747	236,479	146,698	—
Trade and other payables	82,904	46,215	164,972	81,542	68,441
Lease liabilities	—	—	514	500	500
Contract liabilities	176,037	359,239	407,227	133,461	126,369
Amounts due to related companies	466,536	543,328	—	30,155	23,382
Current tax payable	271,842	432,688	396,056	375,612	419,428
Total current liabilities	1,022,476	1,467,217	1,205,248	767,968	638,120
Net current assets	563,589	561,844	540,132	641,548	652,374

Our net current assets generally decreased during the Track Record Period primarily due to continuous increases in contract liabilities and trade and other payables in line with expansion of our property development activities, partially offset by increases in inventories and other contract costs as we accelerated our business expansion.

Our net current assets increased from RMB540.1 million as at 31 March 2022 to RMB641.5 million as at 30 September 2022 primarily due to decrease in bank borrowing and contract liabilities, partially offset by the decrease in cash and bank deposits and restricted deposits and pledged deposits.

Our net current asset increased from RMB641.5 million as at 30 September 2022 to RMB652.4 million as at 31 January 2023 primarily due to decrease in bank borrowings.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our operations are capital intensive, and our primary uses of cash are for the payment of acquisition of land, cost of constructions, staff costs, various operating expenses and capital expenditure and have been funded through a combination of cash generated mainly from our operations, bank borrowing and amounts due to fellow subsidiaries. Following the completion of the Spin-off and the Listing, we intend to continue to fund our cash requirements through our net cash flows from operating activities.

The following table summarises our statements of cash flows during the Track Record Period:

	For the year ended 31 March			For the six months ended 30 September	
	2020	2021	2022	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash generated from operations	86,454	285,634	919,503	319,621	50,759
Income tax paid	(84,202)	(105,719)	(436,115)	(42,792)	(191,133)
Income tax refunded	—	—	—	—	80,015
Net cash generated from/(used in) operating activities	2,252	179,915	483,388	276,829	(60,359)
Net cash generated from investing activities	96,414	8,687	11,181	5,666	2,798
Net cash (used in)/generated from financing activities	(27,364)	38,933	(417,363)	19,594	(99,418)

	For the year ended 31 March			For the six months ended 30 September	
	2020	2021	2022	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Increase/(decrease) in cash and cash equivalents	71,302	227,535	77,206	302,089	(156,979)
Cash and cash equivalents at the beginning of the year/period	148,156	220,635	446,860	446,860	524,099
Effect of foreign exchange rate changes	1,177	(1,310)	33	(30)	2,524
Cash and cash equivalents at the end of the year/period	220,635	446,860	524,099	748,919	369,644

Net cash generated from/(used in) operating activities

Our primary source of cash generated from operating activities is proceeds from the sales of our properties, including pre-sales of properties under development. Our primary uses of cash in operating activities are amounts that we pay for our property development activities, including land use rights costs and construction and labour costs.

For the six months ended 30 September 2022, our net cash used in operating activities were RMB60.4 million, which was the results of income tax paid of RMB191.1 million offset by cash generated from operations of RMB50.8 million and income tax refund of RMB80.0 million. Net cash generated from operations was primarily the result of profit before taxation of RMB331.1 million and decrease in inventories and other contract costs of RMB96.7 million, offset by decrease in contract liabilities of RMB273.8 million mainly due to the decrease in pre-sale proceeds and the corresponding recognition of revenue as a result of delivery of the property development projects and decrease in trade and other payables of RMB59.9 million and the increase in amounts due from related companies of RMB32.7 million.

We intend to improve our cash flow from operating activities by (i) improving our cash flow from sales of properties by strengthening marketing efforts and enhancing cash collection from our customers; and (ii) carefully monitoring our cash outflow associated with the development and construction schedules by optimising payment schedules for land acquisitions costs and construction fees to match with our cash collection schedule with respect to the sale of properties and our sales and marketing plans. In addition, we will closely monitor our cash outflow by establishing our development and construction schedules, property sales and land acquisition plans based on the cash inflow associated with external financing opportunities.

For the year ended 31 March 2022, our net cash generated from operating activities were RMB483.4 million, which was the result of cash generated from operations of RMB919.5 million offset by income tax paid of RMB436.1 million. Net cash generated from operations was primarily the result of profit before taxation of RMB558.2 million, decrease in amounts due from related companies of RMB293.7 million and increase in trade and other payables of RMB102.2 million.

For the year ended 31 March 2021, our net cash generated from operating activities were RMB179.9 million, which was the result of cash generated from operations of RMB285.6 million offset by income tax paid of RMB105.7 million. Net cash generated from operations was primarily the result of profit before taxation of RMB390.0 million, increase in contract liabilities of RMB182.9 million, offset by increase in amounts due from related companies of RMB86.9 million and increase in inventories and other contract costs of RMB127.3 million.

For the year ended 31 March 2020, our net cash generated from operating activities were RMB2.3 million, which was the result of cash generated from operations of RMB86.5 million offset by income tax paid of RMB84.2 million. Net cash generated from operations was primarily the result of profit before taxation of RMB314.3 million, increase in contract liabilities of RMB93.2 million, offset by increase in amounts due from related companies of RMB210.9 million and increase in inventories and other contract costs of RMB124.5 million.

Net cash (used in)/generated from investing activities

Net cash generated from our investing activities is primarily related to cash inflow in connection with interest received and proceeds from redemption of deposits. Net cash used in our investing activities is primarily related to cash outflow in connection with, purchase of property, plant and equipment, addition of investment properties and placement of deposits.

For the six months ended 30 September 2022, our net cash generated from investing activities were RMB2.8 million, primarily attributable to interest received of RMB3.5 million.

For the year ended 31 March 2022, our net cash generated from investing activities were RMB11.2 million, primarily attributable to interest received of RMB12.8 million.

For the year ended 31 March 2021, our net cash generated from investing activities were RMB8.7 million, primarily attributable to interest received of RMB9.2 million and placement and redemption of deposits of RMB125.0 million.

For the year ended 31 March 2020, our net cash generated from investing activities were RMB96.4 million, primarily interest received of RMB7.2 million, proceeds from redemption of deposits of RMB190.0 million offset by placement of deposits of RMB100.0 million.

Net cash (used in)/generated from financing activities

Cash generated from financing activities is primarily related to proceeds from new bank borrowings and increase in amount due to fellow subsidiaries. Cash used in financing activities is primarily related to repayment of bank borrowings, interest paid and distribution paid.

For the six months ended 30 September 2022, our net cash used in financing activities was RMB99.4 million, which was primarily attributable to repayment of bank borrowings of RMB102.2 million and distribution paid of RMB65.0 million partially offset by the decrease in pledged deposits of RMB46.8 million and increase in amounts due to related parties of RMB27.3 million.

For the year ended 31 March 2022, our net cash used in financing activities was RMB417.4 million, which was primarily attributable to repayment of bank borrowings of RMB139.6 million, decrease in amounts due to fellow subsidiaries of RMB162.5 million and increase in pledged deposits of RMB68.7 million.

For the year ended 31 March 2021, our net cash generated from financing activities was RMB38.9 million, which was primarily attributable to decrease in pledged deposits of RMB50.0 million and increase in amounts due to fellow subsidiaries of RMB25.5 million partially offset by distribution paid of RMB20.0 million and interest paid of RMB19.5 million.

For the year ended 31 March 2020, our net cash used in financing activities was RMB27.4 million, which was primarily attributable to repayment of bank borrowings of RMB212.8 million, increase in pledged deposits of RMB50.0 million partially offset by proceeds from new bank borrowings of RMB188.0 million and increase in amounts due to fellow subsidiaries of RMB80.7 million.

Working Capital

Substantial capital expenditures are required in property development for land acquisition and construction. During the Track Record Period, we funded our growth primarily through proceeds generated from pre-sales and sales of our properties and bank borrowings. The availability and cost of financing may be subject to a number of factors, such as measures or initiatives imposed by the PRC government on borrowings. We expect to continue to fund our operations by cash generated from operations and external financing.

After taking into consideration the financial resources available to our Group, including our cash on hand and operating cash flows, and in the absence of unforeseen circumstances, our Directors confirm that we have sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this listing document.

CAPITAL EXPENDITURES

Our Group's capital expenditures have principally consisted of expenditures on acquisitions of property, plant and equipment in our operations. For the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2022, our Group incurred capital expenditures of RMB0.7 million, RMB0.2 million, RMB1.6 million and RMB0.7 million, respectively. Between 1 October 2022 and the Latest Practicable Date, we did not make any material capital expenditures.

We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

COMMITMENTS AND CONTINGENT LIABILITIES/FINANCIAL GUARANTEES

We had the following capital commitments and contingent liabilities/financial guarantees:

	As at 31 March			As at 30 September
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	301,369	115,173	13,366	80,506

Our property development expenditure commitments as at the end of each reporting period during the Track Record Period were the commitments which will be incurred in accordance with the construction progress of our property development projects. Our Directors believe that we will be able to settle our property development expenditure commitments by proceeds received from the sale and pre-sale of our properties, bank borrowings and internal resources.

The undiscounted lease payments to be received under non-cancellable operating leases by our Group were as follows:

	As at 31 March			As at 30 September
	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	64	64	64	64

Contingent liabilities/financial guarantees

As at 31 March 2020, 2021, 2022 and 30 September 2022, we have issued guarantees to banks to secure the mortgage arrangements of certain property buyers. The outstanding guarantees to the banks amounted to RMB521.9 million, RMB421.6 million, RMB695.8 million and RMB512.5 million as at 31 March 2020, 2021, 2022 and 30 September 2022, which will be released upon the completion of the transfer procedures with the property buyers in respect of the legal title of the properties.

Our Directors do not consider our Group will sustain a loss under these guarantees as the bank has the rights to sell the property and recovers the outstanding loan balance from the sale proceeds if the property buyers have default payment.

During the Track Record Period, we provided guarantees to secure the loans borrowed by related companies which shall be released upon Listing. The total banking facilities granted to related companies were RMB423.4 million, RMB558.8 million, RMB571.7 million and RMB550.7 million, respectively as at 31 March 2020, 2021 and 2022 and 30 September 2022, respectively. The outstanding bank borrowings of the related companies as at 31 March 2020, 2021 and 2022 and 30 September 2022, amounted to RMB211.4 million, RMB222.2 million, RMB349.6 million and RMB321.6 million, respectively. Our Directors do not consider it is probable that a claim will be made against our Group under the guarantees.

INDEBTEDNESS

As at 31 March 2020, 2021, 2022, 30 September 2022 and 31 January 2023, our total borrowings (including interest-bearing bank borrowings, amounts due to related companies and lease liabilities) amounted to RMB848.9 million, RMB913.8 million, RMB238.9 million, RMB179.0 million and RMB25.4 million, respectively.

The following table sets out our indebtedness as at the dates indicated.

	As at 31 March			As at 30 September	As at 31 January
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current					
Bank borrowings — secured and guaranteed	357,213	284,703	—	—	—
Lease liabilities	—	—	1,859	1,670	1,531
Current					
Bank borrowings — secured and guaranteed	25,157	85,747	236,479	146,698	—
Amounts due to related companies	466,536	543,328	—	30,155	23,382
Lease liabilities	—	—	514	500	500
Total	848,906	913,778	238,852	179,023	25,413

As at 31 March 2020, 2021 and 2022, 30 September 2022 and 31 January 2023, our bank borrowings were repayable as follows.

	As at 31 March			As at 30 September	As at 31 January
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Portion of bank borrowings repayable within one year and classified as current liabilities	25,157	85,747	236,479	146,698	—

	As at 31 March			As at 30 September	As at 31 January
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Portion of bank borrowings repayable after one year and classified as non-current liabilities					
— After 1 year but within 2 years.	83,029	284,703	—	—	—
— After 2 years but within 5 years.	274,184	—	—	—	—
	357,213	284,703	—	—	—
Total bank borrowings .	382,370	370,450	236,479	146,698	—

The bank borrowings of our Group were guaranteed by our Group's certain subsidiaries and pledged by certain assets of our Group. At the close of business on 31 January 2023, being the latest practicable date for the purpose of this indebtedness statement, we did not have any outstanding bank borrowings which was guaranteed by our certain subsidiary and secured by certain assets of our Group.

As at 31 March 2020, 2021, 2022 and 30 September 2022, some of our Group's banking facilities are subject to the fulfilment of covenants. If our Group were to breach the covenants, the drawdown facilities would become repayable on demand. Our Group regularly monitors our compliance with these covenants. As at 31 March 2020, 2021, 2022 and 30 September 2022, none of the covenants relating to drawdown facilities had been breached. Our Group's banking facilities are subject to restrictive covenants on maintaining minimum deposit balances in our relevant designated escrow accounts. During the Track Record Period, our Group did not breach the restrictive covenants on maintaining minimum deposit balances as required by the respective banks.

Further, our Group's banking facilities are project loans in nature and each project loan is subject to restrictive covenants related to such project, including but not limited to (i) pledging the Group's land use rights or other assets with the relevant bank; (ii) fulfilling requirements such as minimum total GFA of the project; and (iii) maintaining adequate insurance coverage. During the Track Record Period, we were not subject to any loan recall or early repayment request by the relevant banks, our Group did not materially breach any restrictive covenants.

During the Track Record Period, we did not experience any delay or default in repayment of bank borrowings nor experience any difficulty in obtaining banking facilities with terms that are commercially acceptable to us. As at the date of this listing document, we did not have any plan for material external debt financing.

As at 31 January 2023, being the latest practicable date for the purpose of this indebtedness statement, we had no outstanding bank borrowings.

Apart from intra-group liabilities, our Group did not have outstanding at Latest Practicable Date any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet transaction to guarantee the payment obligations of any third parties or related persons other than as disclosed above.

KEY FINANCIAL RATIOS

The following table sets forth key financial ratios as at and for the years/period indicated:

	As at/for the year ended 31 March			As at/for the six months ended 30 September
	2020	**2021**	**2022**	**2022**
Gross profit margin [(1)]	72.4%	72.7%	75.7%	74.9%
Net profit margin [(2)]	26.8%	27.2%	31.4%	30.3%
Return on equity [(3)]	39.9%	37.3%	32.5%	N/A
Return on total assets [(4)]	7.5%	7.3%	12.3%	N/A
Current ratio [(5)]	1.6	1.4	1.4	1.8
Gearing ratio [(6)]	1.2	0.9	0.3	0.2
Net gearing ratio [(7)]	34.6%	net cash	net cash	net cash

Notes:

(1) Gross profit margin is calculated by dividing the gross profit for the year/period by the revenue for the respective year/period and multiplied by 100%.

(2) Net profit margin is calculated by dividing profit for the year/period by revenue for the respective year/period and multiplied by 100%.

(3) Return on equity is calculated by dividing profit for the year by total equity as at the end of the respective year multiplied by 100%.

(4) Return on total assets is calculated by dividing profit for the year by total assets as at the end of the respective year and multiplied by 100%.

(5) Current ratio is calculated by dividing current assets by current liabilities as at the end of the respective dates.

(6) Gearing ratio is calculated by dividing total bank borrowings and lease liabilities by total equity as at the end of the respective dates.

(7) Net gearing ratio is calculated by dividing total bank borrowings and lease liabilities less cash and bank deposits and pledged deposits by total equity as at the end of the respective dates and multiplied by 100%.

Gross profit margin

Our gross profit margin decreased slightly from 75.7% for the year ended 31 March 2022 to 74.9% for the six months ended 30 September 2022 primarily due to the lower gross profit margin for Louvre Mansion.

Our gross profit margin increased from 72.7% for the year ended 31 March 2021 to 75.7% for the year ended 31 March 2022, which was mainly due to higher ASP and higher gross profit margin for Phase 4 and Phase 5 of Castfast Villas.

Our gross profit margin remained stable and was 72.4% for the year ended 31 March 2020 and 72.7% for the year ended 31 March 2021.

Net profit margin

Our net profit margin remained stable and was 31.4% for the year ended 31 March 2022 and 30.3% for the six months ended 30 September 2022.

Our net profit margin increased from 27.2% for the year ended 31 March 2021 to 31.4% for the year ended 31 March 2022 which was mainly due to higher ASP and higher gross profit margin for Phase 4 and Phase 5 of Castfast Villas.

Our net profit margin increased from 26.8% for the year ended 31 March 2020 to 27.2% for the year ended 31 March 2021.

Return on equity

Our return on equity was 39.9%, 37.3% and 32.5% for the years ended 31 March 2020, 2021 and 2022, respectively. For the years ended 31 March 2020, 2021 and 2022, we continued to record an increase in profit for the year which contributed to an increase in our total equity at a greater magnitude given our low level of equity base and therefore our return on equity continued to decrease.

Return on total assets

Our return on total assets remained relatively stable at 7.5% and 7.3% for the years ended 31 March 2020 and 2021, respectively. Our return on total assets increased to 12.3% for the year ended 31 March 2022 primarily due to increase in our profit for the year ended 31 March 2022.

Current ratio

Our current ratio remained relatively stable at 1.6, 1.4, 1.4 and 1.8 times as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively.

Gearing ratio

Our gearing ratio was 1.2, 0.9, 0.3 and 0.2 times as at 31 March 2020, 2021, 2022 and 30 September 2022, respectively. Our decrease in gearing ratio generally corresponds to the gradual decrease in our bank and other borrowings, coupled with effect of the increase in our total equity resulting from the profit for the year/period.

Net gearing ratio

Our net gearing ratio was 34.6% as at 31 March 2020. We had net cash as at 31 March 2021, 31 March 2022 and 30 September 2022, respectively. Our decrease in net gearing ratio generally corresponds to the decrease in our bank and other borrowings, and increment of pre-sale proceeds, coupled with the effect of the increase in our total equity resulting from the profit for the year/period.

The Proposed Three Red Lines Policy

In a public forum held in August 2020, the MOHURD, the PBOC and certain property developers jointly discussed the long term regulatory mechanisms for the real estate sector in the PRC, which indicated that the proposed new standards, regulations or rules governing the external financing of property developers in the PRC as follow.

Three pro forma ratios are required under such newly proposed standard, also known as the "Three Red-Lines", including: (a) liability-to-asset ratio after excluding contractual liabilities should not exceed 70.0%; (b) net gearing ratio should not exceed 100%; and (c) non-restricted cash-to-current borrowing ratio should not be lower than 1.0. For property developers who are not in compliance with all of three red-lines, they need to commit the target of deleveraging by 30 June 2023. It is further stipulated that (i) for property developers which comply with all of the three red-lines, their size of interest bearing liabilities may increase by less than 15% annually; (ii) for property developers which only comply with two of the three red-lines, their size of interest-bearing liabilities may increase by less than 10% annually; (iii) for property developers which only comply with one of the three red-lines, their size of interest-bearing liabilities may increase by less than 5% annually; and (iv) for property developers which fail to comply with all of the three red-lines, their size of interest-bearing liabilities shall not increase at all.

As at 30 September 2022, we had (1) liability-to-asset ratio after excluding contractual liabilities (calculated by dividing total liabilities minus contract liabilities by total assets minus contract liabilities) of 45.6%, which is below the cap ratio of 70.0%; (2) net gearing ratio (calculated based on the total bank borrowings and lease liabilities less cash and bank balances divided by the total equity at the end of the year multiplied by 100%) was not applicable as we were at a net cash position; and (3) non-restricted cash-to-current borrowing ratio (calculated by dividing non-restricted cash and cash equivalents by current borrowings) of 2.7, which was higher than the minimum requirement of 1.0.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as interest rates, credit and liquidity.

Interest rate risk

Our Group's interest rate risk arises primarily from bank borrowing issued at variable rates that expose our Group to cash flow interest rate risk. Our Group does not use financial derivatives to hedge against the interest rate risk. Our Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of our Group's bank borrowings and amount due to fellow subsidiaries with deemed interest at the end of the respective period:

	As at 31 March						As at 30 September	
	2020		2021		2022		2022	
	Effective interest rate	*RMB'000*	*Effective interest rate*	*RMB'000*	*Effective interest rate*	*RMB'000*	*Effective interest rate*	*RMB'000*
Borrowings with floating rate:								
Bank borrowings	5.86%	382,370	5.13%	370,450	5.08%	236,479	6.06%	146,698
Amounts due to fellow subsidiaries	3.59%	375,124	2.10%	363,606	—	—	—	—
		757,494		734,056		236,479		146,698

(ii) Sensitivity analysis

As at 31 March 2020, 2021 and 2022 and 30 September 2022, it has estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased our Group's profit after taxation and retained earnings by approximately RMB3.1 million, RMB3.0 million, RMB0.9 million and RMB0.6 million, respectively.

In respect of the net exposure to cash flow interest rate risk arising from floating rate bank borrowings held by our Group at the end of the reporting period, the impact on our Group's profit after taxation and retained earnings is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on a consistent basis for the Track Record Period.

The sensitivity analysis above assumes that the change in interest rates had occurred at the end of the reporting period and had been applied to all floating rate bank and other borrowings, without taking into account the impact of interest capitalisation.

Currency risk

Our Group operates primarily in the PRC and most of its business transactions, assets and liabilities are denominated in RMB and Hong Kong dollars. Currency risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations that are denominated in a currency that is not the entity's functional currency. Our management considers that our Group is mainly exposed to foreign currency risk with respect to United States Dollars. Our management will continue to monitor foreign exchange exposure and will take measures to minimise the currency translation risk. The conversion rate of RMB to foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

The following table details the currency portfolio of our Group's monetary assets denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the portfolio are expressed in RMB, translated using the spot rate at the end of the reporting period:

	As at 31 March			As at 30 September
	2020	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank deposits in USD	3,049	94	65	69

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

LISTING EXPENSES

For the year ended 31 March 2020, we did not incur any listing expenses for the Listing. We incurred listing expenses of approximately RMB7.0 million, RMB8.2 million and RMB3.4 million for the years ended 31 March 2021 and 2022 and the six months ended 30 September 2022. Approximately RMB11.7 million of listing expense is expected to be recognised and charged to our consolidated statements of profit or loss subsequent to the Track Record Period. The total amount of listing expenses for the Listing are estimated to be RMB30.3 million, of which (i) no underwriting related expenses (including but not limited to commission and fee) will be involved due to listing by way of introduction, (ii) non-underwriting-related expenses amount to RMB30.3 million, comprising fees and expenses of accountants of RMB5.6 million, fees and expenses of legal advisors of RMB12.4 million and other fees and expenses of RMB12.3 million.

DIVIDEND POLICY

Prior to the acquisition of Dongguan City Jiaxuntong which was approved by the shareholders of Karrie International on 21 February 2022, our Company has distributed and paid RMB10.0 million and RMB20.0 million to Mr. Ho Cheuk Fai during the year ended 31 March 2020 and 2021, respectively. During the year ended 31 March 2021, dividend of approximately RMB61.6 million have also been declared and was capitalised as part of loan capitalisation on 8 March 2022. Such dividend was declared by Castfast Industrial and Kwong Hing to Karrie International BVI, the immediate holding company that is a subsidiary of Karrie International and will not be part of our Group after the completion of the Reorganisation. During the six months ended 30 September 2022, our Company declared and paid an interim dividend of RMB65.0 million to Karrie International. We may declare dividends in the future after taking into account various factors. Any declaration of dividends, is subject to our results of operations, working capital and cash position, future business and earnings, capital requirements, contractual restrictions, if any, as well as any other factors which our Directors may consider relevant. In addition, any declaration and payment as well as the amount of the dividends will be subject to the provisions of (i) our Articles of Association, which require any final dividends to be approved by our Shareholders at a general meeting, and (ii) the Cayman Companies Act, which provides that dividends may be paid out of sums standing to the credit of its share premium account provided that immediately following the payment of dividend, our Company shall be able to pay its debts as they fall due in the ordinary course of business. Any future declarations and payments of dividends will be at the discretion of our Directors and may require the approval of our Shareholders. Under applicable PRC law, each of our subsidiaries in the PRC may only distribute after-tax profits after it has made allocations or allowances for recovery of accumulated losses and allocations to the statutory reserves.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 2 September 2020 and is an investment holding company. As at 30 September 2022, our reserves available for distribution to our shareholders were RMB390.2 million.

PROPERTIES INTEREST AND PROPERTY VALUATION

Our properties were valued at RMB2,928.6 million as at 31 December 2022 by Cushman & Wakefield. Details of the property valuation are summarised in Appendix III to this listing document.

Disclosure of the reconciliation, of the net book value of our properties as at 30 September 2022 as set out in the Accountants' Report in Appendix I to this listing document to their fair value as at 31 December 2022 as stated in the property valuation report set out in the Property Valuation Report in Appendix III to this listing document, as required under Rule 5.07 of Listing Rules is set out below.

	(RMB in million)
Net book value of the properties as at 30 September 2022	1,076.3
Add: Construction in progress during the period from 1 October 2022 to 31 December 2022 (unaudited)	22.7
Add: Land cost of newly acquired project to be paid (unaudited)	77.6
Less: Sale of completed properties held for sale during the period from 1 October 2022 to 31 December 2022 (unaudited)	18.6
Net book value of the properties as at 31 December 2022 (unaudited)	1,158.0
Net valuation surplus	1,770.6
Market value of the properties as at 31 December 2022 as set out in the Property Valuation Report in Appendix III to this listing document	2,928.6

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Listing on our consolidated net tangible assets attributable to the owners of our Company as at 30 September 2022 as if the Listing had taken place on 30 September 2022. Because of its hypothetical nature, the following unaudited pro forma statement may not give a true picture of our consolidated net tangible assets as at 30 September 2022 or as at any future dates following the Listing.

	Consolidated net tangible assets attributable to equity shareholders of our Company as at 30 September 2022[(1)]	**Estimated listing expenses[(2)]**	**Subscription of Shares paid by Karrie International[(3)]**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of our Company**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of our Company per Share[(4)(5)]**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on 505,327,300 Shares issued prior to the Listing	784,697	(11,726)	4,594	777,565	1.54	1.76

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of our Company as at 30 September 2022 is based on the consolidated total equity attributable to the equity shareholders of our Company of RMB784.7 million as at that date, as shown in the Accountants' Report, the text of which is set out in Appendix I to this listing document.

(2) The estimated listing expenses mainly include professional fees payable to the Sole Sponsor, legal advisors to our Company and the Sole Sponsor, the reporting accountants and other listing related expenses to be incurred by our Group subsequent to 30 September 2022. Our Company incurred listing expenses of RMB7.0 million for the year ended 31 March 2021, RMB8.2 million for the year ended 31 March 2022 and RMB3.4 million for the six months ended 30 September 2022.

(3) To facilitate the distribution in specie by Karrie International and the Listing of our Company, Karrie International will subscribe for such number of new Shares as is equal to 25% of the number of Karrie International Shares in issue as at the Distribution Record Date, which is expected to be 505,327,270 shares, for a total subscription price of HK$5,053,000 (equivalent to RMB4,594,000), which will be paid by Karrie International to our Company in cash.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of our Company per Share is arrived after the above adjustment and on the basis that a total of 505,327,300 Shares were issued prior to the Listing, but taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issue Mandate and the Repurchase Mandate, or any Karrie International Shares that may be allotted and issued upon the exercise of the Karrie International Share Options.

(5) The unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of our Company per Share is converted from Renminbi into Hong Kong dollar at the exchange rate of RMB1.00 to HK$1.4. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(6) Our Group's property interests located in the PRC as at 30 September 2022 have been valued by Cushman & Wakefield. Details of the valuation is set out in Appendix III to this listing document. The above unaudited pro forma statement of adjusted consolidated net tangible assets does not take into account the surplus arising from the revaluation of our Group's property interests as at 30 September 2022. The revaluation surplus for our Group's properties held for development and held for sale as at 30 September 2022 has not been recorded in the historical financial information of our Group as at 30 September 2022 and will not be recorded in the consolidated financial statements of our Group in future periods as our Group's inventories are stated at the lower of cost and net realisable value. The revaluation surplus for our Group's properties held for investment as at 30 September 2022 has been recorded in the historical financial information of our Group as at 30 September 2022 as our Group's investment properties are stated at their fair value. No additional annual depreciation would be charged against the profit in the future periods had our Group's properties been stated at valuation.

(7) No adjustment has been made to the unaudited pro forma consolidated net tangible assets to reflect any trading result or other transactions of our Group entered into subsequent to 30 September 2022.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as at the date of this listing document, there has been no material adverse change in our financial position since 30 September 2022 and there has been no event since 30 September 2022 that would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this listing document.