GROUND INTERNATIONAL
广泽国际

GROUND INTERNATIONAL DEVELOPMENT LIMITED
廣 澤 國 際 發 展 有 限 公 司

(Incorporated in Bermuda with limited liability)

Stock Code : 989

ANNUAL REPORT
2017/18

Contents

* *The English names of the PRC entities referred to in this annual report are transliterations from their Chinese names and are for identification purposes only, and should not be regarded as the official English name(s) of such Chinese name(s). If there is any inconsistency, the Chinese name shall prevail.*

Corporate Information

BOARD OF DIRECTORS

Executive Directors

CUI Xintong *(Chairperson)*
(appointed as Chairperson on 27 December 2017)
XIANG Qiang *(Chief Executive Officer)*
(redesignated as Executive Director and appointed as Chief Executive Officer on 4 May 2018)
LIU Hongjian *(appointed on 29 November 2017)*

Non-executive Director

CONG Peifeng *(appointed on 27 December 2017)*

Independent Non-executive Directors

CHAN Yuk Tong
ZHU Zuoan *(appointed on 27 December 2017)*

BOARD COMMITTEES

Audit Committee

CHAN Yuk Tong *(Chairperson)*
ZHU Zuoan *(appointed on 27 December 2017)*

Remuneration Committee

CHAN Yuk Tong *(Chairperson)*
CUI Xintong *(appointed on 27 December 2017)*
ZHU Zuoan *(appointed on 27 December 2017)*

Nomination Committee

ZHU Zuoan *(Chairperson) (appointed as Chairperson on 4 May 2018)*
CHAN Yuk Tong
CUI Xintong *(appointed on 27 December 2017)*

COMPANY SECRETARY

NG Man Kit Micky

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1305, 13th Floor
China Resources Building
No. 26 Harbour Road
Wanchai, Hong Kong
Tel: (852) 2209 2888
Fax: (852) 2209 2988
Website: http://www.ground-international.com

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

HONG KONG LEGAL ADVISOR

Michael Li & Co.

AUDITOR

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS

Hang Seng Bank Limited
Industrial Bank Co., Ltd.

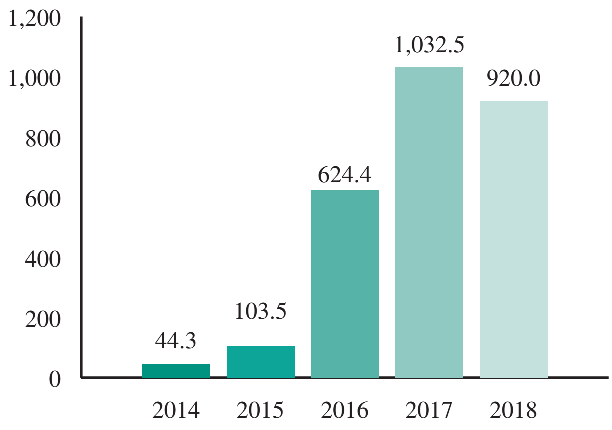
STOCK CODE

989

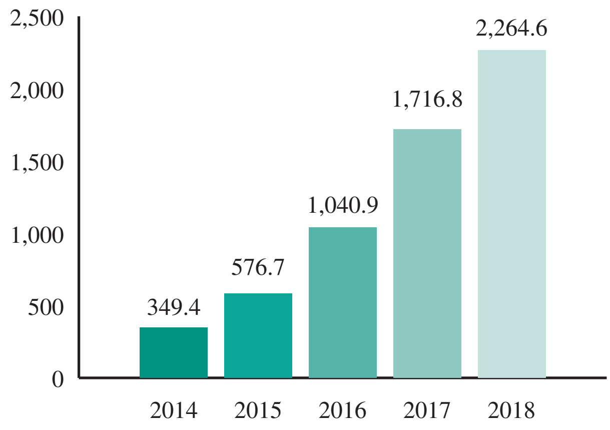
Financial Highlights

	2018 **RMB million**	2017 RMB million	Change %
Continuing operations			
Financial highlights			
Contracted sales	**604.4**	773.8	–21.9
Revenue	**920.0**	1,032.5	–10.9
Gross profit	**164.8**	274.9	–40.1
Profit for the year	**59.2**	47.1	25.7
Basic earnings per share (RMB Cents)	**1.3**	2.8	–53.6
Diluted earnings per share (RMB Cents)	**0.9**	0.8	12.5
Total assets	**5,309.2**	5,615.4	–5.5
Total equity	**2,264.6**	1,716.8	31.9
Ratio highlights			
Gross profit margin	**17.9**	26.6	–8.7 pts
Net profit margin	**6.4**	4.6	1.8 pts
Working capital ratio (times)	**1.8**	1.5	20.0
Quick ratio (times)	**0.3**	0.4	–25.0
Gearing ratio (%)	**44.0**	51.0	–7.0 pts
Interest coverage ratio (times)	**3.9**	4.4	–11.4

Revenue



Total equity



Chairperson's Statement

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Ground International Development Limited ("Ground International" or the "Company"), I have pleasure in submitting the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2018.

Based on the Group's property development and management and property investment business, the Group has already commenced paving a comprehensive business upgrade transformation and adjustment in establishing a new development model of "One primary sector as supplemented by two" in order to effectively promote business development. "One primary sector" refers to cultural tourism, healthcare and elderly care sector; and "two supplemental sectors", on the other hand, refer to (i) property development and operation management business; and (ii) financial service business. Through the hard work of the employees, the Group achieved an annual revenue of RMB920 million. Gross profit from continuing operation amounted to RMB165 million; and net profit after tax from continuing operation amounted to RMB59.2 million.

Building on the current rapid growth of cultural tourism, healthcare and elderly care industries in the PRC, the direction in developing these emerging sectors is undoubtedly the way leading to the Group's future development. With cultural tourism, healthcare and elderly care businesses as "One primary sector", the Group is in the process of upgrade transformation and business adjustment in order to facilitate the needs for future development. As indicated in the China Cultural Tourism Development Report, cultural and tourism business acting as China's strategic pillar of business position will continually strengthen; in particular, the rapid emergence of cultural tourism as a new business type has become an important force in the development of tourism in the new era and will result in its own development opportunity period. Notwithstanding that the Group has a good cultural tourism project, namely 廣澤 • 長白山烏拉小鎮; we will adjust our core business development strategy from prioritising on developing cultural tourism business to prioritising on developing healthcare and elderly care business as there has been a change in the investing environment. Following on the progress of the market researches, adjustments will be made to focus on specific market segment professionally, and also the possible consideration in disposing of the relevant material assets might not be ruled out.

As pointed out in the first China's blue book on healthcare and elderly care (namely, "China healthcare and elderly care business development report"), healthcare and elderly care can be a long lasting and systematic behavioural activity; and it can also be temporary, targeted and unitary health and medical behavior, such as rest, recuperation, rehabilitation…etc. Its high degree of extensibility and wide scope have contributed a speedy development. According to the statistics in the Blue Book, the market demand on China's old-aged healthcare and elderly care business market will reach RMB20 trillion in 2030. Such huge market demand means a broad development prospect ahead. The Group has been forward-looking in developing the healthcare and elderly care business, carrying out research on a national and regional basis, dividing into healthcare and elderly care business into two types, being "nursing" and "leisure", for planning purpose. This is to capture the business opportunities brought about by this sector so as to enhance the Group's competitiveness.

With property development and operation management, and financial service businesses as "two supplemental sectors", the Group remains cautiously optimistic about the development prospects of the domestic real estate market. According to the information indicated by the National Bureau of Statistics, the national real estate development investment from January to May 2018 amounted to RMB4,142 billion, a year-on-year increase of 10.2%, among which residential property investment amounted to RMB2,903.7 billion, an increase of 14.2% and accounted for 70.1% of the real estate development investment. During the Group's transformation in the coming years, property development remains the primary business that will contribute to the Group's financial performance. In the financial year of 2016/17, the Group completed the acquisition of the equity interest in Ka Yun Investments Limited and its subsidiaries, which are primarily engaged in property development, sales and leasing of residential, commercial and tourism properties and the provision of property management services. This project has strengthened the Group's development in the real estate business, and further enlarged the Group's market share in property development and management business in Jilin Province. Also, the Group will actively carry out project negotiation and development in suitable cities in the Yangtze River Delta and the Pearl River Delta as a strategic layout plan so as to striving to achieve synergy.

In addition, the Group is seeking opportunity in developing and expanding into the area of micro-financing; in order to complement with the Group's existing property development business so to bring profits and cash flow to the Group in the short to medium term.

In order to increase crossover between the Group's businesses, the Group believes that, through the provision of a financial platform, it can provide financial leasing or microfinance needs to other small and medium enterprises; and will also enable the Group flexibly grasps the opportunities arising from the local economic development and the local livelihoods' specific project construction, thereby enriching the Group's diversified development and needs for the Group's primary business. Since the acquisition of Jilin Province Fengrun Guaranty Company Limited* (吉林省灃潤擔保有限公司) ("FR Guarantee"), the Group turned into a new page stepping into financing guarantee and entrusted loan businesses. The post-acquisition results of the FR Guarantee were mainly attributable to the synergy effect with the Group's other business segments so as to increase the guarantee business. This investment and acquisitions will lead to a stable income for the Group. In recent years, given great attention has been put to the private economy and the micro-finance area by the Jilin Provincial Government, the Group will continue to explore business opportunities by developing good relationship with financial institutions, the government and the private sector; and building on trusted relationship with local banks so as to provide a comprehensive micro-finance service to small and medium-sized enterprises, and to strive optimizing this business and to actively seize advantages from this growth.

Looking ahead, the Group will continue to carry out the development model of "one primary sector as supplemented by two" by integrating relevant resources; grasping the growth opportunities from healthcare and elderly care sectors; cautiously observing the property development opportunity in Jilin Province and making full use of the financial service platform so as to develop the existing businesses which leads to diversification of assets. At the same time, the Group will expand its healthcare and elderly care, property development and financial service businesses into other provinces or cities so as to reward our shareholders' unwavering support by shaping a series of "廣澤" brand projects and further creating synergies.

Cui Xintong
Chairperson

Hong Kong, 27 June 2018

Management Discussion and Analysis

OVERVIEW

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

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

The Fengrun acquisition

In May 2017, the Group completed the acquisition of Jilin Zhongye Business Information Advisory Company Limited* (吉林省中業商務信息諮詢有限公司) ("JL Zhongye") and Jilin Fengrun Business Information Advisory Company Limited* (吉林灃潤商務信息諮詢有限公司) ("JL Fengrun") (the "Fengrun Acquisition"). The underlying main asset of JL Zhongye and JL Fengrun is an investment in a subsidiary, Jilin Province Fengrun Guaranty Company Limited* (吉林省灃潤擔保有限公司) ("FR Guarantee"), which is a company established in the PRC and is principally engaged in provision of guarantee services in the PRC.

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

OVERVIEW (continued)

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

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

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

Management Discussion and Analysis

BUSINESS REVIEW

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

Property development

Contracted sales

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

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

BUSINESS REVIEW (continued)

Property development (continued)

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

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

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

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Property development (continued)

Projects under development and held for development

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

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

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

BUSINESS REVIEW (continued)

Property development (continued)

Projects under development and held for development (continued)

City	Project name	Type of project	Estimated GFA Sq.m
Projects held for future development			
Baishan	Changbaishan Ground Pine Township International Resort (長白山廣澤果松小鎮國際度假村)	– Residential/Commercial (including hotels)	463,644
Baishan	Guangze China House Phase II (廣澤蘭亭二期)	– Residential	84,333
		Sub-total	547,977
		Total	825,919

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Property investment

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

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

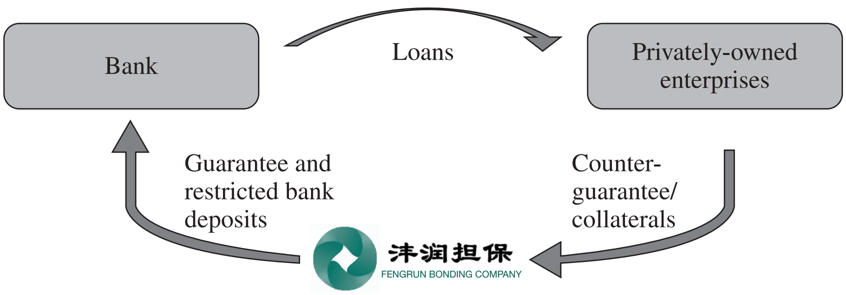
BUSINESS REVIEW (continued)

Financial services

Provision of financing guarantee services

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

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



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

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Financial services (continued)

Provision of financing guarantee services (continued)

The financial information of FR Guarantee is set out below:

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

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

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

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

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

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

BUSINESS REVIEW (continued)

Financial services (continued)

Available-for-sale investment

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

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

PROSPECTS

Cultural tourism and healthcare

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

Management Discussion and Analysis

PROSPECTS (continued)

Property development

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

Financial services

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

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

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

FINANCIAL REVIEW

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

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

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

Key changes to statement of profit or loss items

Revenue

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

	Year ended 31 March 2018		Year ended 31 March 2017	
	RMB'000	**%**	RMB'000 (restated)	% (restated)
Sale of properties	**860,773**	**93.6**	994,492	96.3
Rental income	**23,114**	**2.5**	20,119	2.0
Property management service income	**21,079**	**2.3**	17,858	1.9
Guarantee fee income	**15,082**	**1.6**	–	–
	920,048	**100**	1,032,469	100

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

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Key changes to statement of profit or loss items (continued)

Revenue (continued)

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

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

Gross profit and gross margin

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

Other income and gains

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

Selling and distribution costs

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

Administrative expenses

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

Other expenses

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

FINANCIAL REVIEW (continued)

Key changes to statement of profit or loss items (continued)

Finance costs

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

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

Income tax

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

Key changes to financial position items

Investment properties

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

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Key changes to financial position items (continued)

Available-for-sale investment

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

Properties under development and completed properties held for sale

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

Held-to-maturity investment

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

Trade and other receivables

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

FINANCIAL REVIEW (continued)

Key changes to financial position items (continued)

Trade and other receivables (continued)

Notes:

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

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

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

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

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

Trade and other payables

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

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Key changes to financial position items (continued)

Trade and other payables (continued)

Notes:

(a) The increase in trade and bills payable and accrued construction costs from RMB759.4 million as at 31 March 2017 to RMB761.0 million as at 31 March 2018 was mainly attributable to more development cost incurred for the property projects.

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

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

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

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

Deposits from sales of properties

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

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

Loans from a controlling shareholder

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

FINANCIAL REVIEW (continued)

Liquidity and financial resources

Cash position

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

Debt and gearing

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

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

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Liquidity and financial resources (continued)

Debt and gearing (continued)

The gearing ratio of the Group is calculated as follows:

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

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

Cash flows for the Group's operating and investing activities

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

COMMITMENTS FOR DEVELOPMENT EXPENDITURE

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risks pertaining to the property development and management business

The Group's property projects are located in Jilin Province, the PRC and the related assets accounted for 90.9% of the Group's total assets as at 31 March 2018 (2017: 88.5%). The Group is therefore subject to the risks associated with the PRC property market both nationally and regionally. The Group's property development and management business in the PRC may also be exposed to the risks of policy change, interest rate change, demand-supply imbalance and the overall economic conditions, which may pose an adverse impact on the Group's business, financial conditions or results of operations. The Group is looking for projects at other regions in the PRC and overseas in order to diversify the risk.

Risks pertaining to the property investment business

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

Risks pertaining to the financing guarantee business

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

Financial risks

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

Management Discussion and Analysis

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Currency risk

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

Interest rate risk

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

Credit risk

As at 31 March 2018, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to the failure to discharge an obligation by the counterparties arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to pledged bank deposits, bank balances and cash and trade and other receivables. Substantially all of the Group's pledged bank deposits and bank balances and cash were deposited in creditworthy global banks and stated-controlled financial institutions in the PRC, which management considers they are without significant credit risks. At the end of the reporting period, the Group has concentration of credit risk as the trade receivables from the five largest customers represented 38% (2017: 94%) of the total trade receivables, while 24% (2017: 37%) of the total trade receivables were due from the largest single customer.

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

Liquidity risk

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

SIGNIFICANT INVESTMENTS HELD

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

CONTINGENT LIABILITIES

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

(i) The Group has arranged bank financing for certain purchasers of property units developed by subsidiaries of the Group that provided guarantees to secure obligation of such purchasers for repayments. As at 31 March 2018, guarantees amounting to RMB1,035.3 million were given to banks with respect to mortgage loans procured by purchasers of property units (2017: RMB971.0 million). Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate to the purchasers and (ii) the satisfaction of mortgage loans by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. During the period, the Group did not incur any material losses in respect of any of these guarantees. The Directors consider that the likelihood of default in payments by the purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial. Also, in case of default in payments, the net realisable value of the related property units would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

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

Pursuant to the terms of the guarantees, upon default in loan repayments by these borrowers, the Group is responsible for repaying the outstanding loans together with accrued interest to the financial institutions. During the year, the Group did not incur any material losses in respect of any of these guarantees. The Directors consider that the likelihood of default in payments by the borrowers are minimal and therefore the guarantees measured at fair value is immaterial. Also, the pledged assets were provided by the borrowers pursuant to the terms of the guarantees and a provision of RMB12.8 million has been made in connection with the guarantees.

Management Discussion and Analysis

CHARGE ON ASSETS

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

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

USE OF NET PROCEEDS FROM FUND RAISING ACTIVITIES

As at 31 March 2018, the use of net proceeds from fund raising activities through the Company's issue of new ordinary shares under general/specific mandates during the year is set out below.

Date	Activity	Net proceeds	Actual use of the net proceeds
3 November 2016	Allotment of 130,000,000 new Ordinary Shares under specific mandate	Approximately HKD129.63 million (equivalent to RMB114.37 million)	Full amount utilised for payment of development cost with respect to the construction in Changbaishan Ground Pine Township International Resort in accordance of intended use
2 December 2016	Issuance of convertible bonds in the principal amount of HKD40 million	Approximately HKD40 million (equivalent to RMB35.52 million)	Full amount utilised for payment of development cost with respect to the construction in Changbaishan Ground Pine Township International Resort in accordance of intended use
28 April 2017	Allotment of new Ordinary Shares under specific mandate	Approximately HKD406 million (equivalent to RMB359.8 million)	Full amount utilised for the partial payment of the Fengrun Acquisition in accordance of intended use

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Group had 357 (2017: 1,248) full-time staff. Total staff costs (including directors' emoluments) incurred for the year ended 31 March 2018 amounted to approximately RMB42.4 million (2017: RMB127.3 million). The decrease was mainly attributable to the disposal of the Telecommunication Business. The Group's remuneration policy is in line with prevailing market practice and performance of individual staff. In addition to salaries, the Group also offers other benefits to its staff, including share options, discretionary bonus, training allowance and provident fund.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Ms. Cui Xintong ("Ms. Cui"), aged 28, was appointed an Executive Director of the Company and the deputy chairperson of the Board in September 2016, and was appointed as the chairperson of the Board, a member of Remuneration Committee, a member of Nomination Committee and authorised representative of the Company in December 2017. She is also the controlling shareholder of the Company and a director in various subsidiaries of the Company.

Ms. Cui is responsible for exploring new business opportunities, formulating business plans and executing systematic prospecting, maintaining relationships with existing and potential business partners, developing, coaching and managing a team to deliver professional service and ensure business sustainability. Ms. Cui was an assistant president of 廣澤投資控股集團有限公司 (Ground Investment Holding (Group) Limited*, a related company established in the PRC) from September 2013 to February 2015. Ms. Cui obtained her Bachelor degree of Science in Business Administration from Northeastern University, Boston, USA in August 2013. Ms. Cui is the niece of Ms. Ji Ping, a senior management of the Group. She is also the director of Ka Yik Investment Limited and Charm Success Group Limited, the companies having interest in the shares and/or underlying shares of the Company.

Mr. Xiang Qiang ("Mr. Xiang"), aged 54, was appointed as an independent non-executive Director and member of Audit Committee and Remuneration Committee of the Company in August 2016. He was also appointed as member of the Nomination Committee of the Company in December 2017. Mr Xiang was re-designated as an Executive Director and appointed as the Chief Executive Officer of the Company in May 2018. Mr. Xiang ceased to be member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company in May 2018.

Mr. Xiang has over 21 years' extensive senior managerial experience. He had been an independent non-executive director of Jutal Offshore Oil Services Limited (Stock Code: 3303) from May 2008 to August 2017, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Besides, Mr. Xiang has served in various senior managerial positions such as director, president and chairperson at various companies in the PRC specialised in various industries, such as real estate, hospitality, securities, production and retail sales, etc.. Mr. Xiang obtained a Bachelor Degree in Engineering from Tsinghua University in July 1986 and a MBA Degree from Xiamen University in June 2001.

Ms. Liu Hongjian ("Ms. Liu"), aged 44, was appointed as an Executive Director in November 2017.

Ms. Liu has solid experience in financing guarantee business and over 20 years' experience in financial management. Ms. Liu has been the legal representative and general manager of FR Guarantee (currently a wholly-owned subsidiary of the Company) since 2013, and is primarily responsible for the operation of financing guarantee business and had received industry awards. Ms. Liu was the financial manager and the project general manager of 吉林省廣澤地產有限公司 (Jilin Ground Real Estate Company Limited*) (currently a wholly-owned subsidiary of the Company) from 2009 to 2012. She was also the financial controller of 吉林省廣澤乳業有限公司 (Jilin Ground Dairy Industry Co., Ltd.*) (currently known as Ground Dairy Industry Co., Ltd. 廣澤乳業有限公司 from 2001 to 2006. Ms. Liu graduated from the Changchun Taxation College (currently known as the Jilin University of Finance and Economics) specialised in professional accounting in 1996. She was also qualified as an intermediate-level accountant granted by the Ministry of Finance of the PRC.

Biographical Details of Directors and Senior Management

Ms. Chai Xiu ("Ms. Chai"), aged 53, was appointed as an executive Director and the chairperson of the Board in November 2013. She was also the chief executive officer of the Company from November 2013 to November 2015. Ms. Chai was also a member of the Company's Remuneration Committee and Nomination Committee, and a director in various subsidiaries of the Company. On 27 December 2017, Ms. Chai resigned as an executive Director and chairperson of the Board, member of the Company's Remuneration Committee and Nomination Committee as well as her directorship in various subsidiaries of the Company.

Ms. Chai is a businesswoman with over 25 years of working experience primarily in the property and dairy product industries in the People's Republic of China. Ms. Chai was appointed as a non-independent director, chairperson of the board, legal representative and general manager of Shanghai Ground Food Tech Co., Ltd. (formerly known as "Shandong Hualian Mining Holding Co., Ltd."), a company listed on the Shanghai Stock Exchange (stock code: 600882), in October 2015. Since 2010, she has been the chief executive officer of 廣澤投資控股集團有限公司 (Ground Investment Holding (Group) Limited*). Ms. Chai is also the chairman of the board of directors of 廣澤地產集團股份有限公司 (Ground Real Estate Group Company Limited*). From 2005 to 2010, she served as the chief executive officer of 吉林省廣澤集團有限公司 (Jilin Guangze Group Company Limited*) where she was responsible for the overall operation and management of the group, including dairy and estate development and management business. From 2001 to 2005, she served as the general manager of 廣澤乳業有限公司 (Ground Dairy Industry Co., Ltd*), where she was responsible for the overall operation and management of the company, including administration, product development, sales and after sales service. Ms. Chai obtained an EMBA degree from Cheung Kong Graduate School of Business in October 2009. She is the mother of Ms. Cui Xintong, controlling shareholder and chairperson of the board of Directors of the Company and the sister-in-law of Ms. Ji Ping, the senior management of the Company. Ms. Chai is also a director of Charm Success Group Limited, which holds shares of the Company. Ms. Chai was beneficially interested in 850,000 shares options of the Company.

Mr. Wang Guanghui ("Mr. Wang"), aged 49, was appointed as an executive Director in February 2015 and was further appointed as the chief executive officer of the Company in September 2016. He was also a director in various subsidiaries of the Company. On 4 May 2018, Mr. Wang resigned as an executive Director and the chief executive officer as well as his directorship in various subsidiaries of the Company.

Mr. Wang has over 23 years of experience in real estate industry, specialising in construction project development, planning and management. He also has extensive experience in financial management. Mr. Wang joined 廣澤地產集團股份有限公司 (Ground Real Estate Group Company Limited*) ("Ground Real Estate") in May 2014 and has been appointed as a director of Ground Real Estate since April 2015. He was a deputy general manager of 復地集團長春兆基房地產開發有限公司 (Shanghai Forte Group Changchun Company*) from July 2007 to September 2013. Mr. Wang joined 新星宇建設集團有限公司 (Firstar Construction Group Limited*) in 1993 and held various positions in 長春新星宇集團房地產開發有限公司 (Changchun Firstar Group Property Development Company Limited*), including chief project manager, group deputy general manager, chief engineer, etc. from 2001 to 2007. Mr. Wang graduated from Harbin University of Civil Engineering and Architecture (now known as Harbin Institute of Technology) in August 1996 and obtained a Bachelor's degree in Civil Engineering from Beijing Jiaotong University in January 2009. He obtained a Master's degree in Project Management and Traffic Engineering from Jilin University in December 2011. Mr. Wang was beneficially interested in 6,200,000 share options and 3,930,000 ordinary shares of the Company.

Mr. Huang Bingxing ("Mr. Huang"), aged 49, was appointed as an executive Director in February 2015 and was also a director in various subsidiaries of the Company. On 29 November 2017, Mr. Huang resigned as an executive Director as well as his directorship in various subsidiaries of the Company.

Mr. Huang has over 25 years of working experience in the telecommunication services industry in the PRC. He is primarily responsible for the overall operation and management of the Group's telecommunication retail sales and management services business. Mr. Huang obtained an MBA degree from University of Northern Virginia in November 2008. Mr. Huang was beneficially interested in 8,000,000 share options and 169,000 ordinary shares of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Cong Peifeng ("Mr. Cong"), aged 41, was appointed as an non-executive Director in December 2017.

Mr. Cong, has over 17 years of experience in tourism management and hospitality management. He has been the deputy general manager of the administration and human resources department of 廣澤投資控股集團有限公司 (Ground Investment Holding (Group) Limited*) since 2016, and has been a distinguished lecturer of tourism management profession at Changchun Vocational Institute of Technology since 2014. Mr. Cong had served as supervisor, deputy manager or manager of different departments in South Lake Hotel of Jilin Province from 2002 to 2016. He received a Bachelor's Degree in Economics from Changchun University in 2000 and graduated from the postgraduate programme of Tourism Economic of Shanghai Academy of Social Sciences in 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yuk Tong ("Mr. Chan"), aged 56, was appointed as an independent non-executive Director, a member and chairperson of both the Audit Committee and Remuneration Committee and a member of Nomination Committee of the Company in November 2013.

Mr. Chan has over 30 years of extensive experience in corporate finance, financial advisory and management, professional accounting and auditing. He is currently a director of Ascenda Cachet CPA Limited. Mr. Chan has been an independent non-executive director of FDG Electric Vehicles Limited (Stock Code: 729) since November 2006, a company listed on the main board (the "Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Chan had also been an independent non-executive director of 新華文軒出版傳媒股份有限公司 (Xinhua Winshare Publishing and Media Co., Ltd.*, H shares of which are listed on the Main Board (Stock Code: 811) and A shares of which are listed on the Shanghai Stock Exchange (Stock Code: 601811)) from April 2007 to July 2013 and was appointed as an independent non-executive director of such company again in February 2016. He had also been an independent non-executive director of each of Kam Hing International Holdings Ltd (Stock Code: 2307) from March 2004 to December 2016, and Global Sweeteners Holdings Limited (Stock Code: 3889) from June 2008 to December 2015. Mr. Chan obtained a Bachelor's degree in Commerce from the University of Newcastle, Australia in May 1985 and a Master's degree in Business Administration from the Chinese University of Hong Kong in December 2005. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and a member of CPA Australia.

Mr. Zhu Zuoan ("Mr. Zhu"), aged 63, was appointed as an independent non-executive Director, a member of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee of the Company in December 2017. Mr. Zhu was appointed as Chairperson of the Nomination Committee of the Company in May 2018.

Mr. Zhu has over 35 years of experience in banking industry. He had served as section chief, vice president, president or general manager in Agricultural Bank of China (Jilin Province Branch), Agricultural Bank of China (Tonghua City Centre Sub-Branch) and various branches of Agricultural Development Bank of China from 1980 to 2014. Mr. Zhu has served as an executive director of 上海會晟投資管理有限公司 (Shanghai Hui Cheng Investment Management Limited*) since 2017. Mr. Zhu graduated from Jilin College of Finance and Trade (currently known as Jilin University of Finance and Economics) majoring in Agricultural Financing in 1984 and obtained qualification of the research course in Economic Management from 中共吉林省委黨校 (Party School of Chinese Communist Party of Jilin Province*) in 2008. He has also obtained the qualification of senior economist granted by the Agricultural Bank of China.

Biographical Details of Directors and Senior Management

Mr. Mei Jianping ("Mr. Mei"), aged 58, was appointed as an independent non-executive Director, a member and chairman of the Nomination Committee and a member of Audit Committee and Remuneration Committee of the Company in November 2013. On 27 December 2017, Mr. Mei resigned as an independent non-executive Director, a member and chairman of the Nomination Committee and a member of Audit Committee and Remuneration Committee of the Company.

Mr. Mei has been a professor of finance at Cheung Kong Graduate School of Business in Beijing, the PRC since 2006. Mr. Mei has been an independent non-executive director of Powerlong Real Estate Holdings Limited (Stock Code: 1238) since June 2008 and of MIE Holdings Corporation (Stock Code: 1555) since November 2010, both of which are listed on the Main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was also appointed as an independent non-executive director of China Rundong Auto Group Limited (formerly known as "China Greenland Rundong Auto Group Limited") (Stock Code: 1365), a company listed on the Main board of the Stock Exchange, in July 2014. He was also appointed as an independent non-executive director of Cultural Investment Holding Co., Ltd (Stock code: 600715), A shares of which are listed on the Shanghai Stock Exchange, in December 2016. He has published a number of books and articles on topics related to finance. Mr. Mei received a Bachelor's degree in Mathematics from Fudan University, the PRC in July 1982, a Master's degree in Economics and a Doctorate in Economics (Finance) from Princeton University, USA in January 1988 and June 1990 respectively. Mr. Mei was beneficially interested in 850,000 ordinary shares of the Company.

SENIOR MANAGEMENT

Mr. Ng Man Kit Micky ("Mr. Ng"), aged 42, joined the Company as the finance and investor relations director in January 2015, where he is responsible for the Group's financial management and general management of operation in Hong Kong until he was appointed as chief financial officer and company secretary of the Company in March 2016. Mr. Ng is also a director in various subsidiaries of the Company and is responsible for advising the Board on corporate governance matters. He reports to the chairperson of the Board directly and assists the Board in ensuring effective information flow among the Board members and that the Board policy and procedures are followed. Mr. Ng has extensive auditing and accounting experience having been with an international professional accounting firm for 15 years and is a member of Hong Kong Institute of Certified Public Accountants. Mr. Ng obtained his joint degree of Bachelor of Science in Mathematics and Management Science from the University of Hull, United Kingdom in July 1998 and a Postgraduate diploma in Business Administration from the University of Birmingham, United Kingdom in June 1999. Mr. Ng had duly complied with the relevant training requirement under Rule 3.29 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

Ms. Ji Ping ("Ms. Ji"), aged 42, joined the Group in February 2011 and was appointed as assistant president of Ground Real Estate in May 2015. She is responsible for tendering, purchasing, human resources and administrative management of the Group. Prior to joining the Group, Ms. Ji was the purchasing director in Ground Dairy responsible for the purchasing management from September 2001 to February 2011. Ms. Ji completed her study in financial accounting from Jilin Radio and TV University (吉林廣播電視大學), the PRC in July 1998. Ms. Ji is an aunt of Ms. Cui Xintong (the controlling shareholder and chairperson of the Board) and is the sister-in-law of Ms. Chai, a resigned Director of the Company.

Directors' Report

The Directors have pleasure in submitting their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding. During the year, the Group was principally engaged in property development and management including planning, design, budgeting, licensing, contract tendering and contract administration, property investment, and provision of financial services upon the acquisition of Jilin Province Fengrun Guaranty Company Limited ("Fengrun Acquisition") and the disposal of the telecommunication retail sales and management services business. The principal activities and other particulars of the Company's subsidiaries are set out in note 1 to the consolidated financial statements.

Details of the analysis of the performance of the Group for the year by operating segments are set out in note 4 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group, including description of the principal risks and uncertainties facing the Group, important events since the end of the financial year, future development and analysis of the Group's key financial performance indicators are set out in "Management Discussion and Analysis" on pages 6 to 28 to this annual report; while the Group's environmental policies and performance can be found in "Environmental, Social and Governance Report" on pages 58 to 68 to this annual report. During the year, the Company has complied with all the relevant laws and regulations that have a significant impact on the Company.

In addition to the above mentioned, the Directors would like to maintain the Group's relationships with its stakeholders. The Group's success depends on, among other things, the support from key stakeholders which comprise employees, customers and suppliers.

Employees

Employees are regarded as the most important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package with appropriate incentives, and to promote career development and progression by appropriate training.

Customers

The Group maintains a good relationship with its customers. It is the Group's mission to provide excellent customer service whilst maintaining long term profitability, business and asset growth. Various means have been established to strengthen the communications between the customers and the Group in the provision of excellent customer service.

Suppliers

Sound relationships with key suppliers of the Group are important in supply chain, meeting business challenges and regulatory requirements, which can derive cost effectiveness and foster long term business benefits. We have developed long-standing relationships with a number of our suppliers and take great care to ensure that they share our commitment to quality and ethics.

Directors' Report

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2018 are set out in the consolidated statement of profit and loss and consolidated statement of comprehensive income on page 74 and page 75 to this annual report respectively.

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

RESERVES

Movement in the reserves of the Group and the Company during the year is set out in the consolidated statement of changes in equity on pages 78 and 79 to this annual report and note 39 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2018 calculated under the Companies Act 1981 of Bermuda (as amended) amounted to approximately RMB138,543,000 (2017: RMB169,622,000) subject to restrictions as set out in note 30 to the consolidated financial statements.

SHARE CAPITAL

Details of the movement in share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 184 to this annual report.

BORROWINGS

Details of the Group's borrowings as at 31 March 2018 are set out in note 25 to the consolidated financial statements.

TAX RELIEF

The Company is not aware of any relief from taxation available to the shareholders by reason of their holdings of shares of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws (the "Bye-laws") or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31 March 2018.

DIRECTORS

The directors of the Company who held office during the year and up to the date of this report were:

Executive Directors
Ms. CUI Xintong *(Chairperson) (appointed as Chairperson on 27 December 2017)*
Mr. Xiang Qiang *(Chief Executive Officer) (redesignated as Executive Director and appointed as Chief Executive Officer on 4 May 2018)*
Ms. LIU Hongjian *(appointed on 29 November 2017)*
Ms. CHAI Xiu *(resigned on 27 December 2017)*
Mr. WANG Guanghui *(resigned on 4 May 2018)*
Mr. HUANG Bingxing *(resigned on 29 November 2017)*

Non-executive Director
Mr. CONG Peifeng *(appointed on 27 December 2017)*

Independent Non-executive Directors
Mr. CHAN Yuk Tong
Mr. ZHU Zuoan *(appointed on 27 December 2017)*
Mr. MEI Jianping *(resigned on 27 December 2017)*

Mr. Chan Yuk Tong, shall retire from office as Director by rotation at the forthcoming annual general meeting and, being eligible, will offer himself for re-election in accordance with the bye-law 86(1) of the Bye-laws.

Ms. Liu Hongjian, Mr. Cong Peifeng and Mr. Zhu Zuoan shall retire from office as Directors by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election in accordance with the bye-law 85(2) of the Bye-laws.

Biographical details of Directors and Senior Management are set out on pages 29 to 32 to this annual report, and details of the Directors to retire and subject to re-election at the forthcoming annual general meeting of the Company are also contained in the circular to be despatched together with this annual report.

The Company has received from each of the Independent Non-executive Directors a written annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules on Stock Exchange. The Company considers all the Independent Non-executive Directors are independent.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract or a letter of appointment with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed under the sections headed "Connected Transactions" and "Continuing Connected Transactions" in this report, (i) no other transactions, arrangement or contracts of significance in relation to the Group's business to which the Company or any of its holding companies, or any of their subsidiaries was a party and in which a Director or an entity connected with the Directors had a material interest and (ii) no other contracts of significance between the Company, or its subsidiaries, and its controlling shareholder or any of its subsidiaries, whether directly or indirectly, subsisted during or at the end of the financial year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this report, none of the Directors or their respective associates are interested in any business which competes or is likely to compete, either directly or indirectly, with the Group's businesses.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, the Directors and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which shall or may incur or sustain by or by reasons of any act done, concurred in or omitted in or about the execution of their duties or otherwise in relation thereto. In addition, the Company has appropriate liability insurance coverage for the Directors and officers.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 March 2018, the Directors and chief executives of the Company had the following interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules:

(a) Interests in ordinary shares of the Company (the "Shares")

Name of Directors/ Chief Executives	**Nature of interest**	**Position**	**No. of Shares held**	**Approximate percentage of issued voting Shares** (Note 1)
Ms. Cui Xintong ("Ms. Cui")	Settlor of a trust	Long	3,809,595,694 (Note 2)	72.25%
Mr. Wang Guanghui ("Mr. Wang")*	Beneficial owner	Long	3,930,000	0.07%
Mr. Chan Yuk Tong	Beneficial owner	Long	850,000	0.02%
Ms. Liu Hongjian	Beneficial owner	Long	89,000	0.002%

* Resigned on 4 May 2018

(b) Interest in the underlying shares of the Company

Name of Directors/ Chief Executives	**Nature of interest**	**Position**	**No. of underlying shares held**	**Approximate percentage of issued voting Shares** (Note 1)
Ms. Cui	Settlor of a trust	Long	1,903,418,367 (Note 4)	36.10%
Mr. Wang*	Beneficial owner	Long	6,200,000 (Note 3)	0.12%

* Resigned on 4 May 2018

Directors' Report

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS (continued)

(b) Interest in the underlying shares of the Company (continued)

Notes:

1. The percentage is calculated on the basis of 5,272,550,867 issued voting Shares as at 31 March 2018.

2. These 3,809,595,694 Shares consist of (i) 564,020,694 Shares held by Charm Success Group Limited ("Charm Success") and (ii) 3,245,575,000 Shares held by Ka Yik Investments Limited ("Ka Yik"). Charm Success and Ka Yik are companies wholly owned by Deep Wealth Holding Limited ("Deep Wealth"), which is in turn held by TMF (Cayman) Ltd. as trustee of the Ground Trust. The Ground Trust is a discretionary trust set up by Ms. Cui as settlor and protector, and TMF (Cayman) Ltd. as trustee on 27 July 2016. By virtue of the SFO, Ms. Cui is deemed to be interested in the securities of the Company held by Charm Success and Ka Yik, and such interest duplicated the interest of Charm Success, Ka Yik and Mr. Lee Ken-yi Terence (Ms. Cui's spouse) for the purpose of SFO.

3. Those underlying shares are the share options granted by the Company under the share option scheme of the Company, information of which was shown in the section headed "Share Option Scheme" of this report. All of such underlying shares are unlisted and physically settled under SFO.

4. As set out in note 2 above, Ka Yik is a company held under the Ground Trust where Ms. Cui is the settor and protector. Ms. Cui is deemed to be interested in those Shares and underlying shares of the Company by virtue of the SFO and such interest duplicated Ms. Cui's partial interest for the purpose of SFO. Those 1,903,418,367 underlying shares consist of (i) convertible bonds in the aggregate principal amount of HK$87,962,612 (convertible into 103,485,426 Shares in total); (ii) 1,639,352,941 convertible preference shares issued by the Company on 27 July 2016; and (iii) a potential contractual right to have 160,580,000 Shares within 12 months starting from 27 March 2017 (as being extended for a further period of 12 months). All of such underlying shares are unlisted and physically settled under SFO. Mr. Lee Ken-yi Terence is the spouse of Ms. Cui, an Executive Director and Chairperson of the Board. Mr. Lee is deemed to be interested in those securities by virtue of being Ms. Cui's spouse under the SFO and such interest duplicated to Ms. Cui's interest for the purpose of SFO. All of the relevant underlying shares are unlisted and physically settled under SFO.

Save as disclosed above, as at 31 March 2018, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the year was the Company and any of its holding companies and subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 March 2018, the interests or short positions of the parties other than the Directors and chief executives of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

(a) Interest in Shares

Name of shareholder	**Nature of interest**	**Position**	**No. of Shares held**	**Approximate percentage of issued voting Shares** (Note 1)
Charm Success	Registered owner	Long	564,020,694 (Note 2)	10.70%
Ka Yik	Registered owner	Long	3,245,575,000 (Note 2)	61.55%
TMF (Cayman) Ltd.	Trustee	Long	3,809,595,694 (Note 2)	72.25%
Deep Wealth	Interest in controlled corporation	Long	3,809,595,694 (Note 2)	72.25%
Integrated Asset Management (Asia) Limited	Interest in controlled corporation	Long	383,099,000 (Note 4)	7.27%
Yam Tak Cheung	Beneficial owner	Long	383,099,000 (Note 4)	7.27%
Lee Ken-yi Terence	Interest of spouse	Long	3,809,595,694 (Note 5)	72.25%

Directors' Report

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES (continued)

(b) Interest in underlying shares of the Company

Name of shareholder	Nature of interest	Position	No. of underlying shares held	Approximate percentage of issued voting Shares (Note 1)
Ka Yik	Registered owner	Long	1,903,418,367 (Note 3)	36.10%
TMF (Cayman) Ltd.	Trustee	Long	1,903,418,367 (Note 3)	36.10%
Deep Wealth	Interest in controlled corporation	Long	1,903,418,367 (Note 3)	36.10%
Lee Ken-yi Terence	Interest of spouse	Long	1,903,418,367 (Note 5)	36.10%

Notes:

1. The percentage is calculated on the basis of 5,272,550,867 issued voting Shares as at 31 March 2018.

2. These 3,809,595,694 Shares consist of (i) 564,020,694 Shares held by Charm Success and (ii) 3,245,575,000 Shares held by Ka Yik. Charm Success and Ka Yik are companies wholly owned by Deep Wealth, which is in turn held by TMF (Cayman) Ltd. as the trustee of the Ground Trust. The Ground Trust is a discretionary trust set up by Ms. Cui as settlor and protector, and TMF (Cayman) Ltd. as trustee on 27 July 2016. By virtue of the SFO, Ms. Cui is deemed to be interested in the securities of the Company held by Charm Success and Ka Yik, and such interest duplicated the interest of Charm Success, Ka Yik, Mr. Lee Ken-yi Terence (Ms. Cui's spouse) for the purpose of SFO.

3. As set out in note 2 above, Ka Yik is a company wholly-owned by Deep Wealth, which is in term held by TMF (Cayman) Ltd. as trustee of the Ground Trust where Ms. Cui is the settor and protector. Each of the TMF (Cayman) Ltd., Deep Wealth and Ms. Cui is deemed to be interested in those Shares and underlying shares of the Company by virtue of the SFO. Those 1,903,418,367 underlying shares consist of (i) convertible bonds in the aggregate principal amount of HK$87,962,612 (convertible into 103,485,426 Shares in total); (ii) 1,639,352,941 convertible preference shares issued by the Company on 27 July 2016; and (iii) a potential contractual right to have 160,580,000 Shares within 12 months starting from 27 March 2017 (as being extended for a further period of 12 months). All of such underlying shares are unlisted and physically settled under SFO.

4. Integrated Asset Management (Asia) Limited is a company wholly and beneficially owned by Mr. Yam Tak Cheung. Mr. Yam is deemed to be interested in those Shares by virtue of being its controlling shareholder under SFO. The interests duplicate each other.

5. Mr. Lee Ken-yi Terence is the spouse of Ms. Cui, an Executive Director and Chairperson of the Board. Mr. Lee is deemed to be interested in those securities by virtue of being Ms. Cui's spouse under the SFO and such interest duplicated to Ms. Cui's interest for the purpose of SFO. All of the relevant underlying shares are unlisted and physically settled under SFO.

Save as disclosed above, as at 31 March 2018, none of the parties other than Directors and chief executives of the Company had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

Details of the share option scheme of the Company and the movements in the share options are set out in note 29 to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the financial year.

CONNECTED TRANSACTIONS

On 25 August 2017, the Company entered into a corporate guarantee in favour of a commercial bank in the PRC as a security for the provision of a loan of RMB149 million by the bank to 廣澤投資控股集團有限公司 (Ground Investment Holding (Group) Ltd.*) ("Ground Investment Holding"), an entity controlled by a close family member of the controlling shareholder of the Company for the purpose of the operation of Ground Investment Holding and its subsidiaries. On the even date, a loan agreement has been entered into pursuant to which Ground Investment Holding has agreed to advance a sum of RMB160 million to the Group from its internal resources. The above transactions constitute connected transactions as defined in Chapter 14A of the Listing Rules but were exempted from the circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

The Directors (including the independent Non-executive Directors) consider the above transactions are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Further details are set out in the Company's announcement dated 25 August 2017.

CONTINUING CONNECTED TRANSACTIONS

Upon the completing of the Fengrun Acquisition in May 2017, the following guarantees (as further renewed) became continuing connected transactions of the Group pursuant to Rule 14A.60 of the Listing Rules:

(1) On 29 December 2015, FR Guarantee entered into a guarantee agreement with 吉林省乳業集團有限公司 (Jilin Province Dairy Group Company Limited*, "JL Dairy") whereby FR Guarantee provided a financing guarantee in favour of a bank in the PRC in order to secure a loan facility of RMB49 million for JL Dairy ("JL Dairy Guarantee-1").

    Under JL Dairy Guarantee-1, FR Guarantee's guaranteed obligations included JL Dairy's obligations under the loan facility agreement with the facility amount of RMB49,000,000, including the repayment of principal, interest, penalty, damages, fees and etc; and covered a period of 36 months from the date of the loan facility agreement (i.e. 29 December 2015) plus 2 years from the date when the obligations under the loan facility agreement have been fulfilled.

    FR Guarantee has charged JL Dairy a guarantee fee of RMB285,000 (i.e. 1.5% of the the actual principal loan amount of RMB19,000,000).

Directors' Report

(2) On 16 March 2016, FR Guarantee entered into a guarantee agreement with 廣澤農牧科技有限公司 (Guangze Agricultural and Husbandry Technology Company Limited*, "GZ Farming) whereby FR Guarantee provided a financing guarantee in favour of a bank in the PRC in order to secure a loan facility of RMB30 million for GZ Farming ("GZ Farming Guarantee").

Under GZ Farming Guarantee, FR Guarantee's guaranteed obligations included JL Dairy's obligations under the loan facility agreement with the principal loan amount of RMB30,000,000, including the repayment of principal, interest, penalty, damages, fees and etc; and covered a period of 36 months from the date of the loan facility agreement (i.e. 16 March 2016) plus 2 years from the date when the obligations under the loan facility agreement have been fulfilled.

FR Guarantee has charged GZ Farming a guarantee fee of RMB450,000 (i.e. 1.5% of the principal loan amount of RMB30,000,000).

(3) On 12 September 2016, FR Guarantee entered into a guarantee agreement with JL Dairy whereby FR Guarantee provided a financing guarantee in favour of a bank in the PRC in order to secure a loan facility of RMB30 million for JL Dairy ("JL Dairy Guarantee-2").

Under JL Dairy Guarantee-2, FR Guarantee's guaranteed obligations included JL Dairy's obligations under the working capital loan agreement with the principal loan amount of RMB30,000,000, including the repayment of principal, interest, penalty, damages, fees and etc; and covered a period of 12 months from the date of the loan facility agreement (i.e. 12 September 2016) plus 2 years from the date when the obligations under the loan facility agreement have been fulfilled.

FR Guarantee has changed JL Dairy a guarantee fee of RMB150,000 (ie. 0.5% of the principal loan amount of RMB30,000,000.

On 18 September 2017, FR Guarantee and JL Dairy entered into a new guarantee agreement with exact same guarantee amount, period and fee as in the JL Dairy Guarantee-2 ("Renewed JL Dairy Guarantee-2").

FR Guarantee has charged JL Dairy a guarantee fee of RMB150,000 (i.e. 0.5% of the principal loan amount of RMB30,000,000).

Details of these guarantees are set out in the Company's announcements dated 28 March 2017 and 19 June 2018.

The Company has complied with the disclosure requirements as prescribed in Chapter 14A of the Listing Rules with respect to the above continuing connected transactions of the Group.

All independent non-executive Directors have reviewed the above continuing connected transactions, and confirmed that these transactions were entered into:

1. in the ordinary and usual course of business of the Group;

2. under normal commercial terms, or on terms better than terms available to or from independent third parties; and

3. in accordance with the agreements governing the above continuing connected transactions, the terms of which are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

Based on the work performed, the auditor of the Company confirmed to the Board that the aforesaid continuing connected transactions:

1. have been approved by the Board;

2. are in accordance with the pricing policy of the Group;

3. have been entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

4. have not exceeded the relevant cap.

Pursuant to Rule 14A.56 of the Listing Rules, the auditor has issued an unqualified letter containing their conclusions in respect of the continuing connected transactions of the Group. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

Certain connected and continuing connected transactions that are fully exempted are disclosed in note 35 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save for disclosed in the sections headed "Connected Transactions", "Continuing Connected Transactions", "Share Option Scheme" and "Issue of Shares, Convertible Preference Shares and Convertible Bonds" in this report, the Company did not enter into any equity-linked agreements during the financial year.

ISSUE OF SHARES, CONVERTIBLE PREFERENCE SHARES AND CONVERTIBLE BONDS

Details of the shares, convertible preference shares and convertible bonds issued by the Company and their movements during the year ended 31 March 2018 were set out in notes 27, 28 and 26 to the consolidated financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2018, the five largest customers of the Group accounted for less than 30% of the Group's total revenue. The five largest suppliers of the Group accounted for less than 30% of the Group's total purchases.

Directors' Report

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float of not less than 25% of the Company's total number of issued shares as required under the Listing Rules throughout the year ended 31 March 2018 and up to the date of this report.

AUDITOR

The consolidated financial statements for the year ended 31 March 2018 were audited by Ernst & Young, Certified Public Accountants ("EY") who would retire at the conclusion of the forthcoming annual general meeting and being eligible, offer itself for re-appointment. A resolution will be proposed in the forthcoming annual general meeting to re-appoint EY as the auditor of the Company.

The Company nominated EY as the auditor of the Group for the year ended 31 March 2017 to fill the causal vacancy following the retirement of Mazars CPA Limited.

Save as disclosed above, there has been no other change in auditor of the Company in the preceding three years.

On behalf of the Board
Cui Xintong
Chairperson

Hong Kong, 27 June 2018

Corporate Governance Report

The Board recognises the importance of good corporate governance and is committed to maintaining a good governance standards within the Group. The Board adopts and continuously develops a set of internal guidelines, practices and policies on the corporate governance.

CORPORATE GOVERNANCE PRACTICES

The Company adopted the principles in the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to Listing Rules on the Stock Exchange and complied with all the applicable code provisions during the reporting year, except for a deviation specified below:

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

THE BOARD

Composition

During the reporting year and up to the date of this report, the Board comprised the following Directors:

Executive Directors
Ms. CUI Xintong *(Chairperson) (appointed as Chairperson on 27 December 2017)*
Mr. XIANG Qiang *(Chief Executive Officer) (redesignated as Executive Director and appointed as Chief Executive Officer on 4 May 2018)*
Ms. LIU Hongjian *(appointed on 29 November 2017)*
Ms. CHAI Xiu *(resigned on 27 December 2017)*
Mr. WANG Guanghui *(resigned on 4 May 2018)*
Mr. HUANG Bingxing *(resigned on 29 November 2017)*

Non-executive Director
Mr. CONG Peifeng *(appointed on 27 December 2017)*

Independent Non-executive Directors
Mr. CHAN Yuk Tong
Mr. ZHU Zuoan *(appointed on 27 December 2017)*
Mr. MEI Jianping *(resigned on 27 December 2017)*

Corporate Governance Report

THE BOARD (continued)

Composition (continued)

During the reporting year, the Board maintained a balanced composition of Executive Directors and Non-executive Directors which generated a strong independent element to the Board. All Directors are subject to retirement by rotation and re-election at the general meeting of the Company (in case of filling a casual vacancy) or at the annual general meeting of the Company (in case of an addition to the Board) following their appointment and at least once every three years in accordance with the Bye-laws. A list of the Directors identifying their role and function is published on the Stock Exchange's website and the Company's website. The biographical details of the Directors in existence during the reporting year are set out on pages 29 to 32 to this annual report.

The Board received from each of the Independent Non-executive Directors a written annual confirmation relating to their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company considered all of the Independent Non-executive Directors were independent.

Responsibilities of the Board and Management

The Board is responsible for setting the strategic goals of the Company, providing leadership and guidance to the Group's activities and for oversight of the management of the Company and direction of its business strategies, with the ultimate aim to maximise the shareholder value and long-term success of the Company while the management is responsible for management and administrative functions on running the day-to-day operations of the Group within the authority delegated by the Board and properly informing the Board of the status of these operations. Matters specifically for the consideration of Board mainly cover, among others, overall corporate strategies, major business plans and objectives and risk policy of the Group, annual and interim results, major acquisitions and disposals, major capital investments, material contracts and transactions, appointment of Directors, other significant operational and financial matters as well as corporate governance matters. In addition, the Board has various Board committees and delegates to these committees various responsibilities set out in their respective terms of reference.

THE BOARD (continued)

Continuous Professional Development

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills so as to ensure that their contributions to the Board remain informed and relevant. Every newly appointed Director shall be given an induction package covering, inter alia, the Group's business, the statutory and regulatory obligations and duties of a director of a listed company. In addition, all Directors are provided with monthly updates on the performance and position of the Group to enable the Board as a whole and each Director to discharge their duties. Furthermore, all Directors are updated from time to time on the latest changes and development regarding the Listing Rules, corporate governance practices and other regulatory and statutory regime with reference materials in order to ensure compliance and provide their advice on corporate governance.

During the reporting year, all Directors participated in continuous professional development through reading materials on regulatory updates, director's duties and responsibilities and corporate governance matters and/or attending relevant seminars or courses provided by professional bodies. All Directors have provided the Company with a record of the relevant training undertaken during the reporting year as summarised below:

Directors	Attending seminars/ courses provided by professional bodies	Reading Materials
Executive Directors		
Ms. CUI Xintong	✓	✓
Mr. XIANG Qiang[6]	–	✓
Ms. LIU Hongjian[1]	✓	✓
Ms. CHAI Xiu[4]	–	✓
Mr. WANG Guanghui[5]	–	✓
Mr. HUANG Bingxing[3]	–	✓
Non-executive Director		
Mr. CONG Peifeng[2]	✓	✓
Independent Non-executive Directors		
Mr. CHAN Yuk Tong	✓	✓
Mr. ZHU Zuoan[2]	✓	✓
Mr. MEI Jianping[4]	✓	✓

Notes:

1. Appointed on 29 November 2017
2. Appointed on 27 December 2017
3. Resigned on 29 November 2017
4. Resigned on 27 December 2017
5. Resigned on 4 May 2018
6. Redesignated as an executive Director on 4 May 2018

Corporate Governance Report

THE BOARD (continued)

Board Meetings, General Meetings and Attendance of Directors

During the year ended 31 March 2018, the Company held eight Board meetings including four regular meetings held at approximately quarterly intervals, an annual general meeting ("AGM") and one special general meeting ("SGM"). The attendance of each Director is as follows:

	Attended/Eligible to attend		
	Board Meeting	AGM	SGM
Ms. CHAI Xiu[4]	7/8	1/1	0/1
Ms. CUI Xintong	8/8	1/1	1/1
Mr. WANG Guanghui[5]	8/8	1/1	0/1
Mr. HUANG Bingxing[3]	7/8	1/1	0/1
Mr. CHAN Yuk Tong	8/8	1/1	0/1
Mr. MEI Jianping[4]	6/8	1/1	0/1
Mr. XIANG Qiang[6]	5/8	0/1	0/1
Ms. LIU Hongjian[1]	1/1	–	–
Mr. ZHU Zuoan[2]	1/1	–	–
Mr. CONG Peifeng[2]	1/1	–	–

Notes:

1. Appointed on 29 November 2017
2. Appointed on 27 December 2017
3. Resigned on 29 November 2017
4. Resigned on 27 December 2017
5. Resigned on 4 May 2018
6. Redesignated on 4 May 2018

Apart from the said Board meetings, routine/operational matters requiring Board approval were arranged by means of circulation of written resolutions with supporting materials, supplemented by additional verbal and/or written information from the company secretary of the Company as and when appropriate. The Chairperson of the Board attended the AGM and invited the chairpersons of the audit, remuneration, nomination committees to attend. In case of absence of committee chairperson, the Chairperson invited another member of the committee attended to answer questions at the AGM.

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

The positions of the Chairperson and the chief executive officer of the Company are held by separate individuals in order to enhance independence and a balanced judgment of views. The Chairperson, Ms. Cui Xintong, is responsible for overall corporate planning and strategic policy making and the effective functioning of the Board in accordance with good corporate governance practices. The Chief Executive Officer, Mr. Wang Guanghui ("Mr. Wang"), also an executive Director, was responsible for managing of day-to-day operations of the Group and developing and implementing the Group's strategic plans and business goals during the year. Mr. Wang resigned from his position on 4 May 2018. Mr. Xiang Qiang was redesignated as an executive director and the chief executive officer at the same time. Mr. Xiang Qiang takes up all of responsibilities from Mr. Wang as the chief executive officer.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 3.10(1) and Rule 3.21 of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors and the audit committee must comprise a minimum of three members.

During the financial year ended 31 March 2018, the Group had three Independent Non-executive Directors, namely Mr. Chan Yuk Tong, Mr. Xiang Qiang, Mr. Mei Jianping (resigned on 27 December 2017) and Mr. Zhu Zuoan (appointed on 27 December 2017). The Company was in compliance with the requirements under Rule 3.10(1) and Rule 3.21 fo the Listing Rules during the year.

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

All of the Directors have entered into letters of appointment with the Company for a specified period of one year (renewable), subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Bye-laws.

Corporate Governance Report

BOARD COMMITTEES

The Board has three Board committees, including the Remuneration Committee, Nomination Committee and Audit Committee to help with the discharge of its responsibilities.

Remuneration Committee

As at 31 March 2018, the Remuneration Committee comprises all the Independent Non-executive Directors namely Mr. Chan Yuk Tong (Chairperson of the Committee), Mr. Xiang Qiang and Mr. Zhu Zuoan, and an Executive Director namely Ms. Cui Xintong. Mr. Xiang Qiang ceased to be a member of the Remuneration Committee on 4 May 2018. The Committee's duties as set out in its terms of reference include, inter alia, to make recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management, making recommendation to the Board on the remuneration packages for individual Directors and senior management, and administering and overseeing the Company's share option scheme(s). No Director or any of his/her associates is involved in deciding his/her own remuneration. The terms of reference of the Remuneration Committee setting out its role and responsibilities are available on the Stock Exchange's website and the Company's website.

The Board adopted a remuneration policy for directors and senior management to provide guidelines for structuring all remuneration of directors and senior management. The remuneration policy is reviewed annually by the Board and the Remuneration Committee. The policy sets out, among others, the remuneration structure which mainly covers director's fee, basic salary, discretionary bonus, other benefits in kind, pension scheme, share option scheme(s) and termination payments, and determination or review of remuneration packages. The Directors' and senior management's remuneration packages are determined, or reviewed annually, taking into consideration the criteria such as experience, responsibilities, workload, time commitment, individual's and the Company's performance as well as the prevailing market conditions. Meetings of the Remuneration Committee shall be held at least once a year.

The Remuneration Committee held one meeting during the year ended 31 March 2018. The attendance of each member is set out as follows:

	Number of meetings attended/ Eligible to attend
Mr. CHAN Yuk Tong *(Chairperson)*	1/1
Mr. MEI Jianping[2]	0/1
Ms. CHAI Xiu[2]	0/1
Mr. XIANG Qiang[3]	1/1
Ms. CUI Xintong[1]	–
Mr. ZHU Zuoan[1]	–

Notes:

1. Appointed on 27 December 2017
2. Resigned on 27 December 2017
3. Ceased as member on 4 May 2018

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

The work performed by the Remuneration Committee during the year are summarised as follows:

(a) reviewed the remuneration policy and structure of all Directors and senior management;

(b) reviewed the terms of reference in compliance with the prevailing CG Code;

(c) reviewed and recommended the Board on the remuneration packages of all Directors and senior management; and

(d) administer and oversee the share options granted under the share option scheme of the Company.

Nomination Committee

As at 31 March 2018, the Nomination Committee comprises three Independent Non-executive Directors namely Mr. Xiang Qiang (Chairperson of the Committee), Mr. Chan Yuk Tong and Mr. Zhu Zuoan, and an Executive Director namely Ms. Cui Xintong. Mr. Xiang Qiang ceased to be the Chairperson and a member of the Nomination Committee on 4 May 2018; and Mr. Zhu Zuoan was appointed as the Chairperson of the Nomination Committee since that date. The Committee's duties as set out in its terms of reference include, inter alia, formulating, reviewing and implementing nomination policy for Directors, reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Board members, receiving nominations from shareholders or Directors, assessing the independence of the Independent Non-executive Directors and undertaking an annual performance evaluation of the Board. The terms of reference of the Nomination Committee setting out its role and responsibilities are available on the Stock Exchange's website and the Company's website. The Board adopts a nomination policy for Directors to provide guidelines for effective functioning in the course of director's nomination process. The policy sets out, among others, the selection procedures and evaluation criteria for selecting and recommending the candidates for directorship. The Nomination Committee first assesses the needs of the Board in respect of its structure, size and composition, identifies potential candidates by considering, among others, their personal ethics, integrity, skills, professional knowledge and experience and time commitment and then develops a short list of potential appointees for recommendation to the Board.

The Board also adopted a board diversity policy (the "Board Diversity Policy") on 27 June 2013 which sets out its approach to diversity on the Board. The Board recognises and embraces the benefits of board diversity to enhance the quality of performance and endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to, gender, age, cultural and educational background, ethnicity, professional qualification and experience, skills, knowledge and length of service. The Nomination Committee will consider candidates on merit and contribution that they will bring to the Board and then recommended the appropriate person(s) to the Board for consideration. The Nomination Committee will review, as appropriate, and monitor the implementation of the Board Diversity Policy to ensure its effectiveness.

Corporate Governance Report

BOARD COMMITTEES (continued)

Nomination Committee (continued)

The Nomination Committee held one meeting during the year ended 31 March 2018. The attendance of each member is set out as follows:

	Number of meetings attended/ Eligible to attend
Mr. XIANG Qiang[3] *(Chairperson)*	–
Mr. MEI Jianping[2] *(Chairperson)*	1/1
Mr. CHAN Yuk Tong	1/1
Ms. CHAI Xiu[2]	1/1
Ms. CUI Xintong[1]	–
Mr. ZHU Zuoan[4]	–

Notes:

1. Appointed on 27 December 2017
2. Resigned on 27 December 2017
3. Ceased as member on 4 May 2018
4. Appointed as Chairperson on 4 May 2018

The work performed by the Nomination Committee during the year are summarised as follows:

(a) nominated the incumbent Directors for re-election;

(b) reviewed the nomination policy for Directors;

(c) reviewed the Board Diversity Policy;

(d) reviewed the terms of reference in compliance with the prevailing CG Code;

(e) reviewed the structure, size and composition of the Board; and

(f) assessed the independence of the Independent Non-executive Directors.

BOARD COMMITTEES (continued)

Audit Committee

As at 31 March 2018 the Audit Committee comprises all the Independent Non-executive Directors namely Mr. Chan Yuk Tong (Chairperson of the Committee), Mr. Zhu Zuoan and Mr. Xiang Qiang. One of the three Committee members possesses appropriate professional accounting qualifications and expertise. Mr. Xiang Qiang ceased to be a member of the Audit Committee on 4 May 2018. Following the re-designation of Mr. Xiang Qiang from an Independent Non-executive Director to an Executive Director on 4 May 2018, there are only two members of the audit committee, namely Mr. Chan Yuk Tong and Mr. Zhu Zuoan since that date to the date of this report. Accordingly, the number of members of the audit committee fell below the number prescribed under Rule 3.21 of the Listing Rules. As a result, the Company was not in compliance with the requirements under Rule 3.21 of the Listing Rules. The Company is in the process of identifying suitable candidates to act as a member of the Audit Committee and the appointment will be made as soon as practicable within three months pursuant to Rules 3.23 of the Listing Rules.

The Committee's duties as set out in its terms of reference include, inter alia, reviewing and monitoring the financial reporting, overseeing and reviewing the Company's financial reporting system, risk management and internal control systems and the Group's financial and accounting policies and practices with the management and the external auditor and considering the appointment, re-appointment and removal of the external auditor and the external auditor's remuneration and terms of engagement. The terms of reference of the Audit Committee setting out its role and responsibilities are available on the Stock Exchange's website and the Company's website.

The Audit Committee held two meetings during the year ended 31 March 2018. The attendance of each member is set out as follows:

	Number of meetings attended/ Eligible to attend
Mr. CHAN Yuk Tong *(Chairperson)*	2/2
Mr. MEI Jianping[2]	1/2
Mr. XIANG Qiang[3]	2/2
Mr. ZHU Zuoan[1]	–

Notes:

1. Appointed on 27 December 2017
2. Resigned on 27 December 2017
3. Ceased as member on 4 May 2018

Corporate Governance Report

BOARD COMMITTEES (continued)

Audit Committee (continued)

The work performed by the Audit Committee during the reporting year are summarised as follows:

(a) reviewed the annual results for year ended 31 March 2018 and the interim results for six months ended 30 September 2017 and the reports from external auditor, management representation letters and management's response in relation thereto;

(b) reviewed the respective reports on the Group's continuing connected transactions and internal control;

(c) reviewed the accounting policies and practices as well as the financial reporting system and risk management and internal control system of the Group;

(d) reviewed the terms of reference in compliance with prevailing CG Code;

(e) reviewed the continuing connected transactions of the Group pursuant to Rule 14A.55 of the Listing Rules;

(f) reviewed and recommended the Board about the change of the external auditor; and

(g) reviewed the effectiveness of financial reporting system and internal control system of the Group.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following main corporate governance functions as set out under the written responsibilities of the Board:

(a) To develop and review the Company's terms of reference, policies, practices, codes and guidelines on corporate governance and to make recommendations thereof;
(b) To review and monitor the training and continuous professional development of Directors and senior management;
(c) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
(d) To develop, review and monitor the code of conduct applicable to employees and Directors; and
(e) To review the Company's compliance with the code and disclosure in the corporate governance report. During the reporting year, the Board has reviewed and performed the said corporate governance functions.

AUDITOR'S REMUNERATION

For the year ended 31 March 2018, the auditor's remuneration amounted to RMB2,380,000 and RMB1,312,000 in respect of audit services and non-audit services respectively.

RESPONSIBILITY FOR PREPARATION AND REPORTING OF FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements of the Group which give a true and fair view, and were prepared in accordance with the relevant statutory requirements and applicable accounting standards in force, and were published in a timely manner. The Directors of the Company are also responsible for selecting appropriate accounting policies and applying them consistently, ensuring timely adoption of Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The Directors of the Company acknowledge their responsibility for preparing the consolidated financial statements of the Group and report that the Company has announced its annual and interim results in a timely manner after the end of the relevant period as laid down in the Listing Rules.

The statement of the auditor of the Company about its reporting responsibilities is set out in the "Independent Auditor's Report" on pages 69 to 73 to this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board has overall responsibility for maintaining an adequate system of risk management and internal control and reviewing its effectiveness. The system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It provides reasonable, but not absolute, assurance against material misstatement or loss and management, rather than elimination of risks associated with its business activities.

The Board and the Audit Committee conducted a review of the effectiveness of the system of risk management and internal control of the Group for the year ended 31 March 2018 by reviewing the reports prepared by the external internal control advisor of the Company. The review covered the material controls, including financial, operational and compliance controls and risk management functions and consideration of adequacy of resources, qualifications and experience of staff of the accounting and financial reporting functions and their training programmes and budgets during the year. Based on the results of the review, the system was satisfactory with no major irregularities reported and was considered to be effective and adequate for the year.

COMPANY SECRETARY

Mr. Ng Man Kit Micky, the Company Secretary of the Company, is a full-time employee of the Company and has confirmed that, in compliance with Rule 3.29 of the Listing Rules, he took no less than 15 hours of relevant professional training during the reporting year.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

(a) Procedures for convening special general meetings and putting forward proposals

Pursuant to the Bye-laws, subject to the Companies Act 1981 of Bermuda (as amended), shareholders of the Company holding at the date of deposit of the requisition holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all time have right, by written requisition to the Board or the secretary of the Company, to require a SGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Shareholders may put forward proposals for consideration at a general meeting in accordance with the Companies Act 1981 of Bermuda (as amended), while the procedures for a shareholder to propose a person other than a retiring director of the Company for election as a Director at a general meeting are available on the Company's website.

(b) Procedures for sending enquiries to the Board

Shareholders may send their enquiries and concerns to the Board, together with their contact information, by post to the principal place of business of the Company or by fax for the attention of the company secretary of the Company.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of maintaining an effective communication with the shareholders and investors of the Company. A shareholders' communication policy adopted by the Board is to ensure the promotion of effective communication. The principal communication channels with shareholders and investors are established as set out below.

General Meetings

Shareholders' meeting, including AGM or other general meeting, of the Company provides a communication channel between the Shareholders and the Board that the Shareholders are encouraged to participate in such meeting for expressing their views and raising enquiries about the Company's performance while the Board members who attended such general meeting shall reply and answer the enquiries and questions raised by the Shareholders.

Any vote of shareholders at a general meeting is taken by poll except where the chairperson, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The poll results are published on the Stock Exchange's website and the Company's website after the conclusion of the general meeting.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS (continued)

Other Communication Channels

The Company will provide corporate communications, including annual and interim reports, notices of meeting and circulars, to shareholders in printed form by post and on the website of the Company to facilitate the shareholders' understanding.

The Company also maintains a website at www.ground-international.com, as alternative communication channel for the shareholders of the Company and investors, for posting the corporate communications, disseminating information and updates on the Company's business developments and operations, financial information, corporate governance practices and other shareholders information as well as other corporate communications in a timely and convenient manner.

For enquiries about shareholdings, the shareholders of the Company may contact the share registrars of the Company and for other enquiries, the shareholders, the investors, media or the public may contact the Company directly, contact details of which are posted on the Company's website.

The memorandum of association and the updated bye-laws of the Company are available on the website of the Stock Exchange and the website of the Company.

By order of the Board
Cui Xintong
Chairperson

Hong Kong, 27 June 2018

Environmental, Social and Governance Report

COMPANY OVERVIEW

Ground International Development Limited (The "Company" together with its subsidiaries, the "Group") is primarily engaged in property development and management and property investment in the People's Republic of China and Hong Kong. The Group has been listed on the Main Board of the Stock Exchange of Hong Kong Limited ("the Stock Exchange") since 20 October 1997 (Stock Code: 989).

ABOUT THIS REPORT

Reporting Scope

This is the Group's second Environmental, Social, and Governance ("ESG") report. The report sheds light on the Group's ESG performance for the financial year ended 31 March 2018. The business scope covered in this report includes the Group's property development and management as well as its property investment.

Reporting Standard

This report was prepared in accordance with Appendix 27 "Environmental, Social and Governance Reporting Guide" ("Appendix 27") of Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange. In preparation of this ESG report, the Group strictly adhered to the reporting principles in the Appendix 27 to reveal all the material aspects of the business in a quantitative, balanced and consistent manner. The corporate governance of the Group was addressed in accordance with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules of the Stock Exchange.

MATERIALITY ASSESSMENT

Stakeholder engagement is crucial in determining the material issues of sustainability development. Diverse ways such as meetings, emails, and staff communications are regularly employed to conduct the materiality assessments, to identify new issues and areas of improvement.

SUSTAINABILITY APPROACH

The Group is committed to promoting a sustainable business. The Group brings sustainability development into its daily business operations which can provide mutual benefit for both the Company and its stakeholders. Promoting sustainable and quality services to the Group's customers, the goals of the Group are:

- To promote healthy workplace for all employees with equal opportunities
- To show care to the communities
- To provide quality services
- To protect the environment

SAFEKEEPING THE ENVIRONMENT

Minimising Environmental Impact

Energy Optimisation and Emission Reduction

Electricity consumption is the key energy usage contributing to GreenHouse Gas (GHG) emissions. The Group strongly encouraged property tenants, contractors and employees to save energy and reduce GHG emission by implementing a energy saving policy. Electricity Consumption Reduction Policy was established and implemented to manage the usage of electricity consumption.

In the policy, the Group encourages its people to apply daily electricity saving practices. Concerning daily electricity saving practices, the property tenants and employees are strongly encouraged to turn off electronic equipment, and building appliances inclusive of lighting, air-conditioning and computer, when not in use. The indoor air-conditioning temperature should be remained at 25^{o}C during summer period. Energy saving lighting and electrical appliances are prioritised during the procurement process.

	Overview of Energy Consumption
Electricity Consumption (kWh in '000)[1]	2,030.59
Energy intensity (kWh in '000/RMB'M of Revenue)	2.21

	Overview of Greenhouse Gas Emissions (GHG)
Total GHG Emission (tCO_2e)[2]	1,583.46

1 Data included the electricity consumed by eight property management premises in Jilin (Guangze • Tudors Palace, Guangze • Amethyst City, 緹香及花香四季 (as know as "Wansheng • Qiancheng International"), Guangze China House, Guangze International Shopping Centre (Both residential and shopping mall portions), Changbaishan Ground Pine Township International Resort and Guangze Red House).

2 Data included the Greenhouse Gas generated by eight property management premises in Jilin (Guangze • Tudors Palace, Guangze • Amethyst City, 緹香及花香四季 (as know as "Wansheng • Qiancheng International"), Guangze China House, Guangze International Shopping Centre (Both residential and shopping mall portions), Changbaishan Ground Pine Township International Resort and Guangze Red House).

Environmental, Social and Governance Report

SAFEKEEPING THE ENVIRONMENT (continued)

Prudent Resource Management

Water

The Group is committed to using all resources efficiently. Water conservation measures are implemented to maximise water saving. For property planning and design, the Group actively incorporates water saving apparatus into the properties, including sensor faucets and dual flush toilets to minimise water consumption.

	Overview of Water Consumption
Total Water Consumption (m^3)[3]	50,597.86
Total Water consumption intensity (m^3/RMB'M revenue)	54.99

Waste Management

Cardboards, packaging wastes, papers and general refuses are the main components of the solid wastes from property tenants. For recyclable wastes, the Group leverages a 4Rs (Reduce, Reuse, Recycle and Replace) strategy to minimise this kind of wastes. The Group provides tenants with sufficient recycling facilities to process separation of wastes at source. When handling non-recyclable wastes, the Group has also engaged licensed professional companies for collecting this kind of wastes for further treatment.

	Overview of Non-Hazardous Wastes
Non-Hazardous waste (tonnes)[4]	216

3 Data included the water consumed by four property management premises in Jilin (Guangze • Tudors Palace, Guangze • Amethyst City, 緹香及花香四季 (as know as "Wansheng • Qiancheng International") and Guangze Red House. The water consumption of Guangze Red House started from August 2017 to March 2018).

4 Non-hazardous wastes include papers, packaging wastes, cardboards and general wastes. Data included the non-hazardous wastes generated by three property management premises in Jilin (Guangze • Tudors Place, Guangze • Amethyst City and 緹香及花香四季 (as know as "Wansheng • Qiancheng International")).

FOSTERING A TEAM OF EXCELLENCE

With employees in Mainland China and Hong Kong, a good human resource management is integral to the delivery of quality and outstanding services. The Group strives to create a team of excellence through effective recruitment and promotion, comprehensive training and creating an ideal work environment.

Child and forced labour are prohibited in the Group. The Group has adopted an age confirmation system and enforced by Human Resources (HR) Department to prevent any form of employment of child labour in the Group.

Recruiting and Promoting Talents

The Group has devoted great amount of effort into building a team of high-caliber employees. In the recruitment process, every job applicant is given the equal opportunity to compete without any discrimination. Impartiality is important in the recruitment process as it is an extension of the Group's commitment to provide all employees with an inclusive and non-discriminatory work environment.

Ensuring Occupational Health and Safety

Providing employees with a safe and healthy working environment has continued to be a top priority. The Group has implemented a safety management system with policies to ensure all stakeholders' wellbeing including contractors. For property development aspect of the business, the construction safety policy has stipulated the safety requirements and clearly communicated the Group's expectations for health and safety. In ensuring full compliance with the relevant laws and regulations, regular inspections are conducted to assess the contractors' safety performance and take remedial action when a safety issue has been identified.

Building Employee Capacity

It is not only important to recruit the right talents, but to provide the appropriate training and development opportunities for employees to reach their full potential. Training programs are designed to ensure employees of every level receive the training to succeed their role. The training programs are reviewed and modified annually to provide employees with the latest information to keep them at the forefront of the industry.

The training programs are organized into three categories, the first category includes general trainings to get employees familiarise with company policies and standard operating procedures. The trainings courses in the second category involve job specific trainings that help employees to learn about their job functions, responsibilities, and work flow. The third category of training programs encompass technical and skill specific trainings which are provided to help employee pursue their own professional goals. The Group has continued to provide continuing education incentive to encourage employees in advancing their learning.

Environmental, Social and Governance Report

FOSTERING A TEAM OF EXCELLENCE (continued)

Bilateral Communication

In addition to communicating the Group's expectations to the employees, the Group actively engages employees in discourses to seek their feedbacks. The employees have been provided with different means of communicating which are especially important in situations where employees have concerns regarding misconduct. Throughout the year, the Group organised several team-building events to encourage lateral communication. Through these informal events, employees of different levels can get to know each other and foster a better working relationship.

ENSURING THE BEST FOR THE CUSTOMERS

A Well-Rounded Service

The Group realised the quality of services and products guarantees customers' trust. For gaining trust and support from customers, the group has promoted a harmonious and safety living environment. With regards to the safety living environment, the Group has appointed a professional team for property development in accordance with health and safety regulations. Concerning property management, the Group installed security alarms, firefighting systems in their properties to ensure tenants' safety.

The Group is not involved any incidents of non-compliance with laws and regulations that have a significant impact on the Group concerning product responsibility. In cases where a complaint is received, formal investigations are launched and appropriate follow-up actions will be taken.

Value Chain Management

The Group needs to work closely with its contractors for the delivery of quality services to customers. The Group specially cares about the environmental performance of its contractors since good management skills and corporate responsibilities can be reflected by contractor's performance during constructions.

The Group concerns the quality of its contractors and internal guidelines for selecting contractors were established. Moreover, tender documents, which clearly included the Group's safety and environmental requirements, have been provided to all bidders during the selection process. The safety qualification of contractors, including safety certificates, accidental injury insurance and on-site machineries were evaluated during the process of selection. Moreover, the contractor's safety policy and measures, such as records of safety trainings held, were also assessed by the Group.

ENSURING THE BEST FOR THE CUSTOMERS (continued)

Corporate Integrity

The Group emphasises corporate integrity. All suppliers, business partners and employees are required to follow the Group's anti-corruption policy.

Besides, the Group also provided discreet whistle-blowing mechanisms including, but not limited to email, letter, calls or social media to report any suspected case of corruption. Reported cases are further investigated to determine their validity, and once confirmed, the Group would undertake the necessary disciplinary and legal actions. Over the reporting period, no case of corruption was noticed.

Protecting Customer Data Privacy

The Group is fully engaged to assure the privacy and confidentiality of its customers' data and legal rights in compliance with all existing laws and regulations. Strict confidentiality is observed at all business units and subsidiaries during customers' data collection. No staff can disclose confidential information to third party without permission.

All collected personal data is treated with high protection and kept securely, with restricted access. During the reporting year, no non-compliance for customers' data privacy was noticed.

MOVING FORWARD WITH THE COMMUNITY

In the communities where the Group has a presence, it has actively contributed to community building. The Group has continued to advocate for employee volunteerism and organised charity opportunities for employees and encourage them to be a part of the Group's cause to build better communities.

LOOKING FORWARD

The Company definitely believes that delivering quality services and products with sustainable practices can increase its competitiveness and the market recognition. In close concertation with its valuable stakeholders, the Group is fully engaged in a successful sustainable development journey.

Environmental, Social and Governance Report

THE STOCK EXCHANGE'S ESG REPORTING GUIDE INDEX

This report has been prepared in accordance with the ESG Guide of the Stock Exchange. General disclosures are indicated in the table below that directs readers to the relevant sections.

Aspect/Description/KPI		Statement/Section	Page No.
A. Environment			
A1 Emission			
A1	General Disclosure	The Group is not aware of any non-compliance of laws and regulations on environmental matters that have a significant impact on the Group during the reporting period.	P.59–60
A1.1	Types of emissions and respective emissions data	Minimising Environmental Impact	P.59
A1.2	Greenhouse gas emissions in total and, where appropriate, intensity		
A1.3	Total hazardous waste produced and, where appropriate, intensity	The Group does not product hazardous waste during the operation.	/
A1.4	Total non-hazardous waste produced and, where appropriate, intensity	Prudent Resource Management The Group is currently developing its non-hazardous waste collection system for developing properties and plans to disclose this information in the future.	P.60
A1.5	Description of measures to mitigate emissions and results achieved	Safekeeping The Environment	P.58–59
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved		

THE STOCK EXCHANGE'S ESG REPORTING GUIDE INDEX (continued)

This report has been prepared in accordance with the ESG Guide of the Stock Exchange. General disclosures are indicated in the table below that directs readers to the relevant sections. (continued)

Aspect/Description/KPI		Statement/Section	Page No.
A2 Use of Resources			
A2 General Disclosure			
A2.1	Direct and/or indirect energy consumption by type in total and intensity	Safekeeping the Environment	P.59–60
A2.2	Water consumption in total and intensity	The Group is currently developing its water collection system for developing properties and plans to disclose this information in the future.	
A2.3	Description of energy use efficiency initiatives and results achieved		
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved		
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	The Group does not use packaging material during the operation.	/
A3 The Environment and Natural Resources			
A3	General Disclosure	Safekeeping the Environment	P.59–60
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them		

Environmental, Social and Governance Report

THE STOCK EXCHANGE'S ESG REPORTING GUIDE INDEX (continued)

This report has been prepared in accordance with the ESG Guide of the Stock Exchange. General disclosures are indicated in the table below that directs readers to the relevant sections. (continued)

Aspect/Description/KPI		Statement/Section	Page No.
B. Social			
B1 Employment			
B1	General Disclosure	Fostering a Team of Excellence During the reporting period, the Group is not aware of any non-compliance with the relevant laws and regulations concerning its employment practices.	P.61–62
B1.1	Total workforce by gender, employment type, age group and geographical region	The Group currently does not report on the workforce information, however, the Group plans to disclose the information in the future.	/
B1.2	Employee turnover rate by gender, age group and geographical region		
B2 Health and Safety			
B2	General Disclosure	Ensuring Occupational Health and Safety The Group has complied with all laws and regulations relating to occupational health and safety.	P.61
B2.1	Number and rate of work-related fatalities	The Group currently does not report on the fatalities or injuries, however, the Group plans to disclose the information in the future.	/
B2.2	Lost days due to work injury.		
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Ensuring Occupational Health and Safety	P.61
B3 Development and Training			
B3	General Disclosure	Building Employee Capacity	P.61
B3.1	Percentage of employees trained by gender and employee category	The Group currently does not report on the employees' information, however, the Group plans to disclose the information in the future.	/
B3.2	Average training hours completed per employee by gender and employee category		

THE STOCK EXCHANGE'S ESG REPORTING GUIDE INDEX (continued)

This report has been prepared in accordance with the ESG Guide of the Stock Exchange. General disclosures are indicated in the table below that directs readers to the relevant sections. (continued)

Aspect/Description/KPI		Statement/Section	Page No.
B4 Labour Standard			
B4	General Disclosure	Fostering a Team of Excellence	P.61–62
B4.1	Description of measures to review employment practices to avoid child and forced labour	There were no non-compliance incidents regarding child and forced labour during reporting period.	
B4.2	Description of steps taken to eliminate such practices when discovered		
B5 Supply Chain Management			
B5	General Disclosure	Value Chain Management	P.62
B5.1	Number of suppliers by geographical region	The Group currently does not report on the suppliers' information, however, the Group plans to disclose the information in the future.	/
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Value Chain Management	P.62
B6 Product Responsibility			
B6	General Disclosure	A Well-Rounded Service	P.62
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	This is not a material issue for the Group's operation	/
B6.2	Number of products and service related complaints received and how they are dealt with.		
B6.3	Description of practices relating to observing and protecting intellectual property rights	Protecting Customer Data Privacy	P.63
B6.4	Description of quality assurance process and recall procedures.	Ensuring The Best For The Customers	P.62–63
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Protecting Customer Data Privacy	P.63

Environmental, Social and Governance Report

THE STOCK EXCHANGE'S ESG REPORTING GUIDE INDEX (continued)

This report has been prepared in accordance with the ESG Guide of the Stock Exchange. General disclosures are indicated in the table below that directs readers to the relevant sections. (continued)

Aspect/Description/KPI		**Statement/Section**	**Page No.**
B7 Anti-Corruption			
B7	General Disclosure	Corporate Integrity There was no non-compliance with anti-corruption practice in the reporting period.	P.63
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	During the reporting period, there was no concluded legal case regarding corruption.	/
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Corporate Integrity	P.63
B8 Community Investment			
B8	General Disclosure	Moving Forward with the Community	P.63
B8.1	Focus areas of contribution		
B8.2	Resources contributed		

Independent Auditor's Report

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真:+852 2868 4432
ey.com

To the shareholders of
Ground International Development Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Ground International Development Limited (the "Company") and its subsidiaries (the "Group") set out on pages 74 to 179, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Independent Auditor's Report

KEY AUDIT MATTERS (continued)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Net realisable value of properties under development and completed properties held for sale	
As at 31 March 2018, the Group's properties under development and completed properties held for sale were stated at RMB2,171 million and RMB700 million, respectively, and they were carried at the lower of cost and net realisable value. The determination of the net realisable value is highly dependent on management's judgement and estimates, such as assumptions of the expected selling prices and costs to be incurred until completion and sales. The assumptions adopted in the valuation are affected by expectations of future market or economic conditions. The Group's disclosures about the net realisable value of properties under development and completed properties held for sale are included in note 18 to the consolidated financial statements.	Amongst our audit procedures, we reviewed the Group's net realisable value estimation, and checked the expected selling prices to the prices of the Group's similar properties presold recently or adjacent properties sold. For the cost of completion of properties under development and the cost to be incurred in selling the properties, we evaluated management's estimation methodology, which has been updated to reflect the latest historical information and the refined construction and selling costs budget process.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yee Chung Man.

Ernst & Young
Certified Public Accountants
Hong Kong

27 June 2018

Consolidated Statement of Profit or Loss

For the year ended 31 March 2018

	Notes	2018 RMB'000	2017 RMB'000 (Restated)
Continuing operations			
REVENUE	5	**920,048**	1,032,469
Cost of sales and services		**(755,295)**	(757,544)
Gross profit		**164,753**	274,925
Other income and gains	5	**53,082**	26,997
Selling and distribution expenses		**(24,857)**	(28,243)
Administrative expenses		**(67,169)**	(92,023)
Finance costs	7	**(28,964)**	(33,879)
Other expenses		**(30,652)**	(7,855)
Change in fair value of investment properties	15	**25,461**	–
Change in fair value of derivative financial instruments	26	**(8,033)**	(25,488)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**83,621**	114,434
Income tax	10	**(24,451)**	(67,356)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**59,170**	47,078
Discontinued operations			
(Loss)/profit for the year from discontinued operations	13	**(8,836)**	23,715
Profit for the year		**50,334**	70,793
Attributable to:			
Owners of the parent			
– continuing operations		**59,170**	47,078
– discontinued operations		**(8,836)**	23,715
		50,334	70,793
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic			
– for profit for the year		**RMB1.1 cents**	RMB4.2 cents
– for profit from continuing operations		**RMB1.3 cents**	RMB2.8 cents
Diluted			
– for profit for the year		**RMB0.7 cents**	RMB1.2 cents
– for profit from continuing operations		**RMB0.9 cents**	RMB0.8 cents

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2018

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

Consolidated Statement of Financial Position

As at 31 March 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**8,086**	12,441
Investment properties	15	**956,000**	961,138
Goodwill		**4,999**	4,999
Investment in a joint venture		**–**	8,158
Available-for-sale investment	16	**165,343**	201,131
Deferred tax assets	17	**81,341**	64,402
Total non-current assets		**1,215,769**	1,252,269
CURRENT ASSETS			
Properties under development and completed properties held for sale	18	**2,871,520**	3,118,485
Inventories		**–**	36,758
Trade and other receivables	19	**630,044**	668,941
Prepaid income tax		**20,088**	27,984
Derivative financial instruments	26	**14,843**	46,549
Held-to-maturity investment	20	**310,000**	–
Pledged and restricted deposits	21	**182,695**	46,598
Cash and cash equivalents	21	**64,220**	417,766
Total current assets		**4,093,410**	4,363,081
CURRENT LIABILITIES			
Trade and other payables	22	**931,900**	1,232,820
Deposits from sale of properties	23	**576,290**	884,347
Loans from a controlling shareholder	24	**111,160**	264,824
Bank and other borrowings	25	**586,772**	496,777
Income tax payable		**54,784**	39,307
Total current liabilities		**2,260,906**	2,918,075
NET CURRENT ASSETS		**1,832,504**	1,445,006
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,048,273**	2,697,275

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT LIABILITIES			
Liability component of the Convertible Bonds	26	**54,218**	206,104
Bank and other borrowings	25	**418,034**	470,970
Deferred tax liabilities	17	**311,462**	303,404
Total non-current liabilities		**783,714**	980,478
Net assets		**2,264,559**	1,716,797
EQUITY			
Equity attributable to owners of the parent			
Share capital	27	**228,335**	141,047
Convertible preference shares	28	**1,181,940**	2,206,954
Equity component of the Convertible Bonds	26	**40,368**	151,545
Reserves	30	**813,916**	(782,749)
Total equity		**2,264,559**	1,716,797

Approved and authorised for issue by the Board of Directors on 27 June 2018 and signed on its behalf by:

Cui Xintong
Director

Xiang Qiang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

				Reserves									
	Share capital RMB'000 (Note 27)	Convertible preference shares RMB'000 (Note 28)	Equity component of the Convertible Bonds RMB'000 (Note 26)	Share premium RMB'000 (Note 30(i))	Exchange reserve RMB'000 (Note 30(ii))	Contributed surplus RMB'000 (Note 30(iii))	Share option reserve RMB'000 (Note 30(iv))	Available-for-sale investment revaluation reserve RMB'000	Other reserves RMB'000 (Note 30(v))	Statutory reserve RMB'000 (Note 30(vi))	Retained earnings RMB'000	Sub-total RMB'000	Total equity RMB'000
At 1 April 2016	36,575	–	–	256,769	(8,213)	184,684	20,338	–	305,582	21,182	224,012	1,004,354	1,040,929
Profit for the year	–	–	–	–	–	–	–	–	–	–	70,793	70,793	70,793
Other comprehensive income for the year:													
Change in fair value of an available-for-sale investment	–	–	–	–	–	–	–	23,999	–	–	–	23,999	23,999
Exchange differences arising from foreign operations	–	–	–	–	(7,712)	–	–	–	–	–	–	(7,712)	(7,712)
Total comprehensive income for the year	–	–	–	–	(7,712)	–	–	23,999	–	–	70,793	87,080	87,080
Issuance of new ordinary shares, convertible preference shares and convertible bonds in respect of the Ka Yun Acquisition	14,759	3,320,582	240,815	236,149	–	–	–	–	(3,609,595)	–	–	(3,373,446)	202,710
Issuance of new ordinary shares under share subscriptions	13,051	–	–	249,435	–	–	–	–	–	–	–	249,435	262,486
Share issuing expenses	–	–	–	(636)	–	–	–	–	–	–	–	(636)	(636)
Issuance of shares upon exercise of share options	53	–	–	1,356	–	–	(367)	–	–	–	–	989	1,042
Issuance of the Convertible Bonds	–	–	16,346	–	–	–	–	–	–	–	–	–	16,346
Shares issued upon conversion of convertible preference shares and the Convertible Bonds	76,609	(1,113,628)	(105,616)	1,243,260	–	–	–	–	–	–	–	1,243,260	100,625
Transfer to statutory reserve	–	–	–	–	–	–	–	–	–	3,975	(3,975)	–	–
Equity-settled share option arrangements (note 29)	–	–	–	–	–	–	6,215	–	–	–	–	6,215	6,215
Forfeiture of share options	–	–	–	–	–	–	(917)	–	–	–	917	–	–
At 31 March 2017	141,047	2,206,954	151,545	1,986,333	(15,925)	184,684	25,269	23,999	(3,304,013)	25,157	291,747	(782,749)	1,716,797

				Reserves									
	Share capital RMB'000 (Note 27)	Convertible preference shares RMB'000 (Note 28)	Equity component of the Convertible Bonds RMB'000 (Note 26)	Share premium RMB'000 (Note 30(i))	Exchange reserve RMB'000 (Note 30(ii))	Contributed surplus RMB'000 (Note 30(iii))	Share option reserve RMB'000 (Note 30(iv))	Available-for-sale investment revaluation reserve RMB'000	Other reserves RMB'000 (Note 30(v))	Statutory reserve RMB'000 (Note 30(vi))	Retained earnings RMB'000	Sub-total RMB'000	Total equity RMB'000
At 1 April 2017	141,047	2,206,954	151,545	1,986,333	(15,925)	184,684	25,269	23,999	(3,304,013)	25,157	291,747	(782,749)	1,716,797
Profit for the year	–	–	–	–	–	–	–	–	–	–	50,334	50,334	50,334
Other comprehensive income for the year:													
Changes in fair value of an available-for-sale investment	–	–	–	–	–	–	–	(18,648)	–	–	–	(18,648)	(18,648)
Exchange differences arising from foreign operations	–	–	–	–	17,978	–	–	–	–	–	–	17,978	17,978
Total comprehensive income for the year	–	–	–	–	17,978	–	–	(18,648)	–	–	50,334	49,664	49,664
Issuance of new ordinary shares under share subscription	14,992	–	–	344,824	–	–	–	–	–	–	–	344,824	359,816
Issuance of shares upon exercise of share options	286	–	–	7,539	–	–	(2,216)	–	–	–	–	5,323	5,609
Shares issued upon conversion of convertible preference shares and the Convertible Bonds	72,010	(1,025,014)	(111,177)	1,195,441	–	–	–	–	–	–	–	1,195,441	131,260
Transfer to statutory reserve	–	–	–	–	–	–	–	–	–	10,645	(10,645)	–	–
Equity-settled share option arrangements (note 29)	–	–	–	–	–	–	1,413	–	–	–	–	1,413	1,413
Forfeiture of share options	–	–	–	–	–	–	(155)	–	–	–	155	–	–
At 31 March 2018	228,335	1,181,940	40,368	3,534,137	2,053	184,684	24,311	5,351	(3,304,013)	35,802	331,591	813,916	2,264,559

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Notes	2018 RMB'000	2017 RMB'000 (Restated)
OPERATING ACTIVITIES			
Profit/(loss) before tax			
— from continuing operations		**83,621**	114,434
— from discontinued operations (note 13)		**(2,960)**	31,098
Adjustments for:			
Finance costs	7, 13	**29,065**	34,172
Share of results of a joint venture	13	**(20)**	237
Deferred income recognised		**–**	(25,543)
Bank and other interest income	5, 13	**(19,530)**	(672)
Gain on disposal of items of property, plant and equipment	5	**(1,048)**	(431)
Write-down of properties held for sale	6	**22,609**	–
Impairment on trade and other receivables	6	**4,659**	–
Dividend income from available-for-sale investment	5	**(13,026)**	–
Gain from a bargain purchase from the acquisition of subsidiaries	5	**(19,078)**	–
Gain on disposal of subsidiaries	32	**(135)**	–
Change in fair value of investment properties	15	**(25,461)**	–
Change in fair value of derivative financial instruments	26	**8,033**	25,488
Depreciation	14	**2,455**	4,453
Equity-settled share option expense	6	**1,413**	6,215
Exchange difference arising on translation		**–**	(352)
		70,597	189,099
Decrease in properties under development and completed properties held for sale		**224,356**	70,720
Increase in inventories		**–**	(7,366)
Decrease in trade and other receivables		**58,479**	49,709
(Decrease)/increase in trade and other payables		**(27,134)**	261,439
Increase in pledged and restricted deposits		**(23,651)**	(16,298)
Decrease in deposits from sales of properties		**(308,057)**	(307,270)
Cash (used in)/generated from operations		**(5,410)**	240,033
Interest received		**7,609**	672
Interest paid		**(69,461)**	(67,915)
Tax paid:			
— The People's Republic of China (the "PRC") corporate income tax paid		**(6,774)**	(40,569)
— PRC land appreciation tax paid		**(6,769)**	(10,152)
— PRC withholding tax paid for dividend income received		**(1,303)**	–
Net cash flows (used in)/from operating activities		**(82,108)**	122,069

	Notes	2018 RMB'000	2017 RMB'000 (Restated)
INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(3,005)**	(2,948)
Proceeds from disposal of items of property, plant and equipment		**5,898**	504
Settlement of consideration relating to prior year's purchase of net assets		**–**	(150,000)
Purchase of available-for-sale investment		**–**	(177,851)
Dividend income received		**13,026**	–
Interest income from held-to-maturity investment and entrusted loans		**6,086**	–
Cash inflows from acquisition of subsidiaries, net	31	**(152,457)**	–
Proceeds from disposal of subsidiaries, net	32	**33,767**	–
Purchase of held-to-maturity investment		**(334,000)**	–
Redemption of held-to-maturity investment upon maturity		**24,000**	–
Net cash flows used in investing activities		**(406,685)**	(330,295)
FINANCING ACTIVITIES			
Proceeds from issue of shares under share subscriptions		**359,816**	262,486
Share issuing expenses		**–**	(636)
Proceeds from shares issued under share option scheme		**5,609**	1,042
Proceeds from issue of the Convertible Bonds		**–**	35,696
Proceeds from new bank loans		**440,967**	320,000
Repayment of bank loans		**(355,696)**	(422,165)
Advance from other loans		**–**	88,546
Repayment of other loans		**(17,862)**	(7,380)
New loans from a controlling shareholder		**185,300**	456,919
Repayment of a controlling shareholder's loan		**(338,964)**	(193,866)
Decrease in amounts due to related companies		**(134,580)**	–
Net cash flows from financing activities		**144,590**	540,642
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(344,203)**	332,416
Cash and cash equivalents at the beginning of the year		**417,766**	84,998
Effect of foreign exchange rate changes, net		**(9,343)**	352
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**64,220**	417,766

Notes to the Consolidated Financial Statements

31 March 2018

1. CORPORATE AND GROUP INFORMATION

Ground International Development Limited (the "Company", together with its subsidiaries referred to as the "Group"), is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its shares are listed on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

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

As at 31 March 2018, Charm Success Group Limited ("Charm Success") and Ka Yik Investments Limited ("Ka Yik"), both 100% held by Deep Wealth Holding Limited ("Deep Wealth"), which is in turn held by TMF (Cayman) Ltd. as trustee of the Ground Trust held approximately 10.70% and 61.56% of the total issued capital of the Company, respectively. The Ground Trust is a discretionary trust set up by Ms. Cui Xintong ("Ms. Cui", a director and chairperson of the board of directors of the Company (the "Board")), as settlor and protector, and TMF (Cayman) Ltd. as trustee on 27 July 2016.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business; and legal form if established in the PRC	Issued ordinary share/registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Ground Holdings Limited	British Virgin Islands ("BVI")	US$100	100%	–	Investment holding
Lily Garden Investments Limited	BVI	US$1.00	–	100%	Investment holding
上海錦瀚銀通通信產品銷售有限公司 Shanghai Jinhan Yintong Communication Products Sales Co., Ltd.*	The PRC, wholly foreign-owned enterprise	RMB500,000	–	100%	Provision of distribution sales and management services
Ground Data System Limited	Hong Kong	HK$2	–	100%	Property investment
World Sheen Properties Limited	Hong Kong	HK$2	–	100%	Property investment
Ground Properties (HK) Limited	Hong Kong	HK$2	–	100%	Property investment
Jackie Industries Limited	Hong Kong	HK$2	–	100%	Property investment
Jilin Ground Real Estate Company Limited* 吉林省廣澤地產有限公司	The PRC, wholly domestically owned enterprise	RMB100,000,000	–	100%	Property development business

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business; and legal form if established in the PRC	Issued ordinary share/registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Jilin Zhujia Real Estate Development Company Limited* 吉林市築家房地產開發有限公司	The PRC, wholly domestically owned enterprise	RMB10,000,000	–	100%	Property development business
Baishan Ground Real Estate Development Company Limited* 白山市廣澤房地產開發有限公司	The PRC, wholly domestically owned enterprise	RMB50,000,000	–	100%	Property development business
Yanji Huize Real Estate Development Company Limited* 延吉市惠澤房地產開發有限公司	The PRC, wholly domestically owned enterprise	RMB50,000,000	–	100%	Property development business
Fusong Ground Real Estate Development Company Limited* 撫松廣澤房地產開發有限公司	The PRC, wholly domestically owned enterprise	RMB110,000,000	–	100%	Property development business
Fusong Changbaishan Ground Tourism Development Company Limited* 撫松長白山廣澤旅遊開發有限公司	The PRC, wholly domestically owned enterprise	RMB10,000,000	–	100%	Tourism development and management business
Jilin Wan Sheng Property Development Company Limited ("Wan Sheng")* 吉林市萬升房地產開發有限公司	The PRC, wholly foreign-owned enterprise	RMB200,000,000	–	100%	Property development business
Baishan Ground Business Management Company Limited* 白山市廣澤商業管理有限公司	The PRC, wholly domestically owned enterprise	RMB500,000	–	100%	Real estate rental management
Jilin Ground Property Services Company Limited* 吉林市廣澤物業服務有限公司	The PRC, wholly domestically owned enterprise	RMB3,000,000	–	100%	Real estate property management
Jilin Province Fengrun Guaranty Company Limited*# 吉林省灃潤擔保有限公司	The PRC, wholly domestically owned enterprise	RMB500,000,000	–	100%	Provision of financial guarantee services

\# During the year, the Group acquired the company through a business combination. Further details of the business combination are included in note 31 to the consolidated financial statements.

* For identification purpose only

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the total assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to the Consolidated Financial Statements

31 March 2018

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 March 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in note 36 to the consolidated financial statements.

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

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

Notes to the Consolidated Financial Statements

31 March 2018

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, which are applicable to the Group's operation, that have been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements *2014–2016 Cycle*	*Amendments to HKFRS 1 and HKAS 28*[1]
Annual Improvements *2015–2017 Cycle*	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 April 2018. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 April 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 April 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The initial adoption of HKFRS 9 is not expected to have any significant impact on the provision for impairment.

Notes to the Consolidated Financial Statements

31 March 2018

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 April 2018. The Group expects that the transitional adjustment to be made on 1 April 2018 upon initial adoption of HKFRS 15 will not be material. However, the expected changes in accounting policies, as further explained below, will have a material impact on the Group's financial statements from 1 April 2018 onwards. During the year ended 31 March 2018, the Group has performed a preliminary detailed assessment on the impact of the adoption of HKFRS 15.

The Group is principally engaged in the business of property development, property investment, property management and provision of financial services. The expected impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:

(a) Timing of revenue recognition

Sales of properties

The Group is currently recognising revenue from the sales of properties when the significant risks and rewards of ownership of the properties are transferred to the purchasers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties, that is when the construction of the relevant properties has been completed and the properties have been delivered to the buyers pursuant to the sale agreements, and the collectability of related receivables is reasonably assured.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(a) Timing of revenue recognition (continued)

Sales of properties (continued)

Upon the adoption of HKFRS 15, revenue from the sale of properties will be recognised when control over the properties is transferred to the purchasers. Judgement will be required to assess whether control transfers over time or at a point of time. For properties that have no alternative use to the Group due to contractual restriction and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group will recognise revenue as the performance obligations are satisfied over time by applying an input method for measuring progress.

The Group has assessed that the sale agreements used by the Group are standardised to a large extent and in the case of pre-completion sales using standard agreements for sale and purchase, the Group does not have an enforceable right to payment for performance completed to date in accordance with HKFRS 15, and accordingly, the criteria for recognising revenue over time are not met for the majority of the sales of properties. The Group expects to recognise the majority of the sales of properties until the point in time at which the Group delivers the properties to the purchasers. The Group does not anticipate that the application of HKFRS 15 will have a material impact on the timing of revenue recognised in the respective periods.

Guarantee fee income

The Group is currently recognising guarantee fee income in the statement of profit or loss over the period of a guarantee agreement, when guarantee contracts have been made whereby the related guarantee obligation has been accepted, the economic benefits associated with the guarantee contracts will probably flow in, and the amount of revenue associated with guarantee contracts can be measured reliably. The Group has assessed that the application of HKFRS 15 will have no impact on the revenue to be recognised from financing guarantee service.

(b) Sales commission

In accordance with HKFRS 15, incremental costs of obtaining a contract, including sales commission, if recoverable, are capitalised as an asset and shall be amortised on a systematic basis that is consistent with the transfer of the related property to the customer. Currently, there are no sales agent and direct sales commission associated with obtaining an agreement for sale and purchase with a property buyer. Accordingly, the Group does not anticipate that the application of HKFRS 15 will have an impact on the sales commission to be recognised in the respective periods.

Notes to the Consolidated Financial Statements

31 March 2018

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(c) Financing component for sale of completed properties

HKFRS 15 requires property developers to account for the financing component in a contract separately from revenue if the financing effects are significant, subject to a practical expedient where the period between the payment and delivery of properties will be less than one year. Currently, it is expected that the length of time between the payment and delivery of properties of the Group's projects will exceed one year. Accordingly, the financing component is considered to be significant. The amount of the financing component is estimated at the contract inception and the payment plan is confirmed by the property purchaser by using a discount rate that would be reflected in a separate financing transaction between the Group and the customer reflecting the credit characteristics of the Group as well as any collateral or security provided. Interest expense is recognised only to the extent that a contract liability (receipts in advance) is recognised in accounting for the contract with the customer. The Group expects adjustments to capitalise the interest expense as properties under development with a corresponding increase in receipts in advance.

The Group intends to adopt the standard on all uncompleted contracts as at 1 April 2018 and the cumulative impact of the adoption will be recognised in properties under development and receipts in advance from sales of properties.

(d) Presentation and disclosure

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in HKFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by HKFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 16, issued in May 2016, replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 April 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 34(a) to the financial statements, at 31 March 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB80,591,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short-term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 April 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

Notes to the Consolidated Financial Statements

31 March 2018

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 April 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 April 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Notes to the Consolidated Financial Statements

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

For the business combination under common control, the financial statements of the Group and the acquired subsidiaries have been combined, as if the Group acquired such subsidiaries from the beginning of the earliest financial period that common control existed. The net assets of the Group and the acquired subsidiaries are combined using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of the Group's interest in the net fair value of the acquired subsidiaries' identifiable assets, liabilities and contingent liabilities over the cost of acquisition at the time of common control combination. The difference between the consideration and the book value of the acquired subsidiaries at the time of common control combination is deducted in the reserves of the Group.

Fair value measurement

The Group measures its investment properties, available-for-sale-investment and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

Or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

Notes to the Consolidated Financial Statements

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies: (continued)

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture and fixtures and office equipment	20% to 33%
Leasehold improvements	Over the shorter of the lease terms and 20%
Motor vehicles	20% to 30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected to arise from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period. The net realisable value of properties under development is determined by establishing the market values of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees and interests to be incurred from the valuation date to completion.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

The land held for future development represents parcels of land owned by the Group for the purpose of development of properties for sale. The land is initially stated at cost less any impairment losses and is not depreciated. It is transferred to properties under development upon commencement of the related construction work in the property development project.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and building costs attributable to unsold properties. The net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Properties under construction or development for future use as investment properties are classified as investment properties under construction. Such properties under construction are measured initially at cost, including transaction costs, and stated at fair value, subsequent to initial recognition, at each reporting date when fair value can be determined reliably. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be reliably determined or construction is completed.

The Group determines whether completed properties held for sale and properties under development would be transferred to investment properties when, and only when, there is a change in use, evidenced by the following criteria: (a) the Group has prepared a business plan that reflects the future rental income generated by the property and this is supported with evidence that there is demand for rental space; (b) the Group can demonstrate that it has the resources, including the necessary financing or capital, to hold and manage the investment property; (c) the change in use is legally permissible; (d) if the property must be further developed for the change in use, the development has commenced and (e) change in use is approved by the Board.

Notes to the Consolidated Financial Statements

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investment. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity and that do not meet the definition of loans and receivables nor are designated as at fair value through profit or loss or as available for sale. They are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the statement of profit or loss.

The Group shall not classify any financial assets as held to maturity if the entity has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity other than restricted circumstances such as sales or reclassifications due to a significant deterioration in the issuer's creditworthiness or industry's regulatory requirements.

Notes to the Consolidated Financial Statements

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

Notes to the Consolidated Financial Statements

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank loans and other borrowings, loans from a controlling shareholder and the liability component of the convertible bonds.

Notes to the Consolidated Financial Statements

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Convertible bonds

If the early redemption option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. The component of the convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On initial recognition, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group's derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Notes to the Consolidated Financial Statements

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within liabilities from guarantees. The fair value of guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income. The fair value of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from guarantees issued.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Notes to the Consolidated Financial Statements

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from the sale of properties in the ordinary course of business is recognised when all the following criteria are met:

(a) the significant risks and rewards of ownership of the properties have been transferred to the buyers;

(b) neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the properties is retained;

(c) the amount of revenue can be measured reliably;

(d) it is probable that the economic benefits associated with the transaction will flow to the Group; and

(e) the cost incurred or to be incurred in respect of the transaction can be measured reliably.

The above criteria are met when construction of the relevant properties has been completed and the Group has obtained the project completion report issued by the relevant government authorities, the properties have been delivered to the purchasers, and the collectability of related receivables is reasonably assured. Payments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

Revenue from the sales of headphones, mobile phones, telecommunications equipment and products is recognised on the transfer to ownership, which generally coincides with the time of delivery.

Service income from telecommunications call centre services is recognised when the services are rendered.

Telecommunications retail sales and management services income and project management income are recognised when the services are rendered.

Rental income derived from the lease of the Group's properties is recognised on a time proportion basis over the lease terms.

Property management fee income derived from the provision of property maintenance and management services is recognised when the relevant services are rendered.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Guarantee fee income is recognised when guarantee contracts have been made whereby the related guarantee obligation has been accepted, the economic benefits associated with the guarantee contracts will probably flow in, and the amount of revenue associated with guarantee contracts can be measured reliably. Guarantee fee income is determined based on the total agreed fee in the guarantee contracts and is recognised in the statement of profit or loss over the period of guarantee. The Group receives guarantee fee income in full at inception and records it as deferred income before amortising it throughout the period of guarantee.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contributes to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial option pricing model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market condition or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Notes to the Consolidated Financial Statements

31 March 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees located in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Pursuant to the relevant PRC laws and regulations, each of the PRC subsidiaries of the Group is required to participate in a retirement benefit scheme organised by the local municipal government whereby the Group is required to contribute a certain percentage of the salaries of its employees to the retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to pay the ongoing required contributions. Contributions made to the defined contribution retirement benefit scheme are charged to the statement of profit or loss as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These consolidated financial statements are presented in Renminbi. The Company's consolidated financial statements are presented in Renminbi because management considers that a substantial majority of the group companies are in the PRC and the Group primarily generates and expends cash in Renminbi. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Renminbi. As at the end of the reporting period, the assets and liabilities of these entities are translated into Renminbi at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Renminbi at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Renminbi at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Renminbi at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Notes to the Consolidated Financial Statements

31 March 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after completion, whereas, the properties are accounted for as investment properties under construction included in non-current assets if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at the lower of cost and net realisable value, while the properties held to earn rentals and/or for capital appreciation are transferred to completed investment properties and are subject to revaluation at the end of each reporting period.

Whether the presumption that investment properties stated at fair value are recovered through sale is rebutted in determining deferred tax

The Group has investment properties located in the PRC which are measured at fair value. Investment property is property held to earn rentals or for capital appreciation or both. In considering whether the presumption in HKAS 12 *Income Taxes* that an investment property measured at fair value will be recovered through sale is rebutted in determining deferred tax, the Group has developed certain criteria in making that judgement, such as whether an investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time or through sale. The presumption is rebutted only in the circumstance that there is sufficient evidence such as a historical transaction, future development plan and management's intention to demonstrate that the investment property is held with the objective to consume substantially all of the economic benefits over time, rather than through sale. Continuous assessments on the presumption will be made by management at each reporting date.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Net realisable value for properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value.

The net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis. The net realisable value of properties under development is determined by establishing the market values of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees and interests to be incurred from the valuation date to completion as well as a reasonable profit margin. Where the expectation is different from the original estimate, the carrying value and provision for properties in the period in which the estimate is changed will be adjusted accordingly.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

Fair value of investment properties

The investment properties of the Group are measured at fair value, which were revalued based on the appraised market value by an independent professional valuer. The fair value for completed investment properties was arrived at by considering the capitalised income to be derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in the surrounding areas. The fair values of investment properties under development are determined by establishing the market values of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees and interests to be incurred from the valuation date to completion as well as a reasonable margin. The determination of the fair value for completed investment properties requires the Group to estimate reversionary potential of the properties while for investment properties under development, estimates on costs to be incurred and future margin are required in the valuation.

The carrying amount of investment properties as at 31 March 2018 was RMB956,000,000 (2017: RMB961,138,000). Further details, including the key assumptions used for fair value measurement, are stated in note 15 to the consolidated financial statements.

PRC Land Appreciation Tax ("LAT")

LAT in the PRC is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sales of the properties less deductible expenditures including land cost, borrowing cost, other property development expenditures.

When calculating the LAT, the Group needs to estimate the deductible expenditures and makes judgement on the relevant tax rate on an individual property basis under the relevant applicable tax laws and regulations. Given the uncertainties of the calculative basis of LAT to be interpreted by the local tax bureau, the actual outcomes may be higher or lower than that estimated at the end of the reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the LAT expense and LAT provision in the period in which the differences are realised.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 March 2018 was RMB57,556,000 (2017: RMB33,260,000). The amount of unrecognised tax losses at 31 March 2018 was RMB387,787,000 (2017: RMB305,768,000). Further details are contained in note 17 to the consolidated financial statements.

Provision for impairment of trade and other receivables

The policy for provision for impairment of trade and other receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors are to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Notes to the Consolidated Financial Statements

31 March 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

Allocation of construction cost on properties under development

When developing properties, the Group typically divides the development projects into phases. Costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to several phases are allocated to each phase based on the saleable floor area of each phase as a percentage of the total saleable floor area of the entire project. The cost of the unit sold is determined by the floor area in square metres sold multiplied by the average cost per square metre of that particular phase of the project.

Fair value of derivative financial instruments

Where the fair value of derivative financial instruments recorded in the statement of financial position cannot be derived from active markets, they are determined using the valuation technique of the binomial price model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for guarantee losses

The Group makes reasonable estimate on expense required to fulfil the relevant obligation of guarantee contracts when the Group computes the provisions of guarantee losses. Such estimation is made based on the available information as at the end of each reporting period and is determined by the Group's practical experience, default history of the business, taking into consideration of industry information and market data. It is possible that the practical experience and default history is not indicative of future loss on the guarantees issued. Any increase or decrease in the provision would affect profit or loss in future years.

4. OPERATING SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

31 March 2018

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2018

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

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2018 (continued)

	Continuing operations				Discontinued operations
	Property development and management RMB'000	Property investment RMB'000	Financial services RMB'000	Total RMB'000	Telecommunications retail sales and management services RMB'000
Segment liabilities					
Reportable segment liabilities	2,220,486	7,945	112,590	2,341,021	–
Deferred tax liabilities				311,462	–
Income tax payable				54,784	–
Liability component of the Convertible Bonds				54,218	–
Unallocated liabilities				283,135	–
Total liabilities				3,044,620	–
Other segment information					
Capital expenditure*	1,660	1,250	4	2,914	–
Depreciation**	1,141	762	11	1,914	455

Notes to the Consolidated Financial Statements

31 March 2018

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2017 (restated)

	Continuing operations			Discontinued operations
	Property development and management RMB'000	Property investment RMB'000	Total RMB'000	Telecommunications retail sales and management services RMB'000
Segment revenue				
Sales to external customers	1,012,350	20,119	1,032,469	192,724
Segment results	210,801	(5,746)	205,055	31,417
Bank interest income			461	211
Finance costs			(33,879)	(293)
Change in fair value of derivative financial instruments			(25,488)	–
Unallocated head office expenses			(31,715)	–
Share of results of a joint venture			–	(237)
Profit before tax			114,434	31,098
Income tax			(67,356)	(7,383)
Profit for the year			47,078	23,715
Segment assets:				
Reportable segment assets	3,717,590	975,369	4,692,959	99,328
Deferred tax assets			64,402	–
Prepaid income tax			27,984	–
Available-for-sale investment			201,131	–
Derivative financial instruments			46,549	–
Unallocated assets			482,997	–
Total assets			5,516,022	99,328

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2017 (restated) (continued)

	Continuing operations			Discontinued operations
	Property development and management RMB'000	Property investment RMB'000	Total RMB'000	Telecommunications retail sales and management services RMB'000
Segment liabilities				
Reportable segment liabilities	2,065,316	7,636	2,072,952	34,014
Deferred tax liabilities			303,404	–
Income tax payable			38,630	677
Liability component of the Convertible Bonds			206,104	–
Unallocated liabilities			1,242,772	–
Total liabilities			3,863,862	34,691
Other segment information				
Capital expenditure*	109	803	912	1,026
Depreciation**	1,351	713	2,064	1,816

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

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

Notes to the Consolidated Financial Statements

31 March 2018

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers from continuing operations

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

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

(b) Non-current assets

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

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

Information about major customers

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

5. REVENUE, OTHER INCOME AND GAINS FROM CONTINUING OPERATIONS

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

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

	2018 RMB'000	2017 RMB'000 (Restated)
Revenue		
Sale of properties	**860,773**	994,492
Rental income	**23,114**	20,119
Property management service income	**21,079**	17,858
Guarantee fee income	**15,082**	–
Total revenue from continuing operations	**920,048**	1,032,469
Other income and gains		
Bank interest income	**1,516**	461
Interest income from held-to-maturity investments and entrusted loans	**18,007**	–
Sundry income	**407**	562
Government subsidy[#]	**–**	25,543
Gain on disposal of property, plant and equipment	**1,048**	431
Dividend income from an available-for-sale investment	**13,026**	–
Gain from a bargain purchase from the acquisition of subsidiaries (note 31)	**19,078**	–
Total other income and gains from continuing operations	**53,082**	26,997

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

Notes to the Consolidated Financial Statements

31 March 2018

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	2018 RMB'000	2017 RMB'000 (Restated)
Cost of properties sold (note 18)	**706,045**	713,594
Cost of services	**20,711**	20,566
Cost of rental	**28,539**	23,384
Depreciation	**2,000**	2,637
Staff costs (including directors' emoluments):		
Salaries, wages and other benefits	**32,216**	35,941
Equity-settled share option expense	**1,413**	6,215
Contribution to defined contribution plans	**6,518**	7,322
Total staff cost	**40,147**	49,478
Less: amount capitalised into properties under development	**(3,369)**	(6,758)
	36,778	42,720
Auditor's remuneration:		
Current year	**2,380**	2,380
Other services	**1,312**	1,301
Minimum lease payments under operating leases	**3,435**	4,283
Foreign exchange differences, net	**–**	(267)
Direct operating expenses arising from investment properties that generated rental income	**615**	560
Direct operating expenses arising from investment properties that did not generate rental income	**51**	355
Gain on disposal of items of property, plant and equipment	**(1,048)**	(431)
Impairment on:		
— Trade receivables*:	**659**	–
— Other receivables*:	**4,000**	–
Write-down of completed properties held for sale to net realisable value*	**22,609**	1,727

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

7. FINANCE COSTS FROM CONTINUING OPERATIONS

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

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

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

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018 RMB'000	2017 RMB'000
Fees	**665**	625
Other emoluments:		
Salaries, allowances and benefits in kind	**5,037**	6,461
Performance related bonuses	**579**	1,110
Equity-settled share option expense	**501**	2,393
Pension scheme contributions	**199**	277
	6,316	10,241
	6,981	10,866

The fair value of share options granted to certain directors under the share option scheme of the Company, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above directors' remuneration disclosures, further details of which are set out in note 29 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

31 March 2018

8. DIRECTORS' REMUNERATION (continued)

The remuneration of each of the directors for the years ended 31 March 2018 and 2017 is set out below:

	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2018						
Executive directors:						
Chai Xiu (a)	–	1,353	–	–	11	1,364
Cui Xintong	–	2,322	424	–	15	2,761
Wang Guanghui (b)	–	960	–	501	139	1,600
Liu Hongjian (c)	–	84	118	–	12	214
Huang Bingxing (d)	–	318	37	–	22	377
	–	5,037	579	501	199	6,316
Non-executive director:						
Cong Peifeng (e)	54	–	–	–	–	54
	54	–	–	–	–	54
Independent non-executive directors:						
Chan Yuk Tong	204	–	–	–	–	204
Mei Jianping (a)	150	–	–	–	–	150
Xiang Qiang (f)	204	–	–	–	–	204
Zhu Zuoan (e)	53	–	–	–	–	53
	611	–	–	–	–	611
	665	5,037	579	501	199	6,981

Notes:

(a) Resigned on 27 December 2017

(b) Resigned on 4 May 2018

(c) Appointed on 29 November 2017

(d) Resigned on 29 November 2017

(e) Appointed on 27 December 2017

(f) Redesignated as executive director on 4 May 2018

8. DIRECTORS' REMUNERATION (continued)

The remuneration of each of the directors for the years ended 31 March 2018 and 2017 is set out below: (continued)

	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2017						
Executive directors:						
Chai Xiu	–	1,986	–	–	16	2,002
Cui Xintong (a)	–	2,373	867	–	16	3,256
Wang Guanghui	–	1,002	243	2,007	155	3,407
Huang Bingxing	–	1,100	–	386	90	1,576
	–	6,461	1,110	2,393	277	10,241
Independent non-executive directors:						
Chan Yuk Tong	208	–	–	–	–	208
Mei Jianping	208	–	–	–	–	208
Xiang Qiang (b)	125	–	–	–	–	125
Wei Lidong (c)	84	–	–	–	–	84
	625	–	–	–	–	625
	625	6,461	1,110	2,393	277	10,866

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Notes:

(a) Appointed on 14 September 2016.

(b) Appointed on 25 August 2016.

(c) Resigned on 25 August 2016.

Notes to the Consolidated Financial Statements

31 March 2018

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2017: four directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2017: one) highest paid employees who are not a director of the Company are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	**1,993**	1,249
Performance related bonuses	**431**	642
Equity-settled share option expense	**171**	635
Pension scheme contributions	**31**	16
	2,626	2,542

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees 2018	 2017
Nil to HK$1,000,000 (equivalent to Nil to RMB895,000)	**1**	–
HK$1,000,001 to HK$1,500,000 (equivalent to RMB895,000 to RMB1,342,000)	**–**	–
HK$1,500,001 to HK$2,000,000 (equivalent to RMB1,342,000 to RMB1,789,000)	**–**	–
HK$2,000,001 to HK$2,500,000 (equivalent to RMB1,789,000 to RMB2,236,000)	**1**	–
HK$2,500,001 to HK$3,000,000 (equivalent to RMB2,236,000 to RMB2,684,000)	**–**	1
	2	1

10. INCOME TAX FROM CONTINUING OPERATIONS

PRC Corporate Income Tax ("CIT") has been provided at the applicable income tax rate on the assessable profits in accordance with the relevant tax laws applicable to the entities in the PRC. The statutory CIT tax rate in the PRC is 25% (2017: 25%).

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

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

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

Land Appreciation Tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. Prior to the actual cash settlement of the LAT liabilities, the LAT liabilities are subject to the final review/approval by the tax authorities.

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

	2018 **RMB'000**	2017 RMB'000 (Restated)
Current tax:		
PRC CIT	**23,462**	40,737
PRC LAT	**9,638**	34,739
Hong Kong and overseas	**–**	–
	33,100	75,476
Deferred tax (note 17)	**(8,649)**	(8,120)
Total charge from continuing operations	**24,451**	67,356

Notes to the Consolidated Financial Statements

31 March 2018

10. INCOME TAX FROM CONTINUING OPERATIONS (continued)

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

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

11. DIVIDENDS

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

12. EARNINGS PER SHARE

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

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

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

Notes to the Consolidated Financial Statements

31 March 2018

12. EARNINGS PER SHARE (continued)

The calculations of basic and diluted earnings per share are based on: (continued)

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

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

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

13. DISCONTINUED OPERATIONS

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

13. DISCONTINUED OPERATIONS (continued)

The results of the discontinued operations are summarised as follows:

	2018 RMB'000	2017 RMB'000
Revenue	**44,435**	192,724
Cost of sales and services	**(35,963)**	(132,011)
Gross profit	**8,472**	60,713
Other income and gains (note (a))	**2,323**	2,668
Gain on disposal of subsidiaries (note 32)	**135**	–
Selling and distribution costs	**(6,151)**	(20,918)
Administrative expenses	**(7,658)**	(10,835)
Finance costs	**(101)**	(293)
Share of results of a joint venture	**20**	(237)
(Loss)/profit before tax (note (b))	**(2,960)**	31,098
Income tax	**(5,876)**	(7,383)
(Loss)/profit for the year from discontinued operations	**(8,836)**	23,715

Notes:

(a) Other income and gains from discontinued operations

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

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

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

Notes to the Consolidated Financial Statements

31 March 2018

13. DISCONTINUED OPERATIONS (continued)

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

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

The consideration receivable of RMB43,000,000 relating to the Disposal was settled during the year. Further details of the Disposal are set out in note 32 to the consolidated financial statements.

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

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

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

	Number of shares 2018 '000	 2017 '000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (note 12)	**4,446,473**	1,669,102
Weighted average number of ordinary shares used in the diluted earnings per share calculation (note 12)	**6,774,891**	5,907,152

14. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures and office equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Total RMB'000
31 March 2018				
At 1 April 2017:				
Cost	13,734	6,828	5,820	26,382
Accumulated depreciation	(6,371)	(3,416)	(4,154)	(13,941)
Net carrying amount	7,363	3,412	1,666	12,441
At 1 April 2017, net of accumulated depreciation	7,363	3,412	1,666	12,441
Additions	697	1,567	741	3,005
Additions from the acquisition of subsidiaries	33	–	–	33
Disposals	(1,830)	(1,413)	(1,607)	(4,850)
Depreciation provided during the year	(1,176)	(1,109)	(170)	(2,455)
Exchange realignment	(38)	(50)	–	(88)
At 31 March 2018, net of accumulated depreciation	5,049	2,407	630	8,086
At 31 March 2018:				
Cost	11,574	4,923	3,176	19,673
Accumulated depreciation	(6,525)	(2,516)	(2,546)	(11,587)
Net carrying amount	5,049	2,407	630	8,086

Notes to the Consolidated Financial Statements

31 March 2018

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Furniture and fixtures and office equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Total RMB'000
31 March 2017				
At 1 April 2016:				
Cost	13,553	4,993	8,260	26,806
Accumulated depreciation	(4,660)	(1,950)	(6,112)	(12,722)
Net carrying amount	8,893	3,043	2,148	14,084
At 1 April 2016, net of accumulated depreciation	8,893	3,043	2,148	14,084
Additions	383	2,061	504	2,948
Disposals	(14)	–	(189)	(203)
Depreciation provided during the year	(1,939)	(1,717)	(797)	(4,453)
Exchange realignment	40	25	–	65
At 31 March 2017, net of accumulated depreciation	7,363	3,412	1,666	12,441
At 31 March 2017:				
Cost	13,734	6,828	5,820	26,382
Accumulated depreciation	(6,371)	(3,416)	(4,154)	(13,941)
Net carrying amount	7,363	3,412	1,666	12,441

15. INVESTMENT PROPERTIES

	2018 RMB'000	2017 RMB'000
Carrying amount at 1 April 2017/2016	**961,138**	943,628
Net gain on fair value adjustment	**25,461**	–
Exchange realignment	**(30,599)**	17,510
Carrying amount at 31 March 2018/2017	**956,000**	961,138
Representing:		
The PRC	**660,000**	660,000
Hong Kong	**296,000**	301,138
Carrying amount at 31 March 2018/2017	**956,000**	961,138

At 31 March 2018, the Group's investment properties included the office premises in Kowloon Bay, Hong Kong and certain units of a shopping mall in Baishan City, Jilin Province. These investment properties were stated at fair value and were valued by Savills Valuation and Professional Services Limited (an independent professional qualified valuer).

Fair value hierarchy

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

	Fair value measurement as at 31 March 2018 using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**956,000**	**956,000**

	Fair value measurement as at 31 March 2017 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000 (Restated)
Recurring fair value measurement for:				
Commercial properties	–	–	961,138	961,138

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

Notes to the Consolidated Financial Statements

31 March 2018

15. INVESTMENT PROPERTIES (continued)

The quantitative information of the significant unobservable inputs and the description of valuation techniques used in Level 3 fair value measurement are as follows:

	Description	Fair value at 31 March 2018 & 2017 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average, if applicable)
1)	Car parking spaces Nos. A1 to A14 (inclusive) on 1P Floor, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong	296,000 (2017: 301,138)	Sales comparison approach	Comparable's unit selling/asking price	HK$1.56 million per unit
	20th Floor of Towers I, II and III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong		Income capitalisation approach	Capitalisation rate Market rent	3% HK$21.5 per square foot
2)	Retail shops located on basement 1 and levels 3 to 5 of Guangze International Shopping Center, Baishan City, the PRC	660,000 (2017: 660,000)	Income capitalisation approach	Capitalisation rate Market rent	2.75%–4.75% RMB58.2–RMB182 per square metre
	Car parking spaces located on basement 2 of Guangze International Shopping Center, Baishan City, the PRC		Comparable market transaction approach	Comparable's unit selling/asking price	RMB150,000 per unit

Prevailing market rents are estimated based on the independent valuer's view of recent letting transactions within the subject properties and other comparable properties. The higher the comparable's unit selling/asking price and the lower the capitalisation rate/the higher the market rent, the higher is the fair value. Reversionary yield is estimated by the independent valuer based on the risk profile of the properties being valued. The higher the yield, the lower is the fair value.

At 31 March 2018, certain of the Group's investment properties with an aggregate carrying amount of RMB296,000,000 (2017: RMB301,138,000) were pledged to banks to secure certain of the bank loans granted to the Group.

16. AVAILABLE-FOR-SALE INVESTMENT

	2018	2017
	RMB'000	RMB'000
Listed equity investment at fair value	**165,343**	201,131

During the year, the gross loss in respect of the Group's available-for-sale investment recognised in other comprehensive income amounted to RMB18,648,000 (2017: gross gain of RMB23,999,000), none of which was reclassified from other comprehensive income to the statement of profit or loss during the year.

The above investment consists of investment in equity securities which were designated as available-for-sale financial assets and had no fixed maturity date or coupon rate.

As at 31 March 2018, the Group's listed equity investment with a carrying value of RMB165,343,000 (2017: RMB201,131,000) was pledged as security for the Group's other loans, as further detailed in note 25 to the consolidated financial statements.

17. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Depreciation allowance and fair value change of investment properties	**Revaluation of properties under development and completed properties held for sale**	**Prepaid tax**	**Others**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2017	**92,933**	**205,946**	**4,525**	**–**	**303,404**
Deferred tax charged/(credited) to profit or loss (note 10)	**5,280**	**–**	**(198)**	**3,208**	**8,290**
Exchange realignment	**(232)**	**–**	**–**	**–**	**(232)**
At 31 March 2018	**97,981**	**205,946**	**4,327**	**3,208**	**311,462**
At 1 April 2016	84,518	205,946	20,080	–	310,544
Deferred tax charged/(credited) to profit or loss (note 10)	8,153	–	(15,555)	–	(7,402)
Exchange realignment	262	–	–	–	262
At 31 March 2017	92,933	205,946	4,525	–	303,404

Notes to the Consolidated Financial Statements

31 March 2018

17. DEFERRED TAX (continued)

Deferred tax assets

	Tax losses RMB'000	Deemed profit for pre-sales RMB'000	Impairment losses RMB'000	Other temporary differences RMB'000	Total RMB'000
At 1 April 2017	**33,260**	**26,467**	**1,975**	**2,700**	**64,402**
Deferred tax (charged)/credited to profit or loss (note 10)	**24,296**	**(12,687)**	**4,509**	**821**	**16,939**
At 31 March 2018	**57,556**	**13,780**	**6,484**	**3,521**	**81,341**
At 1 April 2016	20,958	40,215	1,975	536	63,684
Deferred tax credited/(charged) to profit or loss (note 10)	12,302	(15,723)	–	4,139	718
At 31 March 2017	33,260	24,492	1,975	4,675	64,402

Deferred tax assets have not been recognised in respect of the following items:

	2018 RMB'000	2017 RMB'000
Tax losses	**387,787**	305,768
Deductible temporary differences	**3,005**	11,805
	390,792	317,573

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose except for tax losses of RMB51,951,000 (2017: RMB8,694,000) that related to subsidiaries operating in the PRC that can be offset against future taxable profits of the respective subsidiaries for a maximum of five years from the year in which the losses were incurred. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

18. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

	2018 RMB'000	2017 RMB'000
Properties under development	**2,171,312**	2,275,339
Completed properties held for sale	**700,208**	843,146
	2,871,520	3,118,485

Properties under development	2018 RMB'000	2017 RMB'000
Properties under development expected to be completed within normal operating cycle and classified as current assets, are expected to be recoverable:		
Within one year	**485,616**	588,111
After one year	**1,685,696**	1,687,228
	2,171,312	2,275,339

Completed properties held for sale	2018 RMB'000	2017 RMB'000
Carrying amount before write-down to net realisable value at 1 April 2017/2016	**850,897**	1,244,511
Transfer from properties under development	**580,388**	319,980
Transfer to cost of properties sold (note 6)	**(706,045)**	(713,594)
	725,240	850,897
Write-down to net realisable value	**(25,032)**	(7,751)
Carrying amount at 31 March 2018/2017	**700,208**	843,146

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

At 31 March 2018, certain of the Group's properties under development and completed properties held for sale with an aggregate carrying amounts of RMB1,490,712,000 (2017: RMB453,882,000) and nil (2017: RMB513,991,000) respectively, were pledged to banks to secure certain of the bank loans granted to the Group.

Notes to the Consolidated Financial Statements

31 March 2018

19. TRADE AND OTHER RECEIVABLES

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

19. TRADE AND OTHER RECEIVABLES (continued)

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

At 31 March 2018, trade receivables are primarily related to revenue recognised from the provision of property management service and leasing of properties.

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

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

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

Notes to the Consolidated Financial Statements

31 March 2018

19. TRADE AND OTHER RECEIVABLES (continued)

(a) (continued)

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

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

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

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

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

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

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

20. HELD-TO-MATURITY INVESTMENT

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

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

21. CASH AND CASH EQUIVALENTS AND PLEDGED AND RESTRICTED DEPOSITS

	Notes	2018 RMB'000	2017 RMB'000
Cash and bank balances		**246,915**	464,364
Less: Pledged bank acceptance bills deposits		**–**	(11,300)
Pledged bank deposits (note 25(v))		**–**	(18,859)
Restricted bank deposits under pre-sale of properties	(a)	**(23,958)**	(16,439)
Restricted bank deposits under provision of financing guarantee services	(b)	**(158,737)**	–
Cash and cash equivalents		**64,220**	417,766

(a) In accordance with relevant policies issued by the PRC local State-owned Land and Resource Bureau applicable to all property developers, the Group is required to place certain of the proceeds received from the pre-sale of properties as guarantee deposits for the construction of the properties. The restriction will be released when the construction is completed. The restricted cash earns interest at floating daily bank deposit rates.

(b) In accordance with the financing guarantee agreements signed with the banks, the Group is required to place certain amounts of deposits in the banks to secure the provision of financing guarantee services. The balances are refundable when the obligation of the financing guarantee is released. The restricted cash earns interest at floating daily bank deposit rates.

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi amounted to RMB244,058,000 (31 March 2017: RMB307,964,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Notes to the Consolidated Financial Statements

31 March 2018

22. TRADE AND OTHER PAYABLES

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

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

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

(b) At 31 March 2017, amounts due to related companies and a joint venture were unsecured, interest-free and had no fixed terms of repayment. The amounts due to related companies were repaid during the year and the amount due to a joint venture was derecognised upon completion of the Disposal (as defined in note 32).

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

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

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

23. DEPOSITS FROM SALE OF PROPERTIES

Deposits from the sale of properties represent sales proceeds received from buyers in connection with the Group's pre-sale of properties.

24. LOANS FROM A CONTROLLING SHAREHOLDER

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

25. BANK AND OTHER BORROWINGS

	Notes	2018 RMB'000	2017 RMB'000
Current			
Bank loans — unsecured	(i)	**220,000**	96,000
Bank loans — secured	(ii)	**174,166**	269,342
Other loans — unsecured	(iii)	**23,190**	24,690
Other loans — secured	(iv)	**69,416**	88,545
Entrusted loan	(v)	**100,000**	18,200
		586,772	496,777
Non-current			
Bank loans — unsecured	(i)	**–**	220,000
Bank loans — secured	(ii)	**418,034**	250,970
		418,034	470,970
		1,004,806	967,747

Notes to the Consolidated Financial Statements

31 March 2018

25. BANK AND OTHER BORROWINGS (continued)

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

Notes:

(i) The unsecured bank loans of RMB220,000,000 (31 March 2017: RMB235,000,000) bear interest at fixed rate of 6.65% per annum. The loan of RMB220,000,000 was guaranteed by an independent third party guarantee company where the Company provided a counter-guarantee in favour of the independent third party for its obligations to guarantee the payment obligations. An unsecured bank loan of RMB80,000,000 as at 31 March 2017 was repaid during the year; and the other of RMB1,000,000 as at 31 March 2017 was derecognised upon the disposal of subsidiaries (note 32 to the consolidated financial statements).

(ii) Included in the secured bank loans are loan balances of RMB70,000,000 (31 March 2017: Nil), HK$309,000,000 (equivalent to approximately RMB247,200,000) (31 March 2017: HK$216,000,000 (equivalent to approximately RMB191,312,000)) and RMB275,000,000 (31 March 2017: RMB150,000,000) bearing interest at a fixed rate of 7.6% per annum, at HIBOR plus margin of 2.40%–2.75% per annum and a fixed interest rate of 5.39% per annum, respectively. A secured bank loan of RMB179,000,000 as at 31 March 2017 was repaid during the year.

The bank loan of RMB70,000,000 is secured by pledges of the 20% equity interests of 吉林省廣澤地產有限公司 and the bank loans of RMB275,000,000 and RMB247,200,000 are secured by pledges of the properties under development and the completed properties held for sale with a carrying value of RMB1,185,558,000 (31 March 2017: RMB453,882,000) and investment properties with fair value of RMB296,000,000 (31 March 2017: RMB301,138,000), respectively.

(iii) The unsecured other loans of RMB23,190,000 (31 March 2017: RMB24,690,000) of 吉林市萬升房地產開發有限公司 (Jilin Wan Sheng Property Development Company Limited*) ("Jilin Wan Sheng"), a wholly-owned subsidiary of the Group, are in relation to original borrowing arrangements with twenty nine individual third parties in prior years. All the borrowings were unsecured, bore interest at fixed interest rates ranging from 15% to 42% per annum and were repayable within one year or on demand. Pursuant to the supplemental agreements entered into with the remaining individual third parties on the outstanding loan balance in 2014, these borrowing arrangements became interest-free effective from 30 September 2014 and repayable on demand.

(iv) A secured other loan of HK$86,771,000 (equivalent to approximately RMB69,416,000) (31 March 2017: HK$99,972,000 (equivalent to approximately RMB88,545,000)) bears interest at a fixed interest rate of 6.50% per annum and is secured by the Group's available-for-sale investment.

(v) In December 2017, the Group entered into an entrusted loan agreement with a third party and a bank in the PRC, whereby the third party has agreed to provide a loan of RMB100,000,000 through the bank to the Group. The loan is secured by properties under development held by the Group with a carrying amount of RMB305,154,000; and bears interest at a loan prime rate plus 3.7% per annum. The entrusted loan is repayable within one year.

As at 31 March 2017, the entrusted receipt loan of RMB18,200,000 was pledged by a bank deposit of RMB18,859,000 made with a bank in the PRC. This loan bore interest at a fixed rate of 1.55% per annum. At 31 March 2018, the entrusted receipt loan was derecognised upon the disposal of the subsidiaries (note 32 to the consolidated financial statements).

26. DERIVATIVE FINANCIAL INSTRUMENTS AND CONVERTIBLE BONDS

CBs due in 2021

On 27 July 2016, the Company issued an aggregate principal amount of HK$500 million (equivalent to approximately RMB430 million on the issue date) convertible bonds which are due on 27 July 2021 (the "CBs due in 2021") as part of the considerations in respect of the Ka Yun Acquisition. The CBs due in 2021 are convertible into the Company's ordinary shares of HK$0.05 each at an initial conversion price of HK$0.85 per share subject to adjustments. The interest rate is 2% per annum payable semi-annually in arrears each year before the maturity date.

The conversion rights are exercisable at any time from the date of issue of the CBs due in 2021 up to the maturity date of 27 July 2021, provided that any conversion does not result in the public float of the Company's shares being less than 25% (or any given percentage as required by the Listing Rules).

The CBs due in 2021 are not transferrable without the prior written consent of the Company.

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

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

On 29 March 2017, the CBs due in 2021 in the principal amount of HK$212,500,000 (equivalent to approximately RMB188,211,250 on the conversion date) were fully converted into 250,000,000 ordinary shares of the Company at the conversion price of HK$0.85 per share.

On 27 October 2017, the CBs due in 2021 in the principal amount of HK$199,537,388 (equivalent to approximately RMB169,447,150 on the conversion date) were fully converted into 234,749,867 ordinary shares of the Company at the conversion price of HK$0.85 per share.

CBs due in 2018

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

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

Notes to the Consolidated Financial Statements

31 March 2018

26. DERIVATIVE FINANCIAL INSTRUMENTS AND CONVERTIBLE BONDS (continued)

Accounting treatment

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

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

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

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

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

Early redemption right features of the Convertible Bonds

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

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

26. DERIVATIVE FINANCIAL INSTRUMENTS AND CONVERTIBLE BONDS (continued)

Liability component of the Convertible Bonds

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

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

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

Equity component of the Convertible Bonds

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

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

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

Notes to the Consolidated Financial Statements

31 March 2018

27. SHARE CAPITAL

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

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

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

27. SHARE CAPITAL (continued)

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

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

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

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

(e) 6,800,000 new ordinary shares of the Company were allotted and issued, upon the exercise of the 6,800,000 share options. The exercise price of these share options is HK$0.98 per share. Details of the Company's share option scheme and the movements are set out in note 29 to the consolidated financial statements.

28. CONVERTIBLE PREFERENCE SHARES

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

Key terms of the CPS are as follows:

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

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

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

Notes to the Consolidated Financial Statements

31 March 2018

28. CONVERTIBLE PREFERENCE SHARES (continued)

Key terms of the CPS are as follows: (continued)

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

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

Subject to compliance with all applicable laws and the bye-laws of the Company, each CPS shall confer on its holder the right to receive an accrued and cumulative fixed dividend commencing from the date of the issue of the CPS on a yearly basis at a rate of 0.2% of the nominal value of HK$0.05 of each CPS outstanding in priority to any dividend in respect of any other class of shares in the capital of the Company, payable annually in arrears. The CPS holder(s) has unconditionally and irrevocably waived the receipt of such preferred dividend.

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

(a) The CPS holder(s) has unconditionally and irrevocably waived its right to receive the preferred distribution; and as such, the Group does not have a contractual obligation to deliver cash or other financial assets arising from the issue of the CPS. Therefore, there is no liability component of the CPS.

(b) The conversion options of the CPS will be settled by the exchange of a fixed amount or fixed number of equity instruments.

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

29. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The summary of the Scheme's key terms is as follows:

(1) Purpose

To recognise and acknowledge the contributions or potential contributions made or to be made by the participants to the Group or any entity in which the Group holds any equity interests (the "Invested Entity"), to motivate the participants to optimise their performance and efficiency for the benefit of the Group or the Invested Entity, and to maintain or attract business relationship with the participants whose contributions are or may be beneficial to the growth of the Group or the Invested Entity.

(2) Participants

Share options may be granted to the participants, being:

(a) any person being an employee (including any executive director), officer (including any non-executive director and independent non-executive director), substantial shareholder, consultant, agent, professional adviser, customer, business partner, joint venture partner, strategic partner, landlord or tenant of, or any supplier or provider of goods or services to, the Company or any subsidiary or any Invested Entity, or any trustee(s) of a discretionary trust of which one or more beneficiaries belong to any of the above mentioned category(ies) of persons, or any company beneficially owned by any of the above mentioned category(ies) of persons; or

(b) any other person who the Board may determine in its absolute discretion, has made valuable contribution to the business of the Group or Invested Entity based on his performance and/or years of service, or is regarded as valuable resources of the Group or the Invested Entity based on his work experience, knowledge in the industry and other relevant factors, or is expected to be able to contribute to the prosperity, business development or growth of the Group or the Invested Entity based on his/its business connection or network or other relevant factors.

(3) Total number of shares available for issue

137,145,000 shares, being 10% of the total number of shares in issue as at the date of refreshment of the scheme mandate limit on 14 September 2016 and being 3.27% of the total number of shares in issue as at the date of this annual report.

Notes to the Consolidated Financial Statements

31 March 2018

29. SHARE OPTION SCHEME (continued)

The summary of the Scheme's key terms is as follows: (continued)

(4)	Maximum entitlement of each participant	In any 12-month period: (a) for each grantee, not exceeding 1% of the aggregate number of shares for the time being in issue (including exercised, cancelled and outstanding options); (b) for substantial shareholders and independent non-executive directors, not over 0.1% of the number of shares then in issue and not having an aggregate value in excess of HK$5 million (including options exercised, cancelled and outstanding); unless separately approved by independent shareholders at general meetings.
(5)	Option period	A 10 years' period commencing from the date as specified in the grant letter and expiring on the earliest of the last day of the said period or such time as specified in the Share Option Scheme and/or the grant letter.
(6)	Minimum period for which an option must be held before it can vest	No minimum period before the options can be exercised unless otherwise imposed by the Board at its absolute discretion.
(7)	Payment on acceptance of option	HK$1.00 in cash to be payable on acceptance within 21 days from the date of grant.
(8)	Subscription price	To be determined by the Board and shall be at least the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the option, which must be a business day; (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the option; and (c) the nominal value of the shares.
(9)	Life	A period of 10 years commencing on 5 September 2012 (being the date on which the Scheme is adopted) and expiring on the tenth anniversary of such date, i.e, 5 September 2022.

29. SHARE OPTION SCHEME (continued)

The terms and conditions of the share options granted under the 2012 Share Option Scheme were as follows:

	Number of share options							
Grantees	As at 1 April 2017	Reclassified during the year (Note 1)	Exercised during the year (Note 3)	Cancelled/ lapsed during the year	As at 31 March 2018	Date of grant	Exercise period (Note 2)	Exercise price per share option HK$
Directors/Chief Executive:								
Ms. Chai Xiu**	850,000	(850,000)	–	–	–	19/06/2014	19/06/2014 – 18/06/2024	0.980
Mr. Wang Guanghui***	3,000,000	–	–	–	3,000,000	24/10/2014	24/10/2015 – 23/10/2024	1.200
	8,000,000	–	(4,800,000)	–	3,200,000	18/04/2016	18/04/2016 – 17/04/2026	0.980
Mr. Huang Bingxing*	8,000,000	(8,000,000)	–	–	–	24/10/2014	24/10/2015 – 23/10/2024	1.200
Mr. Chan Yuk Tong	850,000	–	(850,000)	–	–	19/06/2014	19/06/2014 – 18/06/2024	0.980
Mr. Mei Jianping**	850,000	–	(850,000)	–	–	19/06/2014	19/06/2014 – 18/06/2024	0.980
Sub-total	21,550,000	(8,850,000)	(6,500,000)	–	6,200,000			
Employees	30,000,000	–	–	–	30,000,000	19/06/2014	19/06/2014 – 18/06/2024	0.980
	8,000,000	(7,500,000)	–	(500,000)	–	24/10/2014	24/10/2015 – 23/10/2024	1.200
	3,440,000	–	(300,000)	(40,000)	3,100,000	18/04/2016	18/04/2016 – 17/04/2026	0.980
Others	6,000,000	850,000	–	–	6,850,000	19/06/2014	19/06/2014 – 18/06/2024	0.980
	2,400,000	15,500,000	–	–	17,900,000	24/10/2014	24/10/2015 – 23/10/2024	1.200
	8,000,000	–	–	–	8,000,000	18/04/2016	18/04/2016 – 17/04/2026	0.980
Sub-total	57,840,000	8,850,000	(300,000)	(540,000)	65,850,000			
Total	79,390,000	–	(6,800,000)	(540,000)	72,050,000			

* Resigned on 29 November 2017
** Resigned on 27 December 2017
*** Resigned on 4 May 2018

Notes to the Consolidated Financial Statements

31 March 2018

29. SHARE OPTION SCHEME (continued)

Notes:

1. Capacities of certain grantees reclassified due to the change of their identifications with the Group during the financial year.

2. For the share options granted on 19 June 2014, 100% of the share options became exercisable from 19 June 2014.

   For the share options granted on 24 October 2014, 50% of the share options became exercisable from 24 October 2015, and the remaining 50% of the share options became exercisable from 24 October 2016.

   For the share options granted on 18 April 2016, 30% of the share options became exercisable from 18 April 2016, 30% of the share options became exercisable from 18 April 2017 and the remaining 40% of the share options became exercisable commencing from 18 April 2018.

3. The annual weighted average closing price of the shares immediately before the date on which the options were exercised during the financial year is HK$1.81 (2017: HK$1.98).

In respect of share options of the Company granted to the directors of the Company, the related charge recognised in the consolidated statement of profit or loss for the years ended 31 March 2018 and 2017, estimated in accordance with the Group's accounting policy in note 2.4, was as follows:

	2018 RMB'000	2017 RMB'000
Huang Bingxing	–	386
Wang Guanghui	501	2,007
	501	2,393

The following share options were outstanding under the Scheme during the year:

	2018		2017	
	Weighted average exercise price HK$ per share	Number of options '000	Weighted average exercise price HK$ per share	Number of options '000
Outstanding at 1 April	1.0393	79,390	1.0614	63,250
Granted during the year	–	–	0.9800	20,500
Exercised during the year	0.9800	(6,800)	0.9800	(1,200)
Forfeited during the year	1.1837	(540)	1.1192	(3,160)
Outstanding at 31 March	1.0438	72,050	1.0393	79,390
Exercisable at 31 March	1.0519	63,930	1.0523	65,152

29. SHARE OPTION SCHEME (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2018 Number of options	2017 Number of options	**Exercise price HK$ per share**	**Exercise period**
2,640,000	5,202,000	**0.98**	**18/04/2016 – 17/04/2026**
3,540,000	6,102,000	**0.98**	**18/04/2017 – 17/04/2026**
8,120,000	8,136,000	**0.98**	**18/04/2018 – 17/04/2026**
36,850,000	38,550,000	**0.98**	**19/06/2014 – 18/06/2024**
10,450,000	10,700,000	**1.20**	**24/10/2015 – 23/10/2024**
10,450,000	10,700,000	**1.20**	**24/10/2016 – 23/10/2024**
72,050,000	79,390,000		

The Group recognised share option expense of RMB1,413,000 (2017: RMB6,215,000) during the year ended 31 March 2018, which was related to the share options granted in the prior year and vested during the year.

Notes to the Consolidated Financial Statements

31 March 2018

29. SHARE OPTION SCHEME (continued)

The fair value of equity-settled share options granted, was estimated as at the respective dates of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Date of grant		
	19 June 2014	24 October 2014	18 April 2016
Dividend yield (%)	0%	0%	0%
Expected volatility (%)	49.89%	49.12%	57.34%
Risk-free interest rate (%)	2.02%	1.75%	1.26%
Expected life of share options (year)	10	10	10
Fair value at measurement date (HK$)	0.45	0.39	0.34
Weighted average share price (HK$)	0.98	0.91	0.78

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The 6,800,000 share options exercised during the year resulted in the issue of 6,800,000 ordinary shares of the Company and new share capital of RMB286,119 (before issue expenses), as further detailed in note 27 to the consolidated financial statements.

At the end of the reporting period, the Company had 72,050,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 72,050,000 additional ordinary shares of the Company and additional share capital of RMB2,882,000 (before issue expenses).

At the date of approval of these consolidated financial statements, the Company had 72,050,000 share options outstanding under the Scheme, which represented approximately 1.4% of the Company's shares in issue as at that date.

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 78 to 79 of the consolidated financial statements.

(i) Share premium

The application of the share premium account is governed by the Companies Act 1981 of Bermuda (as amended).

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and is dealt with in accordance with the accounting policies adopted for foreign currency translation.

(iii) Contributed surplus

The contributed surplus of the Company arose from the capital reduction in May 2006, which consists of share capital reduction and cancellation of the entire amount of the share premium account of the Company as at 31 March 2005. Under the Companies Act 1981 of Bermuda (as amended), a company shall not declare or pay a dividend, or make a distribution out of the contributed surplus, if there are reasonable grounds for believing that (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realisable value of the Company's assets would thereby be less than its liabilities.

(iv) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in the notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

31 March 2018

30. RESERVES (continued)

(v) Other reserves

		2018 RMB'000	2017 RMB'000
Merger reserve	(a)	**(3,316,856)**	(3,316,856)
Property revaluation reserve	(b)	**8,151**	8,151
Others		**4,692**	4,692
		(3,304,013)	(3,304,013)

(a) The merger reserve represents the difference in the fair value of the consideration paid to Ka Yun in respect of the acquisition and the carrying amount of the net assets of the Ka Yun Group at the date when the Ka Yun Group became under common control of the ultimate shareholder of the Company.

(b) When an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in the property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

(vi) Statutory reserve

According to the PRC Company Law, each of the PRC subsidiaries of the Group is required to transfer 10% of its after tax profit, calculated in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of the PRC subsidiaries, provided that such fund is maintained at a minimum level of 25% of the registered capital.

31. BUSINESS COMBINATION

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

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

	Carrying amount RMB'000	**Fair value recognised on acquisition** RMB'000
Property, plant and equipment	33	33
Trade and other receivables	88,761	88,761
Pledged and restricted deposits	112,446	112,446
Cash and cash equivalents	353,459	353,459
Trade and other payables	(11,360)	(11,360)
Deferred income	(9,778)	(9,778)
Provision for guarantee losses	(8,543)	(8,543)
Income tax payable	(24)	(24)
Total identifiable net assets at fair value		524,994
Bargain purchase (note 5)		(19,078)
		505,916
Satisfied by:		
Purchase consideration, paid in cash		505,916
Net cash flows on acquisition:		
Net cash acquired		353,459
Consideration paid		(505,916)
		(152,457)

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

Notes to the Consolidated Financial Statements

31 March 2018

32. DISPOSAL OF SUBSIDIARIES

As set out in note 13 to the consolidated financial statements, the Disposal Group was disposed of for the consideration of RMB43,000,000, with further details as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	3,787
Investment in a joint venture	5,803
Deferred tax assets	1,080
Inventories	40,003
Trade and other receivables	78,797
Cash and cash equivalents	9,233
Trade and other payables	(75,352)
Income tax payable	(1,286)
Bank and other borrowings	(19,200)
	42,865
Total consideration:	
Cash consideration received	43,000
Net assets disposed of	(42,865)
Gain on disposal of subsidiaries (note 13)	135

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

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

33. CONTINGENT LIABILITIES

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

(i) The Group has arranged bank financing for certain purchasers of property units developed by subsidiaries of the Group that provided guarantees to secure obligation of such purchasers for repayments. As at 31 March 2018, guarantees amounting to RMB1,035.3 million were given to banks with respect to mortgage loans procured by purchasers of property units (31 March 2017: RMB971.0 million). Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate to the purchasers and (ii) the satisfaction of mortgage loans by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. During the year, the Group did not incur any material losses in respect of any of these guarantees. The Directors consider that the likelihood of default in payments by the purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial. Also, in case of default in payments, the net realisable value of the related property units would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

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

Pursuant to the terms of the guarantees, upon default in loan repayments by these borrowers, the Group is responsible for repaying the outstanding loans together with accrued interest to the financial institutions. During the year, the Group did not incur any material losses in respect of any of these guarantees. The Directors consider that the likelihood of default in payments by the borrowers is minimal and therefore the guarantees measured at fair value are immaterial. Also, the pledged assets were provided by the borrowers pursuant to the terms of the guarantees and a provision of RMB12.8 million has been made in connection with the guarantees.

Notes to the Consolidated Financial Statements

31 March 2018

34. OPERATING LEASE ARRANGEMENTS AND COMMITMENTS

(a) Operating lease arrangements

As lessor

The Group leases its investment properties (note 15 to the consolidated financial statements) under operating lease arrangements, with the average lease term of three years and with options to renew the leases upon expiry at new terms. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 31 March 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018 **RMB'000**	2017 RMB'000
Within one year	**23,148**	23,717
In the second to fifth years, inclusive	**30,302**	38,998
After fifth years	**59,010**	67,282
	112,460	129,997

As lessee

The Group leases certain of its properties under operating lease arrangements. The majority of these leases have non-cancellable lease terms ranging from one to three years and there are no restrictions placed upon the Group by entering into these lease agreements.

As at 31 March 2018, the Group had total future minimum lease payables under non-cancellable operating leases with its tenants falling due as follows:

	2018 **RMB'000**	2017 RMB'000
Within one year	**28,338**	33,298
In the second to fifth years, inclusive	**45,839**	83,914
	74,177	117,212

(b) Commitments for development expenditure

In addition to the operating lease commitments detailed above, the Group had the following capital commitments at the end of the reporting period:

	2018 **RMB'000**	2017 RMB'000
Contracted, but not provided for:		
— Properties under development	**530,617**	805,981

35. RELATED PARTY TRANSACTIONS

(a) Other than disclosed elsewhere in the financial statements, the Group had the following significant transactions with related parties during the year:

	2018 RMB'000	2017 RMB'000
(i) Entities controlled by a close family member of a controlling shareholder of the Company:		
Rental expenses paid:		
— a motor vehicle	**187**	187
— office premises	**1,045**	1,050
Building management fees paid:		
— office premises	**60**	60
Interest on amount due to a related company	**–**	3,056
	1,292	4,353
Guarantee fees income	**392**	–
Guarantee provided	**109,000**	–

The related party transactions in respect of rental expenses paid on office premises, guarantee fees income of RMB392,000 and guarantees provided of RMB109,000,000 above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The rental expenses were exempted from the reporting announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules; and the guarantee fees received and guarantees provided were subject to the reporting and disclosure requirements of Chapter 14A of the Listing Rules which are provided in section headed "Connected Transactions" in the Directors' Report and were exempted from the circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(2)(a). Further details are set out in the Company's announcement dated 19 June 2018.

	2018 RMB'000	2017 RMB'000
(ii) A controlling shareholder of the Company: Coupon interest on CBs due in 2021	**3,063**	4,337

(iii) During the year ended 31 March 2018, 1,400 million CPSs were converted by the controlling shareholder of the Company. Details are set out in note 28 to the consolidated financial statements.

(iv) On 25 August 2017, the Company entered into a corporate guarantee in favour of a commercial bank in the PRC as a security for the provision of a loan of RMB149 million by the bank to an entity controlled by a close family member of the controlling shareholder of the Company for the purpose of the entity's operation. On even date, a loan agreement has been entered into pursuant to which the entity has agreed to advance a sum of RMB160 million to the Group. The above transactions constitute connected transactions as defined in Chapter 14A of the Listing Rules but were exempted from the circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(2)(a). Further details are set out in the Company's announcement dated 25 August 2017.

Notes to the Consolidated Financial Statements

31 March 2018

35. RELATED PARTY TRANSACTIONS (continued)

(b) Key management personnel

	2018 RMB'000	2017 RMB'000
Compensation for key management personnel, including the amounts paid to the Company's directors and certain of the highest paid employees, as disclosed in notes 8 and 9, is as follows:		
Fees	**665**	625
Other emoluments:		
Salaries, allowances and benefits in kind	**6,750**	9,010
Performance related bonuses	**953**	2,190
Equity-settled share option expense	**672**	3,115
Pension scheme contributions	**313**	580
	8,688	14,895
Total compensation paid to key management personnel	**9,353**	15,520

36. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings RMB'000	Liability component of the Convertible Bonds RMB'000
At 1 April 2017	**967,747**	206,104
Changes from financing cash flows	**67,409**	–
Transfer to equity upon conversion	**–**	(153,039)
Exchange realignment	**(30,350)**	(10,487)
Accrued effective interest	**–**	15,261
Interest paid classified as operating cash flows	**–**	(3,621)
At 31 March 2018	**1,004,806**	54,218

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2018

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Held-to-maturity investment RMB'000	Total RMB'000
Available-for-sale investment	–	–	165,343	–	165,343
Financial assets included in trade and other receivables	–	618,166	–	–	618,166
Derivative financial instruments	14,843	–	–	–	14,843
Held-to-maturity investment	–	–	–	310,000	310,000
Pledged and restricted deposits	–	182,695	–	–	182,695
Cash and cash equivalents	–	64,220	–	–	64,220
	14,843	865,081	165,343	310,000	1,355,267

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in trade other payables	904,983
Liability component of the Convertible Bonds	54,218
Loans from a controlling shareholder	111,160
Interest-bearing bank and other borrowings	1,004,806
	2,075,167

Notes to the Consolidated Financial Statements

31 March 2018

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Financial instruments by category (continued)

2017

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investment	–	–	201,131	201,131
Financial assets included in trade and other receivables	–	594,327	–	594,327
Derivative financial instruments	46,549	–	–	46,549
Pledged and restricted deposits	–	46,598	–	46,598
Cash and cash equivalents	–	417,766	–	417,766
	46,549	1,058,691	201,131	1,306,371

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in trade other payables	1,232,820
Liability component of the Convertible Bonds	206,104
Loans from a controlling shareholder	264,824
Interest-bearing bank and other borrowings	967,747
	2,671,495

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value and fair value hierarchy of financial instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Available-for-sale investment	**165,343**	201,131	**165,343**	201,131
Derivative financial instruments	**14,843**	46,549	**14,843**	46,549
	180,186	247,680	**180,186**	247,680
Financial liabilities				
Loans from a controlling shareholder	**111,160**	264,824	**111,160**	264,824
Bank and other borrowings	**1,004,806**	967,747	**1,007,282**	1,052,333
Liability component of the Convertible Bonds	**54,218**	206,104	**61,762**	203,137
	1,170,184	1,438,675	**1,180,204**	1,520,294

Management has assessed that the fair values of cash and cash equivalents, pledged and restricted deposits financial assets included in trade and other receivables and financial liabilities included in trade and other payables approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The chief financial officer reports directly to the audit committee. At each reporting date, the finance manager analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the bank loans and the liability component of the Convertible Bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for bank loans and the Convertible Bonds as at 31 March 2018 was assessed to be insignificant.

Notes to the Consolidated Financial Statements

31 March 2018

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

	Fair value measurement as at 31 March 2018 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investment	**165,343**	**–**	**–**	**165,343**
Derivative financial instruments	**–**	**–**	**14,843**	**14,843**
	165,343	**–**	**14,843**	**180,186**

	Fair value measurement as at 31 March 2017 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investment	201,131	–	–	201,131
Derivative financial instruments	–	–	46,549	46,549
	201,131	–	46,549	247,680

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 March 2018 and 2017:

	Valuation techniques	Significant unobservable inputs	Range
Early redemption rights embedded in the Convertible Bonds	Binomial pricing model	Expected volatility	74.19%

The fair value of the conversion option embedded in convertible bonds is determined using the binomial pricing model and the significant unobservable input used in the fair value measurement is the expected volatility. The fair value measurement is positively correlated to the expected volatility.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (31 March 2017: Nil).

The movements in fair value measurements within Level 3, which only comprises the early redemptive rights embedded in the Convertible Bonds, during the year are set out in note 26 to the consolidated financial statement.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise the Convertible Bonds, bank loans, time deposits and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank deposits and interest-bearing borrowings. The carrying amounts of financial instruments reported on the consolidated statement of financial position approximate to their fair values, and the Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Notes to the Consolidated Financial Statements

31 March 2018

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax through the impact on bank loans with floating interest rates.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit after tax RMB'000
2018		
Bank loans	**50**	**(209)**
Bank loans	**(50)**	**209**
2017		
Bank loans	50	(225)
Bank loans	(50)	225

Foreign currency risk

The Group's exposure to foreign currency risk mainly arise from the Group's debts denominated in HK$ which were borrowed by the Group with the functional currency of HK$, while the Group's presentation currency of the consolidated financial statements is RMB.

Since the Group mainly engages in property development and management, property investment, and the provision of financing guarantee services in the PRC, transactional currency exposure arising from sales or purchases in currencies other RMB has an immaterial impact on the Group's profit after tax and equity.

The following table demonstrates the sensitivity as at 31 March 2018 to a reasonably possible change in the HK$ and RMB exchange rates, with all other variables held constant, of the Group's equity (due to translation of the operating results and financial position of each subsidiary with functional currencies other than RMB into the presentation currency of RMB used for the consolidated financial statements of the Group).

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	Increase/ (decrease) in HK$ rate %	Increase/ (decrease) in equity RMB'000
2018		
RMB strengthens against HK$	**3**	**1,506**
RMB weakens against HK$	**(3)**	**(1,506)**
2017		
RMB strengthens against HK$	3	752
RMB weakens against HK$	(3)	(752)

Credit risk

As at 31 March 2018, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to the failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to pledged bank deposits, bank balances and cash and trade and other receivables. Substantially all of the Group's pledged bank deposits and bank balances and cash were deposited in creditworthy global banks and state-controlled financial institutions in the PRC, which management considers they are without significant credit risks. At the end of the reporting period, the Group has concentration of credit risk as the trade receivables from the five largest customers represented 38% (2017: 94%) of the total trade receivables, while 24% (2017: 37%) of the total trade receivables were due from the largest single customer.

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

Notes to the Consolidated Financial Statements

31 March 2018

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group manages liquidity risk by maintaining adequate bank deposits and cash, funding through both equity and debt financing, monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The liquidity risk is under continuous monitoring by management. Management monitors the utilisation of borrowings. At the end of the reporting period, the Board of Directors expected that the Group had no significant liquidity risk in the near future.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

			2018		
	Less than 3 months RMB'000	**3 to less than 12 months RMB'000**	**1 to 5 years RMB'000**	**More than 5 years RMB'000**	**Total RMB'000**
Trade and other payables	**931,900**	**–**	**–**	**–**	**931,900**
Loans from a controlling shareholder	**111,160**	**–**	**–**	**–**	**111,160**
Liability component of the Convertible Bonds	**706**	**1,408**	**72,936**	**–**	**75,050**
Bank and other borrowings	**364,192**	**353,116**	**318,157**	**57,749**	**1,093,214**
	1,407,958	**354,524**	**391,093**	**57,749**	**2,211,324**

			2017		
	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Trade and other payables	1,190,234	42,586	–	–	1,232,820
Loans from a controlling shareholder	–	264,824	–	–	264,824
Bank and other borrowings	55,871	492,174	552,768	–	1,100,813
Liability component of the Convertible Bonds	–	2,553	274,895	–	277,448
	1,246,105	802,137	827,663	–	2,875,905

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from an individual equity investment classified as an available-for-sale investment (note 16) as at 31 March 2018. The Group's listed investment is listed on the Hong Kong stock exchange and is valued at quoted market prices as at 31 March 2018.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 March 2018	**High/low 2018**
Hong Kong — Hang Seng Index	30,093	33,484/23,724

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investment with all other variables held constant and before any impact on tax, based on its carrying amount as at 31 March 2018. For the purpose of this analysis, for the available-for-sale equity investment, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the statement of profit or loss.

31 March 2018	**Carrying amount of equity investment** RMB'000	**Increase/ (decrease) in profit before tax** RMB'000	**Increase/ (decrease) in equity*** RMB'000
Investments listed in:			
Hong Kong — Available-for-sale investment	165,343	–	16,534/(16,534)

* Excluding retained earnings

Notes to the Consolidated Financial Statements

31 March 2018

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains the Group's stability and growth.

The Group regularly reviews and manages its capital structure and makes adjustments to it by taking into consideration changes in economic conditions, future capital requirements of the Group, prevailing and projected profitability and operating cash flows, projected capital expenditures and projected strategic investment opportunities.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes the Convertible Bonds, bank loans, trade and other payables, less cash and cash equivalents and pledged and restricted deposits. Capital includes convertible bonds and equity. The gearing ratios as at the end of the reporting periods were as follows:

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

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 March 2018 RMB'000	31 March 2017 RMB'000
NON-CURRENT ASSET		
Interests in subsidiaries	**5,147,787**	5,174,787
Total non-current asset	**5,147,787**	5,174,787
CURRENT ASSETS		
Other receivables	**557**	617
Derivative financial instruments	**14,843**	46,549
Cash and cash equivalents	**1,128**	10,234
Total current assets	**16,528**	57,400
CURRENT LIABILITIES		
Other payables	**7,548**	8,692
Bank and other borrowings	**56,000**	90,342
Total current liabilities	**63,548**	99,034
NET CURRENT LIABILITIES	**(47,020)**	(41,634)
TOTAL ASSETS LESS CURRENT LIABILITIES	**5,100,767**	5,133,153
NON-CURRENT LIABILITIES		
Liability component of the Convertible Bonds	**54,218**	206,104
Bank and other borrowings	**91,200**	100,970
Total non-current liabilities	**145,418**	307,074
Net assets	**4,955,349**	4,826,079
EQUITY		
Shared capital	**228,335**	141,047
Convertible preference shares	**1,181,940**	2,206,954
Equity component of the Convertible Bonds	**40,368**	151,545
Reserves (Note)	**3,504,706**	2,326,533
TOTAL EQUITY	**4,955,349**	4,826,079

Approved and authorised for issue by the Board of Directors on 27 June 2018 and signed on its behalf by

Cui Xintong
Director

Xiang Qiang
Director

Notes to the Consolidated Financial Statements

31 March 2018

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Exchange reserve RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Retained earnings RMB'000	Other reserves RMB'000	Total RMB'000
Balance At 1 April 2016	256,769	(12,212)	184,684	20,338	5,007	46,748	501,334
Loss for the year	–	–	–	–	(67,734)	–	(67,734)
Other comprehensive income for the year:							
Exchange differences related to foreign operations	–	157,521	–	–	–	–	157,521
Total comprehensive income for the year	–	157,521	–	–	(67,734)	–	89,787
Issuance of securities in respect of the Ka Yun Acquisition	236,149	–	–	–	–	–	236,149
Issuance of new shares under share subscriptions	249,435	–	–	–	–	–	249,435
Share issuing costs	(636)	–	–	–	–	–	(636)
Issuance of shares under share option scheme	1,356			(367)	–	–	989
Shares issued upon conversion of convertible preference shares and convertible bonds	1,243,260	–	–	–	–	–	1,243,260
Equity-settled share option arrangements	–	–	–	6,215	–	–	6,215
Forfeiture of share options	–	–	–	(917)	917	–	–
At 31 March 2017	1,986,333	145,309	184,684	25,269	(61,810)	46,748	2,326,533

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note: (continued)

A summary of the Company's reserves is as follows: (continued)

	Share premium RMB'000	Exchange reserve RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Retained earnings RMB'000	Other reserves RMB'000	Total RMB'000
Balance At 1 April 2017	1,986,333	145,309	184,684	25,269	(61,810)	46,748	2,326,533
Loss for the year	–	–	–	–	(31,513)	–	(31,513)
Other comprehensive income for the year:							
Exchange differences related to foreign operations	–	(337,315)	–	–	–	–	(337,315)
Total comprehensive income for the year	–	(337,315)	–	–	(31,513)	–	(368,828)
Issuance of new ordinary shares under share subscriptions	344,824	–	–	–	–	–	344,824
Issuance of shares upon exercise of share options	7,538			(2,216)	–	–	5,322
Shares issued upon conversion of convertible preference shares and convertible bonds	1,195,442	–	–	–	–	–	1,195,442
Equity-settled share option arrangements	–	–	–	1,413	–	–	1,413
Forfeiture of share options	–	–	–	(155)	155	–	–
At 31 March 2018	3,534,137	(192,006)	184,684	24,311	(93,168)	46,748	3,504,706

40. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated to conform with the current year presentation as a result of the discontinued operations, as set out in notes 13 and 32 to the consolidated financial statements, in accordance with HKFRS 5.

41. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 June 2018.

Schedule of Principal Properties

Particulars of principal properties held by the Group at 31 March 2018 are as follows:

INVESTMENT PROPERTIES

	Address	Lot No.	Category of the lease	Use	Lease expiry	Percentage held by the Group
1.	20th Floor of Towers I, II and III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon	Aggregate of 40,505/728,680th equal and undivided shares of and in New Kowloon Inland Lot No. 6115 The properties have a total of 40,505 sq.ft. and a total saleable area of approximately 30,522 sq.ft.	Medium-term lease	Commercial	2047	100%
2.	Car parking spaces Nos. A1 to A14 (inclusive) on 1P Floor, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon	Aggregate of 14/728,680th equal and undivided shares in New Kowloon Inland Lot No. 6115	Medium-term lease	Commercial	2047	100%
3.	Portion of Guangze International Shopping Centre, 135 Hunjiang Dajie, Hunjiang District, Jilin Province, PRC	N/A The properties have a total gross floor area of 60,672.33 sq.m.	Medium-term lease	Retail	2053	100%
4.	Car parking spaces of Guangze International Shopping Centre, 136 Hunjiang Dajie, Hunjiang District, Jilin Province, PRC	N/A The properties have a total gross floor area of 7,760.53 sq.m.	Medium-term lease	Car parks	2053	100%

PROPERTIES UNDER DEVELOPMENT

	Address	Estimated gross floor area (sq. m)	Uses	Lease expiry	Stage of completion	Expected date of completion	Percentage held by the Group
1.	Changbaishan Ground Pine Township International Resort (長白山廣澤果松小鎮國際度假村), Guosong Village Donggang Town, Fusong County, Baishan, Jilin Province, PRC	539,646	Residential and commercial (including hotels)	Residential: 2082 Commercial: 2052	Construction in progress	By phases from 2017 to 2020	100%
2.	Guangze China House Phase I (廣澤蘭亭一期), North of National Highway 201, Hunjiang District, Baishan, Jilin Province, PRC	128,736	Residential and commercial	Residential: 2084 Commercial: 2054	Construction in progress	2017	100%
3.	Guangze Red House Phase III (廣澤紅府三期), East of Wenhua East Street, Yanji, Jilin Province, PRC	73,204	Residential and commercial	Residential: 2085 Commercial: 2055	Construction in progress	2018	100%

Schedule of Principal Properties

COMPLETED PROPERTIES HELD FOR SALE

	Address	Approximate gross floor area (sq. m)	Uses	Lease expiry	Date of Completion	Percentage held by the Group
1.	Wansheng • Qiancheng International*, (萬升•前城國際)) Also known as 緹香 and 花香四季 for marketing purpose Jiefang West Road, Chuanying District, Jilin, Jilin Province, PRC	39,989	Residential, commercial, office, storage and car parks	Residential: 2081 Commercial: 2051	2017	100%
2.	Portion of Guangze International Shopping Centre, 135 Hunjiang Dajie, Hunjiang District, Baishan, Jilin Province, PRC	18,064	Residential, retail and car parks	Residential: 2083 Commercial: 2053	2014	100%
3.	Porton of Guangze • Amethyst Amethyst City Phase I (廣澤•紫晶城一期), Jiefang West Road, Chuanying District, Jilin, Jilin Province, PRC	1,502	Residential, commercial and car park	Residential: 2080 Commercial: 2050	2011	100%
4.	Portion of Guangze • Amethyst City Phase II and Relocated District (廣澤•紫晶城，二期和回遷區), Jiefang West Road, Chuanying District, Jilin, Jilin Province, PRC	38,719	Residential, commercial, storage and car parks	Residential: 2082 Commercial: 2052	2013	100%
5.	Guangze Red House Phase I (廣澤紅府一期), South of Gongyuan Road, East of Jindalai North Street, Yanji, Jilin Province, PRC	3,512	Residential, commercial and car parks	Residential: 2084 Commercial: 2054	2016	100%

COMPLETED PROPERTIES HELD FOR SALE (continued)

	Address	Approximate gross floor area (sq. m)	Uses	Lease expiry	Date of Completion	Percentage held by the Group
6.	Guangze Red House Phase II (廣澤紅府二期), West of Jindalai, North Street, South of Lihua Road, Xanxi Street, Yanji, Jilin Province, PRC	22,027	Residential, commercial and carparks	Residential: 2085 Commercial: 2055	2018	100%
7.	Guangze • Tudors Palace (廣澤•瀾香), Jiefang West Road, Chuanying District, Jilin, Jilin Province, PRC	27,552	Residential	2082	2016	100%

Five-year Financial Summary

(Expressed in RMB million, unless otherwise stated)	Year ended 31 March				
	2018	2017 (Restated) (note 1)	2016	2015	2014
Revenue	**920.0**	1,032.5[1]	624.4	103.5	44.3
Gross profit	**164.8**	274.9[1]	155.0	44.7	31.1
Profit (loss) for the year from continuing operations	**59.2**	47.1[1]	(118.0)	(18.2)	(3.0)
(Loss) profit for the year from discontinued operations	**(8.8)**	23.7[1]	–	–	–
Profit (loss) for the year	**50.4**	70.8	(118.0)	(18.2)	(3.0)
Basic earnings (loss) from continuing operations per share (RMB cents)	**1.3**	2.8	(10.0)	(2.23)	(0.54)
Total assets	**5,309.2**	5,615.3	5,099.0	1,017.7	604.0
Total liabilities	**3,044.6**	3,898.5	4,058.1	435.4	254.7
Net assets	**2,264.6**	1,716.8	1,040.9	582.3	349.4
Net assets value per share (RMB)	**0.43**	0.53	1.21	0.68	0.61

(1) The figures have been restated to represent the continuing and discontinued operations caused by the disposal of Shanghai business.

GROUND INTERNATIONAL
广泽国际

GROUND INTERNATIONAL DEVELOPMENT LIMITED
廣 澤 國 際 發 展 有 限 公 司

Room 1305, 13th Floor, China Resources Building,
No. 26 Harbour Road, Wanchai, Hong Kong
Tel : (852) 2209 2888　　Fax : (852) 2209 2988
www.ground-international.com