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

2018/19
Annual Report

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)*
LIU Hongjian

Non-executive Director
CONG Peifeng

Independent Non-executive Directors
TSANG Hung Kei *(appointed on 30 April 2019)*
ZHU Zuoan
WANG Xiaochu *(appointed on 25 July 2018)*

BOARD COMMITTEES

Audit Committee
TSANG Hung Kei *(Chairperson)*
(appointed on 30 April 2019)
ZHU Zuoan
WANG Xiaochu *(appointed on 25 July 2018)*

Remuneration Committee
CUI Xintong *(Chairperson)*
(appointed as Chairperson on 30 April 2019)
ZHU Zuoan
WANG Xiaochu *(appointed on 25 July 2018)*
TSANG Hung Kei *(appointed on 30 April 2019)*

Nomination Committee
ZHU Zuoan *(Chairperson) (appointed as Chairperson on 4 May 2018)*
CUI Xintong
WANG Xiaochu *(appointed on 25 July 2018)*
TSANG Hung Kei *(appointed on 30 April 2019)*

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 54, Hopewell Centre
183 Queen's Road East
Hong Kong

HONG KONG LEGAL ADVISOR

Michael Li & Co.

AUDITOR

Mazars CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

Hang Seng Bank Limited
Industrial Bank Co., Ltd.

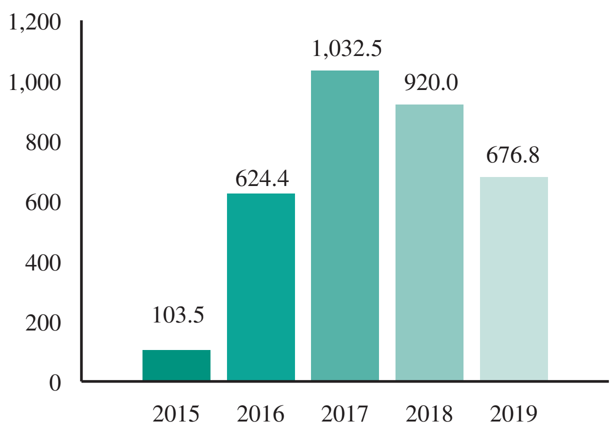
STOCK CODE

989

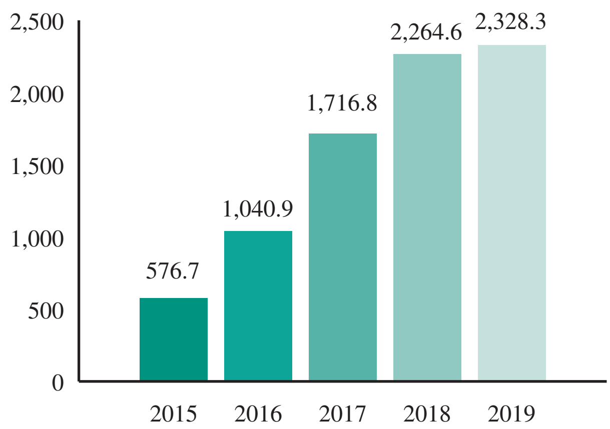
Financial Highlights

	2019 RMB million	2018 RMB million	Change %
Continuing operations			
Financial highlights			
Revenue	**676.8**	920.0	–26.4
Gross profit	**196.8**	164.8	19.4
Profit for the year	**23.0**	59.2	–61.1
Basic earnings per share (RMB Cents)	**0.44**	1.3	–66.2
Diluted earnings per share (RMB Cents)	**0.33**	0.9	–63.3
Total assets	**4,830.7**	5,309.2	–9.0
Total equity	**2,328.3**	2,264.6	2.9
Ratio highlights			
Gross profit margin	**29.1**	17.9	11.2 pts
Net profit margin	**3.4**	6.4	–3.0 pts
Working capital ratio (times)	**2.3**	1.8	27.8
Quick ratio (times)	**0.6**	0.3	100
Gearing ratio (%)	**39.4**	44.0	–4.6 pts
Interest coverage ratio (times)	**5.2**	3.9	33.3

Revenue (RMB million)



Total equity (RMB million)



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 2019.

Starting from the Chairperson Statement in 2016/2017 Annual Report, it has been mentioned that the Group will carry out a comprehensive business upgrade transformation and adjustment in accordance with a strategic development thinking of "One primary sector as supplemented by two". As a recap, "One primary sector" refers to elderly care business, healthcare and cultural tourism; and "two supplemental sectors", on the other hand, refer to (i) property development and operation management business; and (ii) financial service business.

Despite of the fact that the various types of measures adopted by the Chinese government in the mainland real estate market have not been loosened, the Group remains cautiously optimistic on the development prospects of the mainland real estate. During the Group's transformation process, the property development sector has been continuously the largest contribution to the Group's performance. The Group also selects property development projects prudently based on the principle that property is used for housing rather than for speculation. At the same time, the Group will come up with a clearer direction in the field of healthcare and cultural tourism sectors; and increase efforts in expanding in this direction.

The Chinese government promotes to cascade the development of private economy; assisting and soothing small and micro enterprises through the nation. Jilin Province has fully implemented the Regulations on the Supervision and Administration of Financing Guarantee Companies issued by the State Council. These regulations unifies the management and supervision standards for financing guarantee companies nationally, and stipulates disciplinary measures for non-compliant operation undertaken by guarantee companies and their senior personnel. The purpose in formulating and implementing these regulations is to further develop financial inclusion, to promote capital financing, and to resolve the financing difficulties encountered by the small and micro enterprises and "Three Rural". Accordingly, the most important of all in the business development of the Group's guarantee company is to screen out customers with good development prospects, stable operation and sound credibility during careful selection among the many small and micro enterprises. By selecting good quality small and micro enterprises in conducting the business, the Group not only able to obtain guarantee fee income but also is also able to increase operating revenue from government subsidies when the support has reached the government-stipulated level.

Looking ahead, the Group continues to develop each of the business segments and refine its business realms following the development direction of "One primary sector as supplemented by two", so to bring the Group a more stable results and cash flows. At the same time, the Group continues to look for other investment opportunities to bring greater benefits to the Group's investors and shareholders.

Cui Xintong
Chairperson

Hong Kong, 28 June 2019

Management Discussion and Analysis

OVERVIEW

With an objective in effectively promoting business development, Ground International Development Limited (the "Company") and its subsidiaries (collectively, the "Group") adopts a growth model of "one primary sector as supplemented by two" (一主兩輔). The "one primary sector" refers to elderly care and healthcare and cultural tourism 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, 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") in July 2016, the acquisition of Jilin Province Fengrun Financing Guaranty Company Limited* (吉林省灃潤融資擔保有限公司) ("FR Guarantee") which is a company established in the PRC and is principally engaged in provision of guarantee services in the PRC in May 2017, and the disposal of telecommunication businesses in June 2017. The completion of the above acquisition and disposal allows the Group to focus on the growth model of "one primary sector as supplemented by two" to create potential synergies to enhance its value to the shareholders and stakeholders of the Company.

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 March 2019, overall revenue of the Group from continuing operations was approximately RMB676.8 million (31 March 2018: RMB920.0 million), representing a decrease of 26.4%. Gross profit from continuing operations was RMB196.8 million (31 March 2018: RMB164.8 million). Net profit after tax from continuing operations was RMB23.0 million (31 March 2018: RMB59.2 million).

Property development

Contracted sales

For the year ended 31 March 2019, the Group continued its pre-sales of Guangze Red House – Phase III project, which is mainly a residential property project located in Yanji City, Jilin Province which was completed and delivered with revenue recognised during the second half of the current financial year. In addition, the Group continued its sales of the remaining high-end villas, other residential units and commercial units at Guangze • Tudors Palace, "緹香" and "花香四季" (previously known as Wansheng • Qiancheng International), Guangze • Amethyst City (all of which are located at Jilin City, Jilin Province), and the remaining residential and commercial units at Guangze Red House — Phase II located at Yanji City, Jilin Province.

Properties completed, delivered and sale of properties recognised during the year ended 31 March 2019

For the year ended 31 March 2019, there were decreases in sales of properties (excluding car parks) by 65.9% and recognised gross floor area ("GFA") by 56.8%. During the year ended 31 March 2019, the Group completed and delivered the projects of Guangze Red House — Phase III and Guangze China House Phase I, which enabled recognition of revenue on sales of properties of RMB309.5 million and RMB102.5 million respectively (2018: Recognised sales of newly completed properties from Guangze Red House Phase II and "緹香" and "花香四季" of RMB488.6 million and RMB160.9 million respectively).

For the year ended 31 March 2019, the sale of properties (excluding car parks) related to the remaining units of the property projects that were completed in the previous years was mainly contributed from the sales of Guangze•Tudors Palace, Guangze•Amethyst City, "緹香" and "花香四季" and Guangze Red House Phase I and Phase II, amounted an aggregate of RMB140.4 million and an aggregate GFA of 13,565 sq.m.

BUSINESS REVIEW (continued)

Property development (continued)

Properties completed, delivered and sale of properties recognised during the year ended 31 March 2019 (continued)

For the year ended 31 March 2018, the Group recognised property sales (excluding car parks) with respect to the property project of Guangze•Tudors Palace, Guangze•Amethyst City, "緹香" and "花香四季" and Guangze Red House Phase I with an aggregate amount of RMB329.5 million and an aggregate GFA of 58,132 sq.m.

The decrease in sales of properties was attributable to the fact that (i) the total GFA recognised on newly completed and delivered in the current financial year was lower than that of last financial year as the property projects were smaller in terms of GFA completed; and (ii) fewer remaining units of the completed property projects were delivered in the current year.

For the year ended 31 March 2019, the Group delivered and recognised sale of car park units of approximately RMB55.3 million from the sale of 351 car park units (year ended 31 March 2018: RMB38.1 million from the sale of 284 car park units).

Projects under development and held for development

As at 31 March 2019, the Group had two remaining projects at various stages of development, including an estimated GFA of projects under development of approximately 76,002 sq.m., and an estimated GFA of project held for future development of approximately 547,977 sq.m.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Property investment

At 31 March 2019, 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 RMB20.5 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.

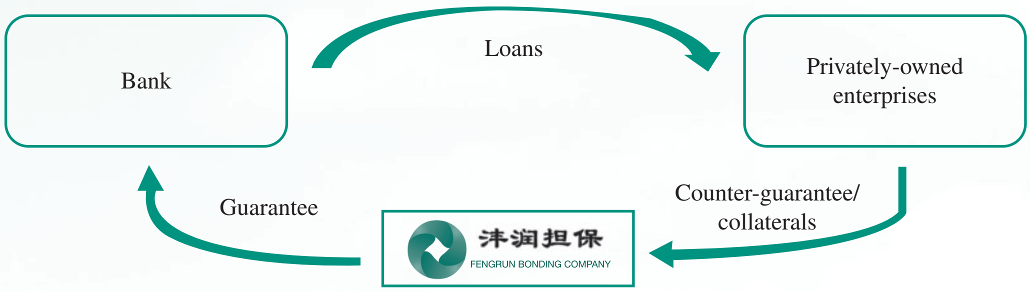
			Year ended 31 March	
Name of the property	**Location of the property**	**Total leasable area**	**2019 Occupancy rate**	2018 Occupancy rate
Enterprise Square	Kowloon Bay, Hong Kong	40,505 sq.ft.	**100%**	100%
Guangze International Shopping Centre (廣澤國際購物中心)	Baishan City, the PRC	26,235 sq.m	**92.9%**	84.2%

BUSINESS REVIEW (continued)

Financial services

Provision of guarantee services

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:



For the year ended 31 March 2019, the revenue and net profit of the Group from provision of guarantee services were RMB22.3 million and RMB9.6 million respectively (31 March 2018: revenue of RMB15.1 million and net profit of RMB19.2 million respectively). As at 31 March 2019, the Group's total outstanding guarantees were RMB1,433.5 million, of which the property development and agriculture sectors accounted for 25% and 47% of the Group's outstanding guarantees, respectively. The provision of guarantee services to customer in property development sector also gives opportunities to create potential synergies with the Group's current property development segment. The Group also took advantage of the controlling shareholder's network in the agricultural sector to gain financing guarantee business opportunities in this sector.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Financial services (continued)

Provision of guarantee services (continued)

The financial information of FR Guarantee is set out below:

	From 1 April 2018 to 31 March 2019 RMB'000	From 2 May 2017 (date of acquisition) to 31 March 2018 RMB'000
Revenue	**22,290**	15,082
Net profit before tax	**14,437**	25,547
Net profit after tax	**9,612**	19,153

	As at 31 March 2019 RMB'000	As at 31 March 2018 RMB'000
Non-current assets	**6,955**	3,547
Net current assets	**540,758**	538,581
Non-current liabilities	**(3,829)**	(3,208)
Net assets	**543,884**	538,920

As at 31 March 2019, the type of outstanding guarantees are set out below:

	RMB'000	**%**
Assets/securities backed	**839,430**	**58.6**
Secured by counter-guarantees	**594,100**	**41.4**
	1,433,530	**100**

(Expressed in RMB'000, unless otherwise stated)	**As at 31 March 2019**
Leverage ratio	**2.64**
Outstanding guarantee liability	**1,433,530**
Net assets of the guarantee business	**543,884**
Provision rate	**1.07%**
Provision for guarantee losses	**15,315**
Total outstanding guarantees	**1,433,530**

BUSINESS REVIEW (continued)

Financial services (continued)

Provision of guarantee services (continued)

The maximum exposure to credit risk in respect of guarantees issued by industry at 31 March 2019 and 2018 are as follows:

	As at 31 March 2019		As at 31 March 2018	
	RMB'000	%	RMB'000	%
Agriculture and husbandry sector	682,050	47	541,200	49
Property development	353,860	25	297,700	27
Wholesale and retail	285,250	20	165,000	15
Service sector	109,000	8	48,000	4
Others	3,370	–	56,600	5
Total of guarantees issued	1,433,530	100	1,108,500	100

In addition to the provision of guarantee services, FR Guarantee also provides advances to its guarantee customers for additional financing via entrusted loan arrangement.

The analyses of the entrusted loans by industry sector at 31 March 2019 and 2018 are set out below:

	As at 31 March 2019		As at 31 March 2018	
	RMB'000	%	RMB'000	%
Wholesale and retail	144,900	35	13,642	19
Individual business proprietors	26,500	6	25,000	33
Service sector	86,175	22	30,000	40
Property development	50,000	12	–	–
Automobiles	–	–	6,000	8
Agricultural and husbandry sector	102,500	25	–	–
	410,075	100	74,642	100

All the entrusted loans are guaranteed by third parties without pledged assets.

Financial assets at fair value through other comprehensive income

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 the H-shares in Jilin Jiutai Rural Commercial Bank Corporation Limited, which are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The shares were fully disposed of at the consideration of HK$214,494,800 (equivalent to approximately RMB183,329,000). Further details are set out in the Company's announcement dated 15 February 2019 and circular dated 6 March 2019.

Management Discussion and Analysis

OUTLOOK

In the second half of 2018/2019, the global and China economies continue to be challenging given the China-US trade war remains unresolved. In Mainland China, the PRC government continues its stringent control measures and policies in the real estate and financial services sectors. In terms of healthcare and cultural tourism sector, the PRC government has yet to announce the implementation policies on a nationwide basis.

Looking forward, the Group's senior management is still exploring the various business realms within the healthcare and cultural tourism sectors; which the process of detailed market research, data analysis and feasibility studies is ongoing. For the property development sector, the Group is carefully in site selection process for land replenishment, so to satisfy the cash flow and profit needs from the project. The Group will continue expanding its financing guarantee business within Jilin Province, as well as uphold its credit control procedures in order to minimise the Group's credit risk.

The Group will remain prudent in the short term and be optimistic in the long term, with an objective to implement the model of "One primary sector supplemented by two" in order to promote business development. At the same time, with the perspective in maintaining a sustainable growth to the Group, the Group is also in search to undertake new investment opportunities in other sectors in order to diversify its current businesses to broaden its earnings base; to minimise the Group's business risks; and to maximise the benefits so as to bring satisfactory return to the shareholders.

FINANCIAL REVIEW

Key changes to profit or loss

Revenue

Sales of properties remained the major source of income for the Group accounting for 89% of the Group's total revenue for the year ended 31 March 2019 (31 March 2018: 94%). The analysis of the Group's revenue is as follows:

	Year ended 31 March 2019		Year ended 31 March 2018	
	RMB'000	**%**	RMB'000	%
Sale of properties	**599,495**	**89**	860,773	94
Rental income	**22,646**	**3**	23,114	3
Property management service income	**32,328**	**5**	21,079	2
Guarantee fee income	**22,290**	**3**	15,082	1
	676,759	**100**	920,048	100

The Group's revenue decreased from RMB920.0 million for the year ended 31 March 2018 to RMB676.8 million for the year ended 31 March 2019 or an decrease by 26.4%, mainly due to the decrease in sale of properties by 30.4% or RMB261.3 million as compared with the corresponding year. The decrease in sales of properties during the year ended 31 March 2019 was attributable to (i) the total GFA recognised on newly completed and delivered projects in the current financial year was lower than that of last financial year as the property projects were smaller in terms of GFA completed; and (ii) the decrease in sales and delivery of remaining units of the property projects. For the year ended 31 March 2019, the Group completed and delivered the projects of Guangze Red House — Phase III and Guangze China House Phase I, which enabled the revenue recognition on sales of properties of RMB309.5 million and RMB102.5 million respectively. The sales of Guangze • Tudors Palace, Guangze • Amethyst City, "緹香", "花香四季" and Guangze Red House Phases I and II were RMB20.4 million, RMB14 million, RMB23 million and RMB83 million, respectively.

During the year ended 31 March 2018, the Group sold remaining units of the property projects of Guangze • Tudors Palace, Guangze•Amethyst City, "緹香" and "花香四季" and Guangze Red House Phase I of RMB37.2 million, RMB53.8 million, RMB157.1 million and RMB75.4 million, respectively.

On the other hand, sales of car parks increased from RMB38.1 million for the year ended 31 March 2018 to RMB55.3 million for the year ended 31 March 2019, which partially offset the decrease in sales recognised on delivery of properties (excluding car parks).

Rental income remained stable for the year ended 31 March 2019.

Property management service income increased from RMB21.1 million for the year ended 31 March 2018 to RMB32.3 million for the year ended 31 March 2019, mainly attributable to the increased number of completed property projects during the year.

The financial services segment contributed a guarantee fee income of RMB22.3 million (31 March 2018: RMB15.1 million) to the Group's total revenue during the year ended 31 March 2019.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Key changes to profit or loss (continued)

Gross profit and gross margin

The Group's overall gross profit and gross margin has increased from RMB164.8 million and 17.9% for the year ended 31 March 2018 to RMB196.8 million and 29.1% for the year ended 31 March 2019 mainly attributable to the fact that (i) the Group's property development segment contributed from the savings arising on construction costs finalisation in respect of projects completed and delivered in prior years partially offset by the additional write-downs on certain completed properties for sale to net realisable value of RMB28.5 million; and (ii) the financial service segment made additional gross profit contribution from its increased revenue from financing guarantee fee income during the year.

Other income and gains

The Group's other income and gains decreased from RMB53.1 million for the year ended 31 March 2018 to RMB34.3 million for the year ended 31 March 2019 which was mainly attributable to the one-off bargain purchase gain from the acquisition of financing guarantee business of RMB19.1 million recognised for the year ended 31 March 2018 and no such gain for the current year.

Selling and distribution costs

The decrease in selling and distribution costs by RMB3.4 million from RMB24.9 million for the year ended 31 March 2018 to RMB21.5 million for the year ended 31 March 2019 was mainly due to the decrease in the promotion and advertising expenses as no property project is currently ready for pre-sale.

Administrative expenses

The decrease in administrative expenses by RMB5.2 million from RMB67.2 million for the year ended 31 March 2018 to RMB62.0 million for the year ended 31 March 2019 was mainly contributed by continual cost control implemented on the Group.

FINANCIAL REVIEW (continued)

Key changes to profit or loss (continued)

Other expenses

Other expenses for the year ended 31 March 2019 mainly related to assets impairment of RMB23.6 million (31 March 2018: RMB27.3 million).

Finance costs

	Year ended 31 March 2019 RMB'000	2018 RMB'000
Interest on bank loans	**40,735**	54,435
Interest on Convertible Bonds	**6,401**	15,261
Interest on other loans	**5,054**	4,947
Other borrowing costs accrued on receipts in advance from customers	**29,660**	–
	81,850	74,643
Less: interest capitalised into properties under development	**(57,264)**	(45,679)
	24,586	28,964

The decrease in finance costs by RMB4.4 million from RMB29.0 million for the year ended 31 March 2018 to RMB24.6 million for the year ended 31 March 2019 was mainly attributable to the mixed effect of (i) the decrease in effective interest expenses on the Convertible Bonds issued in July and December 2016 upon the conversion of the Convertible Bonds and (ii) the increase in other borrowing costs as being the significant financing component arising from deposits on sales of properties recognised in accordance with HKFRS 15, for which the Group applied the transition method with comparative information not restated.

Change in fair value of investment properties

A gain in fair value of RMB20.5 million of the investment properties in Hong Kong was recognised for the year ended 31 March 2019 (31 March 2018: gain in fair value of RMB25.5 million) due to the Hong Kong property market maintained its upward momentum and the demand in leasing market was still strong.

Change in fair value of derivative financial instruments

A loss in fair value of RMB11.0 million of the derivative financial instruments was recognised for the year ended 31 March 2019 (31 March 2018: loss in fair value of RMB8.0 million). The derivative financial instruments represented the Company's early redemption right features of the convertible bonds which are due on 27 July 2021. The change in fair value was mainly attributable to the volatility of the Company's share price and deterioration of the time value.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Key changes to profit or loss (continued)

Income tax

The Group's current income tax includes Corporate Income Tax (CIT) and Land Appreciation Tax (LAT). For the year ended 31 March 2019, the Group's income tax amounted to RMB80.2 million (31 March 2018: RMB24.5 million), with effective tax rate of 78% (31 March 2018: 29%). The increase in effective tax rate was mainly attributable to (i) the higher LAT provision made during the year as the project of Guangze Red House — Phase III with higher land appreciation value and (ii) the reversal of certain deferred tax assets in respect of prior year's tax losses of certain subsidiaries has either expired or become no longer utilisable.

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. Loss of RMB8.8 million was incurred for the year ended 31 March 2018 and no such loss in current year.

Key changes to financial position

Investment properties

As at 31 March 2019, the Group's investment properties remained to be 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 RMB20.5 million of the investment properties in Hong Kong was recognised for the year ended 31 March 2019 (31 March 2018: gain in fair value of RMB25.5 million).

FINANCIAL REVIEW (continued)

Key changes to financial position (continued)

Financial assets at fair value through other comprehensive income/available-for-sale investment

On 30 December 2016, the Group subscribed for H-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 on the Main Board of The Stock Exchange of Hong Kong Limited.

As at 1 April 2018, at the initial application of HKFRS 9, the listed equity investments were reclassified from available-for-sale investment to financial assets at fair value through other comprehensive income; and remains to be carried at fair value on subsequent measurement at each reporting date.

The shares were fully disposed of at the consideration of HK$214,494,800 (equivalent to approximately RMB183,329,000) during the year. Further details are set out in the Company's announcement dated 15 February 2019 and circular dated 6 March 2019. At the date of derecognition upon disposal, the accumulated fair value loss of RMB45.2 million that was previously included in the non-recycling fair value reserve was transferred directly to retained earnings.

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 RMB2,871.5 million as at 31 March 2018 to RMB2,576.6 million as at 31 March 2019 was mainly attributable to the transfer of development costs to costs of sales in respect of the properties delivered during the year ended 31 March 2019. As at 31 March 2019, an accumulated write-down of RMB53.5 million was made on completed properties held for sale (At 31 March 2018: RMB25.0 million).

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Key changes to financial position (continued)

Trade and other receivables

	Notes	As at 31 March 2019 RMB'000	As at 31 March 2018 RMB'000
Trade receivables	(i)	**25,185**	19,663
Less: provision for impairment		**(4,138)**	(905)
		21,047	18,758
Other receivables			
– Deposits for land development expenditure	(ii)	**352,612**	353,418
– Deposits for construction and pre-sale of property projects	(iii)	**39,984**	34,748
– Prepaid business tax and other taxes		**33,369**	19,704
– Entrusted loan receivables	(iv)	**410,075**	74,642
– Interest income receivable from a held-to-maturity investment		**–**	11,921
– Other receivables, prepayments and deposits		**87,185**	116,853
		923,225	611,286
		944,272	630,044

(i) The increase in trade receivables from RMB19.7 million as at 31 March 2018 to RMB25.2 million as at 31 March 2019 was mainly attributable to the increase in trade receivables relating to the financing guarantee business.

(ii) Land development expenditure made by certain subsidiaries of the Group represented monies advanced to the local government for land development works at various land sites. The Directors anticipate that these land sites will be acquired through the tender, auction and listing process which will take place in 2019.

(iii) The balances represented various deposits paid directly attributable to construction and pre-sale of property projects which would be refundable upon completion of the property projects.

(iv) FR Guarantee entered into entrusted loan agreements through the banks with certain third parties in the PRC (the "Borrowers") pursuant to which FR Guarantee instructed the banks to act as lending agent to release loans to the Borrowers which are funded by FR Guarantee. These entrusted loans are guaranteed by independent third parties, bearing interests at rates ranging from 6% to 18% per annum and are repayable within twelve months. FR Guarantee performed all the necessary credit assessment and approval procedures before making such entrusted loans; and continued monitoring the creditworthiness of the Borrowers on a timely basis to ensure the recoverability of these loans.

The increase in the balance from RMB74.6 million at 31 March 2018 to RMB410.1 million at 31 March 2019 was attributable to the proceeds received upon the maturity of wealth management products in May 2018; and thereafter lent out to the Borrowers in order to maximise the Group's profit.

FINANCIAL REVIEW (continued)

Key changes to financial position (continued)

Held-to-maturity investment

The held-to-maturity investment was related to a wealth management product issued by a reputable bank in the PRC, with expected return of 4% per annum. During the year ended 31 March 2019, the Group received the principal and its interest upon maturity.

Trade and other payables

	Notes	**As at 31 March 2019 RMB'000**	As at 31 March 2018 RMB'000
Trade payables	(i)	**79,700**	230,342
Accrued construction costs	(i)	**440,112**	530,617
Interest payable		**29,534**	27,481
Deposits received from the government	(ii)	**19,978**	18,059
Provision for guarantee losses	(iii)	**15,315**	12,832
Receipt in advance from management services	(iv)	**–**	8,096
Deferred income	(iv)	**–**	14,085
Other creditors and accruals		**58,197**	62,697
Other deposits received		**40,735**	27,691
		683,571	931,900

(i) The decreases in trade payables and accrued construction costs from RMB230.3 million and RMB530.6 million at 31 March 2018 to RMB79.7 million and RMB440.1 million at 31 March 2019 respectively were mainly attributable to gradual settlement of construction cost payable balances arising from the completed properties projects.

(ii) 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 unused amount will be refunded to the government after the construction is completed.

(iii) The Group through FR Guarantee provided financing guarantees to certain banks in order for its customers to secure bank financing. As at 31 March 2019, a provision for guarantee losses of RMB15,315,000 (As at 31 March 2018: RMB12,832,000) has been made. The carrying amounts approximate their fair values.

(iv) The deferred income and receipt in advance from management services were reclassified to contract liabilities as at 1 April 2018 upon initial application of HKFRS 15 (see below).

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Key changes to financial position (continued)

Contract liabilities

	Notes	**As at 31 March 2019 RMB'000**	As at* 31 March 2018 RMB'000
Deposits from sales of properties	(i)	**253,529**	576,290
Receipt in advance from management services	(ii)	**8,655**	8,096
Deferred income	(iii)	**11,706**	14,085
		273,890	598,471

* Being the respective comparative balances as at 31 March 2018 for comparison purpose.

(i) Deposits from sales of properties represent contractual payments received from customers in connection with the Group's pre-sale of properties. The deposit will be transferred to profit or loss upon the Group's revenue recognition criteria are met. The deposits from sales of properties as at 31 March 2018 of RMB576.3 million were separately recognised in the consolidated statement of financial position. The decrease in balance was mainly attributable to the transfer of certain deposits being recognised as sales during the year.

(ii) Receipt in advance from management services represent the property fee received in advance for property management. The receipts will be transferred to profit or loss upon the Group's revenue recognition criteria are met. The receipt in advance from management services as at 31 March 2018 of RMB8.1 million were included in the trade and other payables.

(iii) The balance represented the financing guarantee service fees received, which are initially recognised as deferred income and are amortised to profit or loss over the term of the guarantee as income from the guarantee issued. The deferred income as at 31 March 2018 of RMB14.1 million were included in the trade and other payables.

FINANCIAL REVIEW (continued)

Liquidity and financial resources

Cash position

As at 31 March 2019, the carrying amount of cash and bank deposits of the Group was approximately RMB30.1 million (as at 31 March 2018: approximately RMB64.2 million), representing a decrease of approximately 53.1% as compared with that as at 31 March 2018.

Debt and gearing

The Group's bank and other borrowings as at 31 March 2019 decreased by RMB63.1 million to RMB941.7 million which were payable as follows:

	As at 31 March 2019 RMB'000	As at 31 March 2018 RMB'000
Current	**464,081**	586,772
Non-current	**477,586**	418,034
	941,667	1,004,806
Analysed into:		
Bank loans and entrusted loan payable:		
Within one year or on demand	**440,891**	494,166
In the second year	**306,896**	56,448
In the third to fifth years, inclusive	**170,690**	361,586
	918,477	912,200
Other borrowings repayable:		
Within one year	**23,190**	92,606
	941,667	1,004,806

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Liquidity and financial resources (continued)

Debt and gearing (continued)

The current portion of bank and other borrowings decreased from RMB586.8 million as at 31 March 2018 to RMB464.1 million as at 31 March 2019 and the non-current portion of bank and other borrowing increased from RMB418.0 million as at 31 March 2018 to RMB477.6 million as at 31 March 2019 as the Group refinanced the short term bank loans by replacing with a mix of new long and short term bank loans of RMB261.9 million.

The Group's gearing ratio as at 31 March 2019 was as follows:

	At 31 March 2019 RMB'000	At 31 March 2018 RMB'000
Loans from a controlling shareholder	**149,065**	111,160
Bank and other borrowings	**941,667**	1,004,806
Trade and other payables	**683,571**	931,900
Less: Cash and cash equivalents	**(30,064)**	(64,220)
Pledged and restricted deposits	**(189,055)**	(182,695)
Net debt	**1,555,184**	1,800,951
Liability component of Convertible Bonds	**62,962**	54,218
Equity	**2,328,311**	2,264,559
Adjusted capital	**2,391,273**	2,318,777
Capital and net debt	**3,946,457**	4,119,728
Gearing ratio	**39%**	44%

The gearing ratio of the Group as at 31 March 2019 decreased compared with 31 March 2018 due to the decrease in bank and other borrowings and trade and other payables.

Cash flows for the Group's operating and investing activities

For the year ended 31 March 2019, the Group recorded net operating cash outflow of RMB154.3 million (31 March 2018: outflow of RMB82.1 million). The outflow was mainly attributable to the settlement of the trade payables of the property projects held by the Group during the year ended 31 March 2019. For investing activities, the Group recorded a cash outflow of RMB11.4 million (31 March 2018: outflow of RMB406.7 million). The outflow was mainly as a result of the net increase in entrusted loans of RMB351.4 million advanced to independent third parties which was partly offset by the redemption of the wealth management products (At 31 March 2018: classified as held-to-maturity investment) of RMB310.0 million. The outflow of RMB406.7 million for the year ended 31 March 2018 was mainly attributable to the purchase of wealth management products of RMB334.0 million and consideration paid for the acquisition of FR Guarantee which were partly offset by the cash acquired.

COMMITMENTS FOR DEVELOPMENT EXPENDITURE

As at 31 March 2019, the Group had contracted but not provided for commitments in respect of properties under development of RMB23.6 million (At 31 March 2018: RMB530.6 million). The development expenditure will be funded by the Group's internal resources and/or project loans.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risks pertaining to the property development and management business

The Group's property projects are located in Jilin Province, the PRC and the related assets accounted for 80.0% of the Group's total assets as at 31 March 2019 (At 31 March 2018: 90.9%). 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.

Management Discussion and Analysis

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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.

Currency risk

As at 31 March 2019, the Group was exposed to currency risk on financial assets and liabilities that were denominated in Hong Kong Dollars (HK$). At 31 March 2019, approximately 3.4% of the Group's total cash and bank balance (including pledged bank deposit) were denominated in HK$ (At 31 March 2018: 1.2%) and approximately 26.4% of the Group's total borrowings were denominated in HK$, while 73.6% were denominated in RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign current assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arises. The Group will continue to monitor the change in the trend of interest rates and the potential causes that trigger large fluctuation in the exchange rates of RMB and HK$, 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 2019, 2.5% of the Group's total bank and other borrowings were interest free, 71.1% bore interest at fixed rates ranging from 5.39% to 9.57% per annum, and 26.4% of the Group's total borrowings bore interest at floating rates ranging from HIBOR+2.4% to HIBOR+2.75%. The Group does not enter into any financial instruments to hedge its interest rate risk exposure.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Credit risk

As at 31 March 2019, 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 25% (At 31 March 2018: 38%) of the total trade receivables, while 6% (At 31 March 2018: 24%) 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.

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS HELD

Other than disclosed elsewhere in this report, the Group did not have any significant investments held as at 31 March 2019.

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 2019, guarantees amounting to RMB905.1 million were given to banks with respect to mortgage loans procured by purchasers of property units (At 31 March 2018: RMB1,035.3 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 2019, the financing guarantees amounting to RMB1,433.5 million (At 31 March 2018: 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. Also, the pledged assets were provided by the borrowers pursuant to the terms of the guarantees and a provision of RMB15.3 million (At 31 March 2018: RMB12.8 million) has been made in connection with the guarantees in addition to the deferred income recognised as contract liabilities. Therefore, the Directors expect further losses arising from the guarantees issued to be insignificant.

CHARGE ON ASSETS

As at 31 March 2019, the Group had the following assets pledged against bank and other loans granted:

	As at 31 March 2019 RMB'000	As at 31 March 2018 RMB'000
Investment properties	**997,531**	296,000
Properties under development and completed properties held for sale	**1,668,625**	1,490,712
Available-for-sale investment	**–**	165,343

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group had 285 (At 31 March 2018: 357) full-time employees. Total staff costs (including directors' emoluments) incurred for the year ended 31 March 2019 amounted to approximately RMB30.8 million (31 March 2018: RMB42.4 million); the decrease was mainly due to decrease in staff number upon completion of property projects as well as organic staff turnover. 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 29, 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. Ms. Cui was further appointed as the chairperson of the Remuneration Committee in April 2019. 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) Company 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 Investments Limited and Charm Success Group Limited, the companies having interest in the shares and/or underlying shares of the Company.

Ms. Liu Hongjian ("Ms. Liu"), aged 45, was appointed as an Executive Director in November 2017 and is a director in various subsidiaries of the Company.

Ms. Liu has solid experience in financing guarantee business and over 21 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.

Mr. Xiang Qiang ("Mr. Xiang"), aged 55, 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. On 9 November 2018, Mr. Xiang resigned as an executive Director and the chief executive officer as well as his directorship in various subsidiaries of the Company.

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.

Mr. Wang Guanghui ("Mr. Wang"), aged 50, 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.

NON-EXECUTIVE DIRECTOR

Mr. Cong Peifeng ("Mr. Cong"), aged 42, was appointed as a non-executive Director in December 2017.

Mr. Cong, has over 18 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) Company 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. Zhu Zuoan ("Mr. Zhu"), aged 64, 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 36 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. Wang Xiaochu ("Mr. Wang"), aged 55, 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 July 2018.

Mr. Wang as more than 21 years of experience in the legal profession in business investment, financing and mergers and acquisitions. He has served as corporate legal counsel for a number of sizable corporations since 2007, such as Jilin Investment Group, Jilin Cultural Industry Investment Holding (Group) Company Limited., etc. He is also currently a legal advisor to the Jilin Provincial Government, a decision-making advisory committee member of the Jilin Provincial Government, and a member of the 13th CPPCC National Committee of Changchun. Mr. Wang graduated from the China University of Political Science and Law in 1985 and was qualified as a Chinese lawyer in 1988. He has also published various academic theses on the theory and practice of Civil and Commercial Law.

Mr. Tsang Hung Kei ("**Mr. Tsang**"), aged 48, was appointed as an independent non-executive Director, a member and chairperson of Audit Committee and a member of Nomination Committee and a member of the Remuneration Committee of the Company in April 2019.

Mr. Tsang has more than 20 years of experience in financial management and reporting and corporate governance. He is a fellow of the Association of Chartered Certified Accountants, a fellow of the Hong Kong Institute of Certified Public Accountants and a fellow of the Institute of Chartered Accountants in England and Wales. Mr. Tsang had years of working experience in an international accounting firm and is currently the chief financial officer of Pak Fah Yeow International Limited (stock code: 239), a company listed on the main board (the "Main Board") of the Stock Exchange and an executive director of its major subsidiaries. Mr. Tsang is also an independent non-executive director of China Success Finance Group Holdings Limited (stock code: 3623) and China Wah Yan Healthcare Limited (stock code: 648), the issued shares of both of which are also listed on the Main Board. Mr. Tsang obtained a bachelor's degree in computer science and accounting at the University of Manchester, United Kingdom in 1994.

Mr. Chan Yuk Tong ("Mr. Chan"), aged 57, 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 resigned as independent non-executive Director, as well as a member and chairperson of both the Audit Committee and Remuneration Committee and a member of Nomination Committee of the Company in April 2019.

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.

SENIOR MANAGEMENT

Mr. Ng Man Kit Micky ("Mr. Ng"), aged 43, 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 43, 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).

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 2019.

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, designing, budgeting, licensing, contract tendering and contract administration, property investment, and provision of financial services. 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 5 to 27 to this annual report; while the Group's environmental policies and performance can be found in "Environmental, Social and Governance Report" on pages 56 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.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2019 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 2019 (2018: 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 38 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2019 calculated under the Companies Act 1981 of Bermuda (as amended) was Nil (2018: RMB138,264,000) 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 188 to this annual report.

BORROWINGS

Details of the Group's borrowings as at 31 March 2019 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.

Directors' Report

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 2019.

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)*
Ms. LIU Hongjian
Mr. WANG Guanghui *(resigned on 4 May 2018)*
Mr. XIANG Qiang *(redesignated from an Independent Non-executive Director to an Executive Director and appointed as the Chief Executive Officer on 4 May 2018 and resigned on 9 November 2018)*

Non-executive Director
Mr. CONG Peifeng

Independent Non-executive Directors
Mr. CHAN Yuk Tong *(resigned on 30 April 2019)*
Mr. ZHU Zuoan
Mr. WANG Xiaochu *(appointed on 25 July 2018)*
Mr. TSANG Hung Kei *(appointed on 30 April 2019)*

Ms. Cui Xintong and Mr. Cong Peifeng, shall retire from office as Director by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election in accordance with the bye-law 86(1) of the Bye-laws.

Biographical details of Directors and Senior Management are set out on pages 28 to 31 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' 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.

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

As at 31 March 2019, 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	3,875,330,694 (Note 2)	73.49%
Mr. Chan Yuk Tong*	Beneficial owner	Long	850,000	0.02%
Ms. Liu Hongjian	Beneficial owner	Long	89,000	0.002%

(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)	36.09%

* Resigned on 30 April 2019

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 5,273,400,867 issued voting Shares as at 31 March 2019.

2. These 3,875,330,694 Shares consist of (i) 618,005,694 Shares held by Charm Success Group Limited ("Charm Success") and (ii) 3,257,325,000 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 settlor 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 18 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 2019, 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.

Directors' Report

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 March 2019, 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) Interests 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	618,005,694 (Note 2)	11.72%
Ka Yik	Registered owner	Long	3,257,325,000 (Note 2)	61.77%
TMF (Cayman) Ltd.	Trustee	Long	3,875,330,694 (Note 2)	73.49%
Deep Wealth	Interest in controlled corporation	Long	3,875,330,694 (Note 2)	73.49%
Integrated Asset Management (Asia) Limited	Interest in controlled corporation	Long	383,099,000 (Note 4)	7.26%
Yam Tak Cheung	Beneficial owner	Long	383,099,000 (Note 4)	7.26%
Lee Ken-yi Terence	Interest of spouse	Long	3,875,330,694 (Note 5)	73.49%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES (continued)

(b) Interest in the 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)	36.09%
TMF (Cayman) Ltd.	Trustee	Long	1,903,418,367 (Note 3)	36.09%
Deep Wealth	Interest in controlled corporation	Long	1,903,418,367 (Note 3)	36.09%
Lee Ken-yi Terence	Interest of spouse	Long	1,903,418,367 (Note 5)	36.09%

Notes:

1. The percentage is calculated on the basis of 5,273,400,867 issued voting Shares as at 31 March 2019.

2. These 3,875,330,694 Shares consist of (i) 618,005,694 Shares held by Charm Success and (ii) 3,257,325,000 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 settlor 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 18 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 2019, 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.

Directors' Report

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

(1) On 6 September 2018, 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 RMB110 million by the bank to 廣澤投資控股集團有限公司 (Ground Investment Holding (Group) Company 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. The above transaction constituted connected transaction as defined in Chapter 14A of the Listing Rules and was subject to the reporting and announcement requirements but was exempted from the circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules as one or more of the applicable percentage ratios exceeded 0.1% but all were less than 5%.

Further details are set out in the Company's announcement dated 7 September 2018.

(2) On 15 February 2019, an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with Charm Success Group Limited to dispose of 43,420,000 shares in Jilin Jiutai Rural Commercial Bank Corporation Limited for a consideration of HK$214,494,800. Charm Success is a connected person of the Company pursuant to the Listing Rules; and therefore the above transaction constituted connected transaction as defined in Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) is more than 5% but all are less than 25%, the entering into of the Agreement and the transactions contemplated thereunder (including the Disposal) also constitute a disclosable transaction for the Company and is subject to the announcement and reporting requirements under Chapter 14 of the Listing Rules. The disposal was completed in March 2019.

Further details are set out in the Company's announcement dated 15 February 2019 and circular dated 6 March 2019.

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

CONTINUING CONNECTED TRANSACTIONS

(1) 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 GZ Farming'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.

The obligation of GZ Farming under the loan facility agreement has been fully fulfilled on the due date.

(2) On 14 September 2018, FR Guarantee entered into another 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 RMB96 million for JL Dairy ("Second Renewed JL Dairy Guarantee-2").

Under Second Renewed JL Dairy Guarantee-2, FR Guarantee's guaranteed obligations included JL Dairy's obligations under the loan agreement of the principal amount of RMB29,000,000 out of the entire facility amount of RMB96,000,000, including the repayment of principal of RMB29,000,000, interest, penalty, damages, fees and etc; and covered a period of 24 months from the date of the loan facility agreement (i.e. 14 September 2018) 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 RMB1,160,000 for 2 years (i.e. 2% of the actual principal loan amount of RMB29,000,000).

(3) On 28 December 2018, 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 RMB60 million for JL Dairy ("First Renewed JL Dairy Guarantee-1").

Under First Renewed JL Dairy Guarantee-1, FR Guarantee's guaranteed obligations included JL Dairy's obligations under the loan agreement of the principal amount of RMB19,000,000 out of the entire facility amount of RMB60,000,000, including the repayment of principal of RMB19,000,000, interest, penalty, damages, fees and etc; and covered a period of 24 months from the date of the loan facility agreement (i.e. 28 December 2018) 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 RMB760,000 for 2 years (i.e. 2% of the actual principal loan amount of RMB19,000,000).

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

Directors' Report

CONTINUING CONNECTED TRANSACTIONS (continued)

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 33 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 2019 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 2019, 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.

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 2019 and up to the date of this report.

AUDITOR

Subsequent to 31 March 2019, Mazars CPA Limited ("Mazars") was appointed as the auditors of the Company after passing an ordinary resolution in the Company's special general meeting ("SGM") on 27 May 2019 following the removal of Ernst & Young, Certified Public Accountants by passing a special resolution in the SGM on the even date.

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

The consolidated financial statements for the year ended 31 March 2019 were audited by Mazars 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 Mazars as the auditor of the Company.

On behalf of the Board
Cui Xintong
Chairperson

Hong Kong, 28 June 2019

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:

Following the re-designation of Mr. Xiang Qiang from an independent non-executive Director to an executive Director on 4 May 2018, there were only two independent non-executive Directors, namely Mr. Chan Yuk Tong and Mr. Zhu Zuoan until 24 July 2018. 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 during that period. On 25 July 2018, Mr. Wang Xiaochu was appointed as an independent non-executive Director and also a member of the audit committee of the Company. Following the appointment of Mr. Wang Xiaochu, the Company has since been in full compliance with the requirements under Rule 3.10(1) and Rule 3.21 of the Listing Rules.

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 throughout the year ended 31 March 2019 they complied with the required standard as set out in the Model Code.

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)*
Ms. LIU Hongjian
Mr. XIANG Qiang *(Chief Executive Officer) (redesignated from an Independent Non-executive Director to an Executive Director and appointed as the Chief Executive Officer on 4 May 2018 and resigned on 9 November 2018)*
Mr. WANG Guanghui *(resigned on 4 May 2018)*

Non-executive Director
Mr. CONG Peifeng

Independent Non-executive Directors
Mr. CHAN Yuk Tong *(resigned on 30 April 2019)*
Mr. ZHU Zuoan
Mr. WANG Xiaochu *(appointed on 25 July 2018)*
Mr. TSANG Hung Kei *(appointed on 30 April 2019)*

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 28 to 30 to this annual report.

The Board members have no financial, business, family or other relationships with each other.

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.

Corporate Governance Report

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.

Directors are requested to provide the Company with their respective training record pursuant to Code Provision A.6.5. During the reporting year, some of 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	–	✓
Ms. LIU Hongjian	–	✓
Mr. XIANG Qiang[1]	–	–
Mr. WANG Guanghui[2]	–	–
Non-executive Director		
Mr. CONG Peifeng		
Independent Non-executive Directors		
Mr. CHAN Yuk Tong[3]	✓	✓
Mr. ZHU Zuoan	–	✓
Mr. WANG Xiaochu[4]	✓	✓

Notes:

1. Redesignated as an executive Director on 4 May 2018 and resigned on 9 November 2018
2. Resigned on 4 May 2018
3. Resigned on 30 April 2019
4. Appointed on 25 July 2018

THE BOARD (continued)

Board Meetings, General Meetings and Attendance of Directors

During the year ended 31 March 2019, the Company held eight Board meetings including four regular meetings held at approximately quarterly intervals two other ad hoc Board meetings, 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. CUI Xintong	6/6	1/1	1/1
Ms. LIU Hongjian	6/6	1/1	–
Mr. XIANG Qiang[1]	2/2	1/1	–
Mr. WANG Guanghui[2]	1/1	–	–
Mr. CONG Peifeng	6/6	1/1	–
Mr. CHAN Yuk Tong[3]	6/6	1/1	1/1
Mr. ZHU Zuoan	6/6	1/1	0/1
Mr. WANG Xiaochu[4]	4/4	1/1	0/1

Notes:

1. Redesignated as an executive Director on 4 May 2018 and resigned on 9 November 2018
2. Resigned on 4 May 2018
3. Resigned on 30 April 2019
4. Appointed on 25 July 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.

Corporate Governance Report

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. Mr. Xiang Qiang ("Mr. Xiang") 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. Xiang resigned from his position on 9 November 2018. The Company is in the process of identifying a suitable candidate to assume the role as chief executive officer of the Company. Since the resignation of Mr. Xiang on 9 November 2018 and up to the date of this report, Ms. Liu Hongjian, an Executive Director of the Company, and Ms. Ji Ping, a senior management of the Group, have been carrying out the role of chief executive in guarantee service business and property business respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rules 3.10(1), 3.10(2), 3.10(A) and 3.21 of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors, at least of three independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise, an issuer must appoint independent non-executive directors representing at least one-third of the board, and the audit committee must comprise a minimum of three members.

During the financial year ended 31 March 2019, the Group had four Independent Non-executive Directors, namely Mr. Chan Yuk Tong (resigned on 30 April 2019), Mr. Xiang Qiang (re-designed as an Executive Director and appointed as the Chief Executive Officer on 4 May 2018 and resigned on 9 November 2018). Mr. Zhu Zuoan and Mr. Wang Xiaochu (appointed on 25 July 2018). The Company was in compliance with the requirements under Rules 3.10(1), 3.10(2), 3.10(A) and 3.21 for the Listing Rules during the year.

On 4 May 2018, there were only two Independent Non-executive Directors, namely Mr. Chan Yuk Tong and Mr. Zhu Zuoan since that date to 25 July 2018. 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. Since the appointment of Mr. Wang Xiaochu as an Independent Non-executive Director on 25 July 2018. The Company was in compliance with the requirements under Rule 3.10(1) and Rule 3.21 for the Listing Rules during the year.

Mr. Chan Yuk Tong ("Mr. Chan") has tendered his resignation as an Independent Non-executive Director with effect from 30 April 2019. Mr. Chan also resigned as the chairman of each of the audit committee and the remuneration committee and a member of the nomination committee of the Company. Mr. Tsang Hung Kei ("Mr. Tsang") has been appointed as an independent non-executive Director, the chairman of the audit committee, and the member of the remuneration committee and the nomination committee with effect from 30 April 2019.

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.

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 2019, the Remuneration Committee comprises Mr. Chan Yuk Tong (Chairperson of the Committee) (resigned as an Independent Non-executive Director and ceased to be the Chairperson and a member of the Remuneration Committee on 30 April 2019), Mr. Zhu Zuoan, Ms. Cui Xintong and Wang Xiaochu (appointed on 25 July 2018). Ms Cui Xintong was appointed as the Chairperson of the Committee on 30 April 2019. Mr. Xiang Qiang ceased to be a member of the Remuneration Committee on 4 May 2018 and resigned as an Executive Director on 9 November 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 2019. The attendance of each member is set out as follows:

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

Notes:

1. Resigned the Chairperson and ceased as a member on 30 April 2019
2. Ceased as a member on 4 May 2018 and resigned as an Executive Director on 9 November 2018
3. Appointed as the Chairperson on 30 April 2019
4. Appointed as a member on 25 July 2018

Corporate Governance Report

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 2019, the Nomination Committee comprises three Independent Non-executive Directors namely Mr. Zhu Zuoan (Chairperson of the Committee), Mr. Chan Yuk Tong (resigned as an Independent Non-executive Director and ceased to be a member of the Nomination Committee on 30 April 2019), Ms. Cui Xintong and Mr. Wang Xiaochu (appointed on 25 July 2018), Mr. Xiang Qiang ceased to be a member of the Nomination Committee on 4 May 2018 and resigned as an Executive Director on 9 November 2018. On 30 April 2019, Mr. Tsang Hung Kei has been appointed to replace Mr. Chan Yuk Tong. 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.

BOARD COMMITTEES (continued)

Nomination Committee (continued)

The Nomination Committee held one meeting during the year ended 31 March 2019. The attendance of each member is set out as follows:

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

Notes:

1. Ceased as the Chairperson and member on 4 May 2018 and resigned as an Executive Director on 9 November 2018
2. Appointed as the Chairperson on 4 May 2018
3. Ceased as a member on 30 April 2019
4. Appointed as a member on 25 July 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.

Corporate Governance Report

BOARD COMMITTEES (continued)

Audit Committee

As at 31 March 2019 the Audit Committee comprises all the Independent Non-executive Directors namely Mr. Chan Yuk Tong (Chairperson of the Committee), Mr. Zhu Zuoan and Mr. Wang Xiaochu (appointed on 25 July 2018). 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 and resigned as an Executive Director on 9 November 2018. Mr. Wang Xiaochu was appointed as member on 25 July 2018. Also, Mr. Chan Yuk Tong resigned as the Chairperson and a member of Audit Committee and Mr. Tsang Hung Kei was appointed as the Chairperson and a member of the Audit Committee on 30 April 2019. The Company was in compliance with the requirements under Rule 3.21 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 2019. The attendance of each member is set out as follows:

	Number of meetings attended/ Eligible to attend
Mr. CHAN Yuk Tong[1] *(Chairperson)*	2/2
Mr. ZHU Zuoan	2/2
Mr. WANG Xiaochu[2]	2/2
Mr. XIANG Qiang[4]	–

Notes:

1. Resigned the Chairperson and a member on 30 April 2019
2. Appointed as a member on 25 July 2018
3. Ceased as a member on 4 May 2018 and resigned as an Executive Director on 9 November 2018

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 2019 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; and

(f) 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 2019, the auditor's remuneration amounted to RMB1,455,000 and RMB750,000 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.

Corporate Governance 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.

During the year, the Board, through the Audit Committee, conducted an annual review on the effectiveness of both the design and implementation of the risk management and internal control systems of the Group during the year, covering all material controls, including financial, operational and compliance controls, with a view to ensuring that resources, staff qualifications and experience, training programme and budget of the Group's accounting, internal audit and financial reporting functions are adequate. In this respect, the Audit Committee will communicate any material issues to the Board.

During the year, the Group appointed PKF Consulting (Shanghai) Co., Ltd. ("PKF Shanghai") to independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems. The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by PKF Shanghai to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of PKF Shanghai as well as the comments of the Audit Committee, the Board considered that the internal control and risk management systems of the Group are effective and adequate.

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.

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.

SHAREHOLDERS' RIGHTS (continued)

(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.

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, 28 June 2019

Environmental, Social and Governance Report

1 COMPANY REVIEW

Ground International Development Limited ("Ground International", together with its subsidiaries, the "Group") (Stock Code: 0989) is a property development company based in Hong Kong and has been listed on the Main Board of the Exchange of Hong Kong Limited ("the Stock Exchange") since 1997. While the Group is primarily engaged in property investment, development and management, it also provides financing guarantee services.

2 ABOUT THIS REPORT

2.1 Reporting Period and Scope

This Environmental, Social and Governance ("ESG") Report (the "Report") is covering the financial reporting period from 1 April 2018 to 31 March 2019 (the "Reporting Period"). All ESG-related activities during the Reporting Period are presented in this Report. The scope of the Report covers the Group's operation in its Hong Kong offices, Jilin financial services office and eight property management premises in Jilin.

2.2 Reporting Standard

This report is prepared in accordance with Appendix 27 — Environmental, Social and Governance Reporting Guide ("ESG Guide") issued by The Stock Exchange of Hong Kong Limited. The Group adheres to the principles of materiality, quantitative, balance and consistency to report on the measures and performances in the reporting period. A content index is attached at the end of this report as a tool to navigate readers to the specific topics corresponding with the ESG Guide. Information regarding corporate governance is addressed separately in the annual report in pursuance of Appendix 14 of the Main Board Listing Rules.

2 ABOUT THIS REPORT (continued)

2.3 Stakeholder Engagement and Materiality Assessment

The Group values the opinions of the stakeholders and believes an effective communication with stakeholders is essential to the business operation. The Group has various communication channels such as emails, meetings and surveys to collect the views of various stakeholders. In addition, during the Reporting Period, the Group hired a third party consultancy company to facilitate the identification of ESG related material issues. After analysing the stakeholders' feedbacks and consultant's advice, the Board of Directors of the Group (the "Board") confirmed and identified the following material environmental and social issues associated with the Group's business operations:

Environmental Aspects	Social Aspects
• Energy saving	• Labour standards
• Greenhouse gas emission control	• Development of employees
• Water conservation	• Health and safety of employees
• Waste management	• Supply chain management
	• Quality assurance
	• Anti-corruption
	• Community investment

3 PROTECTING THE ENVIRONMENT

3.1 Environmental Policy

The Group is committed to incorporating the concept of sustainability into its business. It strives to protect the environment and improve the social condition while promoting economic growth. In this regard, the Group has formulated a series of environmental policies to achieve the goal and meet the expectation of various stakeholders. During the Reporting Period, the Group complied with all relevant environmental laws and regulations such as Environmental Protection Law of People's Republic of China.

Environmental, Social and Governance Report

3 PROTECTING THE ENVIRONMENT (continued)

3.2 Energy saving and GHG emission control

The major Greenhouse Gas (GHG) emissions of the Group come from electricity consumption in the property management premises. In order to maintain efficient use of resources, the Group strives to improve the energy efficiency to reduce electricity consumption and GHG emissions. In view of this, the Group has established and implemented electricity consumption management policy. The property tenants and employees are encouraged to switch off electronic appliances such as lighting, air conditioning and computer when not in use. The indoor air conditioning temperature should be maintained at 25°C or above. Administration department conducted regular inspection and maintenance on the equipment to ensure the energy efficiency and safety of the appliances.

Overview of Energy Consumption (Note 1)

	Unit	2019	2018
Total energy consumption	kWh in ’000	**7,002** (Note 2)	2,031
Energy consumption intensity	kWh in ’000/RMB’M revenue	**10.346**	2.21

Overview of Greenhouse Gas Emissions (GHG) (Note 1)

	Unit	2019	2018
Total GHG Emissions	tCO_2e	**5,476**	1,583
GHG Emissions Intensity	tCO_2e/RMB’M revenue	**8.09**	1.72

Note 1: Data included the electricity consumed by Hong Kong office and eight property management premises in Jilin (Guangze • Tudors Palace, Guangze • Amethyst City, “緹香” and “花香四季” (as known 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 (Both construction and residential portions).

Note 2: Due to the updated data collection system, the energy consumption is higher than last reporting year.

3 PROTECTING THE ENVIRONMENT (continued)

3.3 Water conservation

The Group's water consumption is mainly used for basic cleaning and employee daily uses under the supply of municipal water suppliers. While water sourcing and consumption are not material topics to the Group's operation, the Group keeps promoting water conservation and implements water saving measures to reduce its overall environmental footprint. Water saving apparatus including sensor faucets, water efficient faucets and dual flush toilets were installed in some of the properties to minimise the water consumption.

Overview of Water Consumption (Note 1)

	Unit	2019	2018
Total water consumption	m^3	**59,948**	50,598
Total water consumption intensity	m^3/RMB'M revenue	**88.58**	54.99

Note 1: Data included the electricity consumed by Hong Kong office and eight property management premises in Jilin (Guangze • Tudors Palace, Guangze • Amethyst City, "緹香" and "花香四季" (as known 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 (Both construction and residential portions).

3.4 Waste Management

The waste was primarily generated from the construction of the property, daily use of tenants, customers and residents. In order to utilise the resources and avoid wastage, the Group endeavours to minimise the generation of the waste by incorporating waste reduction practices into the business operation. Recycling facilities were placed in the properties and offices to encourage separation of waste at source. For the non-recyclable waste, the Group appointed licensed waste treatment companies to collect and treat the waste. Also, the Group promotes green office concepts to raise the employees' awareness of environmental protection.

Overview of non-hazardous wastes generation (Note 1)

	Unit	2019	2018
Total non-hazardous waste	tonnes	**60,764** (Note 2)	216
Total non-hazardous waste intensity	tonnes/RMB'M revenue	**89.786**	0.234

Note 1: Data included the electricity consumed by Hong Kong office and eight property management premises in Jilin (Guangze • Tudors Palace, Guangze • Amethyst City, "緹香" and "花香四季" (as known 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 (Both construction and residential portions).

Note 2: Due to the updated of data collection system, the waste generation is higher than last reporting year.

Environmental, Social and Governance Report

4 THE TEAM BEHIND EXCELLENCE

4.1 Acquiring talents

The Group believes the success of the business is built by the hard-working team behind. The Group regards employees are valuable assets of the business. Therefore, the Group is dedicated to building a team aligning with its business direction. The Group adopts a fair employment policy and forbids any form of discrimination. During the recruitment process, every candidate is given an equal opportunity. The applicants are assessed by their capability, experience and potential regardless of their gender, age, religion, colour and race. In order to foster a stable workforce, the Group has formulated policies to regulate employees' remuneration, promotion, working hours, and other benefits and welfares. The Group conducts a review on employees' salaries and promotion opportunities yearly based on "Performance Assessment Management Guidelines". The employees can also enjoy social insurance, housing provident fund, meal allowance, festival gifts and medical care from the company. Besides, the Group had organised various staff activities such as Christmas Dinner during the Reporting Period to strengthen the bonding between employees.

The Group strictly prohibits the employment of child and forced labour. The human resources (HR) department is responsible for screening the applicants and ensure all employees are aged 18 or above and eligible for working permit. The Group also encourages work-life balance and forbids any actions of involuntary overtime work. Employees can only work on voluntary basis and the Group will reasonably compensate to the employees. During the Reporting Period, the Group abides Labour Law of People's Republic of China and other relevant laws and regulation related to labour practice.

4.2 Nurturing talents

Apart from talents acquisition, training and development of employees are equally important. Therefore, the Group encourages continuous learning and support the development of its employees to unleash their potential. HR department is responsible for career development of the employees. Based on the need of business and position requirement, HR department formulates and implements training plans. HR department assesses the training outcome and effectiveness by post training appraisal. The training plan is reviewed and modified accordingly to provide a comprehensive and effective training programme to the employees.

Ground International provides a wide variety of trainings to the employees. Orientation training is provided to the new joiners to introduce the company policies, culture, organization and standard operation procedure to them. Property management team receives specialised training in customer services, security, etc. The Group also provides professional trainings regarding laws, loaning procedure and relevant financial topics to the financial guarantee service team.

4.3 Protecting talents

Occupational health and safety are one of the most important concerns in property development business. As a responsible corporate, the Group is committed to protecting its employees and creating a safe workplace. In view of this, the Group has implemented a comprehensive safety management policy, which stipulates in the construction sites to create a safe working environment and minimise the possibility of accident occurrence. During the tendering process, procurement department and project management department are responsible for assessing the contractors' safety measures such as safety officer allocation and occupational hazard insurance. Daily on-site inspection and regular safety management meeting are carried out by the project management department to ensure the work complying with the corresponding standard. During the Reporting Period, the Group complied with all relevant laws and regulations related to health and safety, with no work-related fatalities.

5 DELIVERING A QUALITY LIFE TO CUSTOMERS

5.1 Supply chain management

With the commitment to provide excellence products and services, the Group selects its suppliers and contractors carefully and responsibly in order to control the quality from the source. A comprehensive bidding and procurement process are developed for the selection of the suppliers and contractors. The potential contractors are assessed on their safety measures such as safety certificate, accidental injury insurance, safety of machinery, etc. The Group selects the contractors according to the results of the assessment. Besides, the Group has implemented a monitoring mechanism to ensure the contractors comply with the relevant laws and regulations and meet the standard of the Group. The Group reviews and evaluates the performance of the contractors regularly to minimise the operational risks of the Group.

5.2 Quality Assurance

The Group regards "Customers-focused" as one of its core values. The Group is dedicated to providing quality services to its clients and customers. Apart from the effort on sourcing eligible contractors and suppliers, the Group implements quality assurance mechanism to ensure the quality of the service meets the expectation of the customers. The Group has established a professional team to manage the health and safety issues of the customers. The team assesses the design of the buildings to ensure it meets the health and safety standards from a technical perspective. In terms of service quality, the Group invites customers for feedbacks to review and improve the performance.

The Group earns customers' trust with prominent services and integrity. The Group sees the protection of customers' privacy as a paramount responsibility. The code of conduct of employees states the guidelines of personal data collection. Employees have to obtain consent from the customers before collecting any customers' personal information. Besides, the Group keeps the information confidential and review the system security periodically to prevent data breach.

5.3 Ensuring integrity

Adhering to the principle of integrity, the Group emphasises on ethical business practices and implemented comprehensive anti-corruption policies. The Group does not tolerate any misbehaviour related to bribery and corruption. Employees are prohibited to solicit or offer any benefit from/to third parties without permission of the management. In order to combat against corruption, the Group has also developed a whistle-blowing channel to encourage the employees to report suspicious activities anonymously. Compliance department is responsible for inspection of the case. In case of confirmed corruption, the Group will take disciplinary and legal action promptly. During the year, the Group complied with the all laws and regulations relating to bribery, extortion, fraud and money laundering, and no relevant litigation was identified.

6 CONTRIBUTING TO THE COMMUNITY

The Group recognises the intimate relationship between property development and the community. The Group regards social responsibility as one of the essential elements of the business development. Labour Union of the Group organises volunteer services and community activities occasionally to encourage the employees to contribute to the society.

Environmental, Social and Governance Report

7 LOOKING FORWARD

Looking ahead, the Group will follow its vision of "Create a better life and bring dreams to fruition" to deliver quality services to the customers. With the commitment to sustainability, the Group will continue to incorporate sustainability into decision-making and resource allocation, and improve its environmental and social performance, and seek potential opportunities for sustainable development to prepare for the versatile economic environment.

8 SOCIAL PERFORMANCE INDICATOR

Social Performance as of 31 March 2019

Total workforce		**285**
By geographical region	Hong Kong	11
	China	274
By business sector	Property Management	265
	Financing guarantee service	20
Turnover		
By geographical region	Hong Kong	2
	China	72
By business sector	Property Management	74
	Financing guarantee service	0
Turnover rate (Note 1)		23%

Note 1: Turnover is defined as employees who leave the company voluntarily or due to retirement, dismissal or other reasons. The turnover rate is calculated based on the following formula:

$$\text{Turnover \%} = \frac{NELDY}{(NEBY+NEEY)/2}$$

Where:
NELDY = Number of Employees who Left During the Year

NEBY = Number of Employees at the Beginning of the Year

NEEY = Number of Employees at the End of the Year

9 ESG CONTENT INDEX

Aspect	KPI	Description	Statement/Section	Page No.
SUBJECT AREA (A) ENVIRONMENT				
A1: EMISSIONS				
A1	*General disclosure*	Information on: (a) the policies; and (b) compliance	3. Protecting the environment	P.57–P.59
	A1.1	The types of emissions and respective emissions data.	3.2 Energy saving and GHG emission control	P.58
	A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.2 Energy saving and GHG emission control	P.58
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The Group did not generate hazardous waste during the Reporting Period	N.A.
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	3.4 Waste management	P.59
	A1.5	Description of measures to mitigate emissions and results achieved.	3.2 Energy saving and GHG emission control	P.58
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	3.4 Waste management	P.59

Environmental, Social and Governance Report

9 ESG CONTENT INDEX (continued)

Aspect	KPI	Description	Statement/Section	Page No.
A2: USE OF RESOURCES				
A2	*General disclosure*	Policies	3. Protecting the environment	P.57–P.59
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	3.2 Energy saving and GHG emission control	P.58
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	3.3 Water conservation	P.59
	A2.3	Description of energy use efficiency initiatives and results achieved.	3.2 Energy saving and GHG emission control	P.58
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	3.3 Water conservation	P.59
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The Group did not use packaging material during the Reporting Period.	N.A.
A3: THE ENVIRONMENT AND NATURAL RESOURCES				
A3	*General disclosure*	Policies	3. Protecting the environment	P.57–P.59
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3. Protecting the environment	P.57–P.59

9 ESG CONTENT INDEX (continued)

Aspect	KPI	Description	Statement/Section	Page No.
SUBJECT AREA (B) SOCIAL				
B1: EMPLOYMENT				
B1	*General disclosure*	Information on: (a) the policies; and (b) compliance	4. The team behind excellence	P.60
	B1.1	Total workforce by gender, employment type, age group and geographical region.	8. Social Performance Indicator	P.62
	B1.2	Employee turnover rate by gender, age group and geographical region.		
B2: HEALTH AND SAFETY				
B2	*General disclosure*	Information on: (a) the policies; and (b) compliance	4.3 Protecting talents	P.60
	B2.1	Number and rate of work-related fatalities.		
	B2.2	Lost days due to work injury.		
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.		
B3: DEVELOPMENT AND TRAINING				
B3	*General disclosure*	Policies	4. The team behind excellence	P.60
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	The Group currently does not report the training information. However, the Group plans to disclose the information in the future.	N.A.
	B3.2	The average training hours completed per employee by gender and employee category.		

Environmental, Social and Governance Report

9 ESG CONTENT INDEX (continued)

Aspect	KPI	Description	Statement/Section	Page No.
B4: LABOUR STANDARDS				
B4	*General disclosure*	Information on: (a) the policies; and (b) compliance	4. The team behind excellence	P.60
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1 Acquiring talents	P.60
	B4.2	Description of steps taken to eliminate such practices when discovered.	4.1 Acquiring talents	P.60
B5: SUPPLY CHAIN MANAGEMENT				
B5	*General disclosure*	Policies	5.1 Supply chain management	P.61
	B5.1	Number of suppliers by geographical region.	The Group currently does not report the suppliers' information. However, the Group plans to disclose the information in the future.	N.A.
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	5.1 Supply chain management	P.61

9 ESG CONTENT INDEX (continued)

Aspect	KPI	Description	Statement/Section	Page No.
B6: PRODUCT RESPONSIBILITY				
B6	*General disclosure*	Information on: (a) the policies; and (b) compliance	5.2 Quality assurance	P.61
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	This is not a material issue to the Group's operation	N.A.
	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.		
	B6.4	Description of quality assurance process and recall procedures.	5.2 Quality assurance	P.61
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	5.2 Quality assurance	P.61
B7: ANTI-CORRUPTION				
B7	*General disclosure*	Information on: (a) the policies; and (b) compliance	5.3 Ensuring integrity	P.61
	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.		
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.		

Environmental, Social and Governance Report

9 ESG CONTENT INDEX (continued)

Aspect	KPI	Description	Statement/Section	Page No.
B8: COMMUNITY INVESTMENT				
B8	*General disclosure*	Policies	6. Community investment	P.61
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6. Community investment	P.61
	B8.2	Resources contributed (e.g. money or time) to the focus area.	The Group currently does not report resources contributed. However, the Group plans to disclose the information in the future.	N.A.

Independent Auditor's Report

MAZARS
中 审 众 环

MAZARS CPA LIMITED
中審眾環(香港) 會計師事務所有限公司
42nd Floor, Central Plaza,
18 Harbour Road, Wan Chai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
Tel電話 : (852) 2909 5555
Fax傳真 : (852) 2810 0032
Email 電郵 : info@mazars.hk
Website網址 : www.mazars.hk

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 (together the "Group") set out on pages 74 to 184, which comprise the consolidated statement of financial position as at 31 March 2019, 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 financial position of the Group as at 31 March 2019, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the 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.

Independent Auditor's Report

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 for the current year. 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Net realisable value of properties under development and completed properties held for sale	
At 31 March 2019, the Group's properties under development and completed properties held for sale were stated at RMB1,943 million and RMB634 million respectively, and they were carried at the lower of cost and net realisable value. The determination of the net realisable value is based on the management judgement and estimation or the valuation performed by external independent valuer (the "Valuer") which is highly dependent on management's judgement and estimates, such as assumptions of the expected selling price and costs to be incurred until completion and sale; or the valuation basis and methodology used and the assumption applied by the Valuer. The assumptions adopted in the estimation and valuation are affected by expectation of future market or economics conditions. We identified the net realisable value of properties under development and completed properties held for sale as a key audit matter because of its significance to the consolidated financial statements and the judgement and estimation involved in determination of the net realisable value. Related disclosures are included in notes 2.4, 3 and 18 to the consolidated financial statements.	Our key procedures in relation to management's assessment on net realisable value of properties under development and completed properties held for sale included: • Checking the expected selling price to the prices of the Group's similar properties presold recently or adjacent properties sold or subsequently sold on a sample basis; • Understanding and evaluating and validating the assumptions in estimating the costs to be incurred until completion and sale; • If the net realisable value is based on the valuation performed by the Valuer, (i) Reviewing the valuation report from the Valuer and discussing with management and the Valuer to understand the valuation basis and methodology used, and underlying assumption applied; (ii) Evaluating the objectivity, independence and competency of the Valuer; and (iii) Obtaining, on a sample basis, the underlying data including comparables of market transactions being used and assessing the appropriateness.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit loss ("ECL") on entrusted loan receivables	
At 31 March 2019, the carrying amount of the Group's entrusted loan receivables was RMB410 million. A loss allowance of RMB16 million has been recognised for certain entrusted loans at 31 March 2019. We identified the ECL on entrusted loan receivables as a key audit matter because of its significance to the consolidated financial statements and the judgement and estimation involved. At the end of the reporting period, the Group assesses whether there has been a significant increase in credit risk since initial recognition by comparing the risk of default at the end of the reporting period and the date of initial recognition. The Group considers both quantitative and qualitative information, such as actual historical credit loss experience, current creditworthiness and forward-looking information that is available without undue cost or effort, in estimating the probability of default as well as the loss upon default in each case. Related disclosures are included in notes 2.4, 3, 19(d) and 37 to the consolidated financial statements.	Our key procedures in relation to the ECL on entrusted loan receivables included: • Obtaining an understanding of the Group's credit risk management and practices, and assessing the Group's ECL policy; • Evaluating management's determination of significant increase in credit risk and the basis for classification of exposures into different categories; and • Evaluating the estimation methodology and input used in the estimation of ECL.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information in the annual report of the Company but does not include 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.

Independent Auditor's Report

RESPONSIBILITIES OF 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 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 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.

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. This report is made solely to you, as a body, 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 skepticism 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.

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

- 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.

- 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 and 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 and 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.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 28 June 2019

The engagement director on the audit resulting in this independent auditor's report is:
Chan Wai Man
Practising Certificate number: P02487

Consolidated Statement of Profit or Loss

For the year ended 31 March 2019

	Notes	2019 RMB'000	2018 RMB'000
Continuing operations			
REVENUE	5	**676,759**	920,048
Cost of sales and services		**(479,965)**	(755,295)
Gross profit		**196,794**	164,753
Other income and gains	5	**34,343**	53,082
Selling and distribution expenses		**(21,541)**	(24,857)
Administrative expenses		**(61,956)**	(67,169)
Finance costs	7	**(24,586)**	(28,964)
Other expenses		**(29,257)**	(30,652)
Change in fair value of investment properties	15	**20,538**	25,461
Change in fair value of derivative financial instruments	26	**(11,045)**	(8,033)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**103,290**	83,621
Income tax	10	**(80,244)**	(24,451)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**23,046**	59,170
Discontinued operations			
Loss for the year from discontinued operations	13	**–**	(8,836)
Profit for the year		**23,046**	50,334
Attributable to:			
Owners of the parent			
– continuing operations		**23,046**	59,170
– discontinued operations		**–**	(8,836)
		23,046	50,334
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	12		
Basic			
– for profit for the year		**RMB0.44 cents**	RMB1.1 cents
– for profit from continuing operations		**RMB0.44 cents**	RMB1.3 cents
Diluted			
– for profit for the year		**RMB0.33 cents**	RMB0.7 cents
– for profit from continuing operations		**RMB0.33 cents**	RMB0.9 cents

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2019

	2019 RMB'000	2018 RMB'000
PROFIT FOR THE YEAR	**23,046**	50,334
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Change in fair value of an available-for-sale investment	**–**	(18,648)
Exchange differences on translation of foreign operations	**31,347**	17,978
	31,347	(670)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Change in fair value of financial assets at fair value through other comprehensive income (note 16)	**(50,533)**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(19,186)**	(670)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,860**	49,664
Attributable to:		
Owners of the parent		
— continuing operations	**3,860**	58,500
— discontinued operations	**–**	(8,836)
	3,860	49,664

Consolidated Statement of Financial Position

As at 31 March 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**8,597**	8,086
Investment properties	15	**997,531**	956,000
Goodwill		**4,999**	4,999
Financial assets at fair value through other comprehensive income/ available-for-sale investment	16	**–**	165,343
Deferred tax assets	17	**62,653**	81,341
Total non-current assets		**1,073,780**	1,215,769
CURRENT ASSETS			
Properties under development and completed properties held for sale	18	**2,576,578**	2,871,520
Trade and other receivables	19	**944,272**	630,044
Prepaid income tax		**12,088**	20,088
Derivative financial instruments	26	**4,837**	14,843
Held-to-maturity investment	20	**–**	310,000
Pledged and restricted deposits	21	**189,055**	182,695
Cash and cash equivalents	21	**30,064**	64,220
Total current assets		**3,756,894**	4,093,410
CURRENT LIABILITIES			
Trade and other payables	22	**683,571**	931,900
Deposits from sale of properties	23(a)	**–**	576,290
Contract liabilities	23	**273,890**	–
Loans from a controlling shareholder	24	**149,065**	111,160
Bank and other borrowings	25	**464,081**	586,772
Income tax payable		**75,869**	54,784
Total current liabilities		**1,646,476**	2,260,906
NET CURRENT ASSETS		**2,110,418**	1,832,504
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,184,198**	3,048,273

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT LIABILITIES			
Liability component of the Convertible Bonds	26	**62,962**	54,218
Bank and other borrowings	25	**477,586**	418,034
Deferred tax liabilities	17	**315,339**	311,462
Total non-current liabilities		**855,887**	783,714
Net assets		**2,328,311**	2,264,559
EQUITY			
Share capital	27	**228,370**	228,335
Convertible preference shares	28	**1,181,940**	1,181,940
Equity component of the Convertible Bonds	26	**40,368**	40,368
Reserves	30	**877,633**	813,916
Total equity		**2,328,311**	2,264,559

These consolidated financial statements on page 74 to 184 were approved and authorised for issue by the Board of Directors on 28 June 2019 and signed on its behalf by:

Cui Xintong
Director

Liu Hongjian
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

				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))	Recycling fair value reserve RMB'000 (Note 30(v))	Non-recycling fair value reserve RMB'000 (Note 30(v))	Other reserves RMB'000 (Note 30(vi))	Statutory reserve RMB'000 (Note 30(vii))	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	–	–
	87,288	(1,025,014)	(111,177)	1,547,624	–	–	(958)	–	–	–	10,645	(10,490)	1,547,001	498,098
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

	Share capital RMB'000 (Note 27)	Convertible preference shares RMB'000 (Note 28)	Equity component of the Convertible Bonds RMB'000 (Note 26)	Reserves 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))	Recycling fair value reserve RMB'000 (Note 30(v))	Non-recycling fair value reserve RMB'000 (Note 30(v))	Other reserves RMB'000 (Note 30(vi))	Statutory reserve RMB'000 (Note 30(vii))	Retained earnings RMB'000	Sub-total RMB'000	Total equity RMB'000
At 1 April 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
Impact on initial application of HKFRS 9	–	–	–	–	–	–	–	(5,351)	5,351	–	–	–	–	–
At 1 April 2018 (adjusted)	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
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	23,046	23,046	23,046
Other comprehensive income for the year														
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	–	(50,533)	–	–	–	(50,533)	(50,533)
Transfer relating to financial assets at fair value through other comprehensive income disposed during the year	–	–	–	–	–	–	–	–	45,182	–	–	(45,182)	–	–
Exchange differences arising from foreign operations	–	–	–	–	31,347	–	–	–	–	–	–	–	31,347	31,347
Total comprehensive income for the year	–	–	–	–	31,347	–	–	–	(5,351)	–	–	(22,136)	3,860	3,860
Issuance of shares upon exercise of shares options	35	–	–	1,002	–	–	(351)	–	–	–	–	–	651	686
Equity-settled share-based share option arrangements	–	–	–	–	–	–	824	–	–	–	–	–	824	824
Lapse/Forfeiture of share options	–	–	–	–	–	–	(226)	–	–	–	–	226	–	–
Transfer to statutory reserve	–	–	–	–	–	–	–	–	–	–	30,069	(30,069)	–	–
Deemed capital contribution arising from the gain on disposal of financial assets at fair value through other comprehensive income (Note 16)	–	–	–	–	–	–	–	–	–	58,382	–	–	58,382	58,382
	35	–	–	1,002	–	–	247	–	–	58,382	30,069	(29,843)	59,857	59,892
At 31 March 2019	228,370	1,181,940	40,368	3,535,139	33,400	184,684	24,558	–	–	(3,245,631)	65,871	279,612	877,633	2,328,311

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Notes	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES			
Profit before tax			
— from continuing operations		**103,290**	83,621
— from discontinued operations (note 13)		**–**	(2,960)
Adjustments for:			
Finance costs	7	**24,586**	29,065
Share of results of a joint venture		**–**	(20)
Bank and other interest income	5	**(24,765)**	(19,530)
Gain on disposal of items of property, plant and equipment	5	**(880)**	(1,048)
Write-down of properties held for sale	6	**28,451**	22,609
Impairment on trade and other receivables	6	**23,608**	4,659
Dividend income from financial assets at FVOCI/ available-for-sale investment	5	**(7,816)**	(13,026)
Gain from a bargain purchase from the acquisition of subsidiaries		**–**	(19,078)
Gain on disposal of subsidiaries		**–**	(135)
Change in fair value of investment properties	15	**(20,538)**	(25,461)
Change in fair value of derivative financial instruments	26	**11,045**	8,033
Depreciation	14	**2,376**	2,455
Equity-settled share option expense	6	**824**	1,413
		140,181	70,597
Decrease in properties under development and completed properties held for sale		**294,642**	224,356
Decrease in trade and other receivables		**13,597**	58,479
Decrease in trade and other payables		**(220,195)**	(27,134)
Increase in pledged and restricted deposits		**(6,360)**	(23,651)
Decrease in deposits from sales of properties		**(576,290)**	(308,057)
Increase in contract liabilities		**273,890**	–
Cash used in operations		**(80,535)**	(5,410)
Interest received		**696**	7,609
Interest paid		**(45,789)**	(69,461)
Tax paid:			
— The People's Republic of China (the "PRC") corporate income tax paid		**(23,954)**	(6,774)
— PRC land appreciation tax paid		**(3,910)**	(6,769)
— PRC withholding tax paid for dividend income received		**(782)**	(1,303)
Net cash flows used in operating activities		**(154,274)**	(82,108)

	Notes	2019 RMB’000	2018 RMB’000
INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(2,863)**	(3,005)
Proceeds from disposal of items of property, plant and equipment		**966**	5,898
Increase in entrusted loan receivables		**(351,433)**	–
Dividend income received		**7,816**	13,026
Interest income from held-to-maturity investment and entrusted loans		**24,069**	6,086
Cash inflows from acquisition of subsidiaries, net		**–**	(152,457)
Proceeds from disposal of subsidiaries, net		**–**	33,767
Purchase of held-to-maturity investment		**–**	(334,000)
Redemption of held-to-maturity investment upon maturity		**310,000**	24,000
Net cash flows used in investing activities		**(11,445)**	(406,685)
FINANCING ACTIVITIES			
Proceeds from issue of shares under share subscriptions		**–**	359,816
Proceeds from shares issued under share option scheme		**686**	5,609
Proceeds from new bank loans		**385,356**	440,967
Repayment of bank loans		**(390,134)**	(355,696)
Repayment of other loans		**(14,391)**	(17,862)
New loans from a controlling shareholder		**185,957**	185,300
Repayment of a controlling shareholder’s loan		**(36,037)**	(338,964)
Decrease in amounts due to related companies		**–**	(134,580)
Net cash flows from financing activities		**131,437**	144,590
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(34,282)**	(344,203)
Cash and cash equivalents at the beginning of the year		**64,220**	417,766
Effect of foreign exchange rate changes, net		**126**	(9,343)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**30,064**	64,220

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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

During the year ended 31 March 2019, the Company was principally engaged in investment holding and the Group was principally engaged in property development and management, including planning, designing, budgeting, licensing, contract tendering and contract administration, property investment, and the provision of financial services.

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		Principal activities
			Direct	Indirect	
Ground Holdings Limited	British Virgin Islands ("BVI")	US$100	100%	–	Investment holding
Lily Garden Investments Limited	BVI	US$1	–	100%	Investment holding
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
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

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		Principal activities
			Direct	Indirect	
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 Financing Guaranty Company Limited* 吉林省灃潤融資擔保有限公司	The PRC, wholly domestically owned enterprise	RMB500,000,000	–	100%	Provision of financial guarantee services

* 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

For the year ended 31 March 2019

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. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through other comprehensive income and derivative financial instruments which have been measured at fair value. These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. 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 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, and (ii) the carrying amount of any non-controlling interest 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. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lose.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

Amendments to HKAS 40: *Transfers of Investment Property*

The amendments clarify that, to transfer to or from, investment properties, there must be a change in use. A change in use would involve (a) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (b) supporting evidence that a change in use has occurred.

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

Amendments to HKFRS 2: *Classification and Measurement of Share-based Payment Transactions*

The amendments provide requirements on the accounting for: (i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

HK(IFRIC)-Int 22: *Foreign Currency Transactions and Advance Consideration*

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognised the non-monetary asset or non-monetary liability arising from the advance consideration.

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

HKFRS 9: *Financial Instruments*

The following terms are used in these consolidated financial statements:

- FVPL: fair value through profit or loss.
- FVOCI: fair value through other comprehensive income.

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. It introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 9: *Financial Instruments (continued)*

In accordance with the transitional provisions in HKFRS 9, comparative information has not been restated and the Group has applied HKFRS 9 retrospectively to financial instruments that existed at 1 April 2018 (i.e. the date of initial application), except as described below:

(a) The following assessments are made on the basis of facts and circumstances that existed at the date of initial application:

(i) the determination of the business model within which a financial asset is held;

(ii) the designation of financial assets or financial liabilities at FVPL or, in case of financial assets, at equity instruments at FVOCI; and

(iii) the de-designation of financial assets or financial liabilities at FVPL.

The above resulting classification shall be applied retrospectively.

(b) If, at the date of initial application, determining whether there has been a significant increase in credit risk since initial recognition would require undue cost or effort, a loss allowance is recognised at an amount equal to lifetime expected credit losses at each reporting date until the financial instrument is derecognised unless that financial instrument has low credit risk at a reporting date.

(c) For investments in equity instruments that were measured at cost under HKAS 39, the instruments are measured at fair value at the date of initial application.

Differences between the previous carrying amounts under HKAS 39 and the current carrying amounts upon adoption of HKFRS 9 are recognised directly in components of equity at 1 April 2018 as summarised below:

	Recycling fair value reserve RMB'000	Non recycling fair value reserve RMB'000
At 1 April 2018		
Reclassification	**(5,351)**	5,351
(Decrease) Increase	**(5,351)**	5,351

(i) Classification and measurement of financial assets and financial liabilities

The adoption of HKFRS 9 has no significant effect on the classification and measurement of the Group's financial liabilities.

The following table reconciles the original measurement categories and carrying amounts under HKAS 39 to the new measurement categories and carrying amounts under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 9: ***Financial Instruments (continued)***

(i) Classification and measurement of financial assets and financial liabilities (continued)

As at 1 April 2018

		Measurement category and carrying amount under HKFRS 9			
Measurement category under HKAS 39	Carrying amount under HKAS 39	Amortised cost	Debt instruments at FVOCI	Equity instruments at FVOCI	FVPL
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale investment (note i)					
Listed equity securities	165,343	–	–	165,343	–
Loans and receivables (note iii)					
Cash and cash equivalents	64,220	64,220	–	–	–
Trade and other receivables*	610,340	610,340	–	–	–
Pledged and restricted deposits	182,695	182,695	–	–	–
Financial assets at FVPL (note ii)					
Derivative financial instruments	14,843	–	–	–	14,843
Held-to-maturity investment (note iii)					
Held-to-maturity investment	310,000	310,000	–	–	–

* excluding prepaid business tax and other taxes.

Notes:

(i) The listed equity securities that were previously classified as available-for-sale investment amounted to RMB165,343,000 are now classified as equity instruments at FVOCI since, at the date of initial application, these investments are neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies and are designated as equity instruments at FVOCI. Related accumulated fair value gains of RMB5,351,000 as at 1 April 2018 were transferred from recycling fair value reserve to non-recycling fair value reserve on 1 April 2018.

(ii) The derivative financial instruments amounted to RMB14,843,000, representing the early redemption right attaching to the Convertible Bonds (the "Right") as set out in note 26 to the consolidated financial statements, were previously classified as FVPL under HKAS 39 because the Right is not closely related to the liability component of the Convertible Bonds and therefore these embedded features have been accounted for separately under HKFRS 39. The derivative financial instruments continue to be measured at FVPL under HKFRS 9.

(iii) These items continue to be measured at amortised cost because, at the date of initial application, the Group's business model is to hold these investments to collect the contractual cash flows and the cash flows represent solely payments of principal and interest on the principal amount outstanding.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 15: ***Revenue from contracts with customers***

HKFRS 15 replaces, among others, HKAS 18 and HKAS 11 which specified the revenue recognition arising from sale of goods and rendering of services and the accounting for construction contracts respectively. The Standard establishes a comprehensive framework for revenue recognition and certain costs from contracts with customers within its scope. It also introduces a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group has elected to apply the cumulative effect transition method and recognised the cumulative effect of initial adoption as an adjustment to the opening balance of components of equity at 1 April 2018 (i.e. the date of initial application). Therefore, the comparative information has not been restated for the effect of HKFRS 15.

In addition, the Group has applied HKFRS 15 retrospectively only to contracts that were not completed at 1 April 2018 in accordance with the transitional provisions therein.

Set out below are the amounts by which each financial statement item were affected as at 1 April 2018 as a result of the adoption of HKFRS 15:

	At 31 March 2018 As originally presented RMB'000	Reclassification under HKFRS 15 (note i) RMB'000	Adjustments under HKFRS 15 (note ii) RMB'000	At 1 April 2018 Adjusted RMB'000
Properties under development and completed properties held for sale	2,871,520	–	57,966	2,929,486
Trade and other payable	931,900	(22,181)	–	909,719
Deposits from sales of properties	576,290	(576,290)	–	–
Contract liabilities	–	598,471	57,966	656,437

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 15: ***Revenue from contracts with customers (continued)***

The following tables show how the amounts for the year ended 31 March 2019 reported under HKFRS 15 would be affected if HKFRS 15 were not adopted:

	Notes	Amounts reported if HKFRS 15 were not adopted RMB'000	Effect on adoption of HKFRS 15 RMB'000	Amounts reported under HKFRS 15 RMB'000
Year ended 31 March 2019				
Revenue	(ii)	626,317	50,442	676,759
Cost of sales and services	(ii)	429,523	50,442	479,965
At 31 March 2019				
Properties under development and completed properties	(ii)	2,559,953	16,625	2,576,578
Trade and other payables	(i)	703,932	(20,361)	683,571
Deposits from sales of properties	(i)	236,904	(236,904)	–
Contract liabilities	(i)	–	273,890	273,890

(i) Accounting for revenue from sales of properties

Prior to the adoption of HKFRS 15, the Group accounted for revenue from sales of properties when significant risks and rewards of ownership had been transferred to the customers on delivery in its entirety at a single time upon vacant possession.

Under HKFRS 15, the excess of cumulative revenue recognised in profit or loss over the cumulative contractual payment received from customers of property sale is recognised as contract assets. The excess of cumulative contractual payment received from customers of property sale over the cumulative revenue recognised in profit or loss is recognised as contract liabilities. This resulted in the reclassification of deposits from sales of properties to contract liabilities.

After the assessment, the Group has considered that it has no enforceable right to payment from the customers for performance completed to date for properties. All revenue from sale of properties will continue to be recognised at a point in time, when the customers obtain control of the properties, i.e. when the customers obtain the physical possession or the legal title of the completed properties and the Group has a present right to payment from the customers. The adoption of HKFRS 15 has no significant impact on the timing of revenue recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 15: ***Revenue from contracts with customers (continued)***

(ii) Accounting for significant financing component

Generally, the Group receives long-term contractual payments from customers as deposits. However, from time to time, the Group also receives short-term deposits from its customers. Prior to the adoption of HKFRS 15, the Group presented these deposits as "deposits from sale of properties" in the consolidated statement of financial position. No interest was accrued on these deposits received under the previous accounting policy.

Upon the adoption of HKFRS 15, for short-term deposits, the Group used the practical expedient. As such, the Group will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Group expects, at contract inception, that the period between the time the customers pay for the goods or services and the Group transfers properties or property management services to the customers will be one year or less.

On the other hand, the Group concluded that there is a significant financing component for those property selling contracts where the customers elect to pay more than one year in advance considering the length of time between the customers' payment and the transfer of properties to the customers and the prevailing interest rates in the market. Transaction price for such contracts are discounted to take into consideration the significant financing component. Upon adoption of HKFRS 15, the Group recognised contract liabilities for the interest on the advances received from customers with a significant financing component and capitalised this to properties under development (if under construction) or charged to profit or loss (if construction completed).

(iii) Presentation and disclosure

The Group disaggregated 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. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Further details are disclosed in note 5 to the consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Annual Improvements to HKFRSs	2015–2017 Cycle [1]
HKFRS 16	Leases [1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments [1]
Amendments to HKAS 19	Employee benefits [1]
Amendments to HKAS 28	Investments in Associates and Joint Ventures [1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation [1]
Amendments to HKASs 1 and 8	Definition of Material [2]
Amendments to HKFRS 3	Definition of a Business [3]
HKFRS 17	Insurance Contracts [4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [5]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020
4 Effective for annual periods beginning on or after 1 January 2021
5 The effective date to be determined

Except for HKFRS 16 as set out below, the directors of the Company do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Group's financial information.

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 32(a) to the financial statements, at 31 March 2019, the Group had future minimum lease payments under noncancellable operating leases in aggregate of approximately RMB52,813,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as right-of-use assets and lease liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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

Further analysis, however, will be needed to determine the amounts of 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.

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 or other comprehensive income where appropriate.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

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, financial assets at FVOCI 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. 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.

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 is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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.

Impairment of non-financial assets other than goodwill

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(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.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment 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.

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 estimated selling prices 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 the estimated selling expenses.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 selling prices of properties sold in the ordinary course of business less selling expenses and 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.

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 properties meet the definition of investment properties; (b) 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; (c) the Group can demonstrate that it has the resources, including the necessary financing or capital, to hold and manage the investment property; (d) the change in use is legally permissible; (e) if the property must be further developed for the change in use, the development has commenced and (f) change in use is approved by the Board.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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.

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and measurement — applicable from 1 April 2018

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt instruments at FVOCI; (iii) equity instruments at FVOCI; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model (the "reclassification date").

Derivatives embedded in a hybrid contract in which a host is an asset within the scope of HKFRS 9 are not separated from the host. Instead, the entire hybrid contract is assessed for classification.

(1) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include trade and other receivables, pledged and restricted deposits and cash and cash equivalents.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

(2) Debt instruments at FVOCI

A debt instrument is measured at FVOCI if both of the following conditions are met and is not designated as at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and for sale; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial asset is subsequently measured at fair value. Interest calculated using the effective interest method, impairment gains or losses and foreign exchange gains and losses are recognised in profit or loss. Other gains or losses are recognised in other comprehensive income until the financial asset is derecognised. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment.

The Group does not have debt instruments measured at FVOCI at the end of the reporting period.

(3) Equity instrument at FVOCI

Upon initial recognition, the Group may make an irrevocable election to present subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies in other comprehensive income. The classification is determined on an instrument-by-instrument basis.

These equity investments are subsequently measured at fair value and are not subject to impairment. Dividends are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other gains or losses are recognised in other comprehensive income and shall not be subsequently reclassified to profit or loss. Upon derecognition, the cumulative gain or loss is transferred directly to retained earnings.

The Group does not have equity instruments measured at FVOCI at the end of the reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

(4) Financial assets at FVPL

These investments include financial assets that are not measured at amortised cost or FVOCI, including financial assets held for trading, financial assets designated upon initial recognition as at FVPL, financial assets resulting from a contingent consideration arrangement in a business combination to which HKFRS 3 applies and financial assets that are otherwise required to be measured at FVPL. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which does not include any dividend or interest earned on the financial assets. Dividend or interest income is presented separately from fair value gain or loss.

A financial asset is classified as held for trading if it is:

(i) acquired principally for the purpose of selling it in the near term;

(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or

(iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

Financial assets are designated at initial recognition as at FVPL only if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.

The Group's financial assets mandatorily measured at FVPL include derivative financial instruments.

Classification and measurement — applicable before 1 April 2018

Financial assets are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets at FVPL

The Group classified its financial assets into one of the following categories before 1 April 2018:

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL. 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 FVPL 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 FVPL 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 FVPL. These embedded derivatives are measured at fair value with changes in fair value recognised in 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 FVPL 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 FVPL 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (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 FVPL. 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.

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For the year ended 31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are direct attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables, loans from a controlling shareholder and bank and other borrowings, and convertible bonds. All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Derivatives embedded in a hybrid contract with a host that is not an asset within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their economic characteristics and risks are not closely related to those of the host, and the hybrid contract is not measured at FVPL.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

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)

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. 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.

Applicable from 1 April 2018

Subsequently, the financial guarantee is measured at the higher of (i) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with HKFRS 15 and (ii) the amount of the loss allowance determined in accordance with the expected credit losses ("ECL") model under HKFRS 9, unless the financial guarantee is measured at FVPL or arises from a transfer of a financial asset.

Applicable before 1 April 2018

Before the adoption of HKFRS 9, the financial guarantee is subsequently measured at the higher of (i) the amount initially recognised less, when appropriate, the cumulative amortisation recognised in accordance with HKAS 18, and (ii) the amount of the provision determined in accordance with HKAS 37, unless the financial guarantee is measured at FVPL or arises from a transfer of a financial asset.

Impairment of financial assets and other items under HKFRS 9

Applicable from 1 April 2018

The Group recognises loss allowances for ECL on financial assets that are measured at amortised cost, debt instrument at FVOCI and financial guarantee contracts issued to which the impairment requirements apply in accordance with HKFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

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For the year ended 31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets and other items under HKFRS 9 (continued)

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

For a financial guarantee contract, the entity is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, cash shortfalls are the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the entity expects to receive from the holder, the debtor or any other party. If the asset is fully guaranteed, the estimation of cash shortfalls for a financial guarantee contract would be consistent with the estimations of cash shortfalls for the asset subject to the guarantee.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

(i) past due information

(ii) nature of instrument

(iii) nature of collateral

(iv) industry of debtors

(v) geographical location of debtors

(vi) external credit risk ratings

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument, except in the case of debt instruments at FVOCI, the loss allowance is recognised in other comprehensive income and accumulated in the recycling fair value reserve.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets and other items under HKFRS 9 (continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria.

(i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or

(ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;

- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);

- an actual or expected significant deterioration in the operating results of the debtor; and

- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets and other items under HKFRS 9 (continued)

Assessment of significant increase in credit risk (continued)

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. For financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Low credit risk

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

As detailed in note 37 to the consolidated financial statements, deposits for land development expenditure and deposits for construction and pre-sale of projects are determined to have low credit risk.

Simplified approach of ECL

For trade receivables and contract assets without a significant financing components or otherwise for which the Group applies the practical expedient not to account for the significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets and other items under HKFRS 9 (continued)

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower.

(b) a breach of contract, such as a default or past due event.

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount when the financial asset is 1 year past due based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

Applicable before 1 April 2018

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, other than those at FVPL 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets and other items under HKFRS 9 (continued)

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.

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.

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 and other items under HKFRS 9 (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.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

Revenue recognition

Revenue comprises the consideration received or receivable for the sales of properties and services in the ordinary course of the Group’s activities. Revenue is shown, net of discount and after eliminated sales with the group entities.

Applicable from 1 April 2018

Revenue from the sales of properties are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group’s performance:

- Provides all the benefits received and consumed simultaneously by the customer; or
- Creates and enhances an asset that the customer controls as the Group performs; or
- Do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group’s efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Applicable from 1 April 2018 (continued)

For property sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant. When the contract contains a significant financing component (i.e. the customer or the Group is provided with a significant benefit of financing the transfer of goods or services to the customer), in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

The Group determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of the goods or services to the amount paid in advance or arrears), the prevailing market interest rates, the Group's borrowing rates and other relevant creditworthiness information of the customer of the Group.

The Group has applied the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for the effect of the significant financing component if the period of financing is one year or less.

Payments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under contract liabilities.

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 over time when the relevant services are rendered.

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost or debt instruments at FVOCI that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

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 within contract liabilities before amortising it over the period of guarantee.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Applicable before 1 April 2018

The Group has applied HKFRS 15 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probably that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

For the sale of properties, it is common for the Group to receive from the customer the whole or some of the contractual payments before the services are completed or when the goods are delivered (i.e. the timing of revenue recognition for such transactions). The Group recognises a contract liability until it is recognised as revenue. During that period, any significant financing components, if applicable, will be included in the contract liability and will be expensed as accrued unless the interest expense is eligible for capitalisation.

For the rental and property management fee income, the Group receives payments from the customer which are largely in line with the timing of revenue recognition and no significant contract assets and contract liabilities are recognised.

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 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 equity-settled award are exercised, the amount previously recognised in the share option reserve will be transferred to share capital. Where the equity-settled award are forfeit after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

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

For the year ended 31 March 2019

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 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 RMB. The Company's consolidated financial statements are presented in RMB because management considers that a substantial majority of the group companies are in the PRC and the Group primarily generates and expends cash in RMB. 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 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 are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB 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.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB 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 RMB at the weighted average exchange rates for the year.

Segment Reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker i.e. the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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:

Classification of operating lease — Group as lessor

The Group has entered into commercial property leases for properties in 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 as operating leases.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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 of 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 of completed properties is determined by management with reference to the selling prices of properties sold in the ordinary course of business less selling expenses and the prevailing market conditions on an individual property basis. The net realisable value of properties under development is determined by establishing the estimated selling price 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 the estimated costs necessary to make the sale. 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.

Fair value of investment properties

The investment properties of the Group are measured at fair value, which were valued based on the appraised market value by an independent professional valuer. The fair value of 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 2019 was RMB997,531,000 (2018: RMB956,000,000). 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

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 2019 was RMB35,681,000 (2018: RMB57,556,000). The amount of unrecognised tax losses at 31 March 2019 was RMB304,875,000 (2018: RMB387,787,000). Further details are contained in note 17 to the consolidated financial statements.

Loss allowance for ECL

The Group's management estimates the loss allowance for trade and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables. Details of the key assumption and inputs used in estimating ECL are set out in note 37 to the consolidated financial statements.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

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 current and 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

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.

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For the year ended 31 March 2019

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2019

	Continuing operations			
	Property development and management RMB'000	Property investment RMB'000	Financial services RMB'000	Total RMB'000
Segment revenue				
Sales to external customers*	620,354	34,115	22,290	676,759
Segment results	122,127	4,976	26,396	153,499
Bank interest income				696
Finance costs				(24,586)
Change in fair value of derivative financial instruments				(11,045)
Unallocated head office expenses				(15,274)
Profit before tax				103,290
Income tax				(80,244)
Profit for the year				23,046
Segment assets:				
Reportable segment assets	3,127,440	1,004,551	599,398	4,731,389
Deferred tax assets				62,653
Prepaid income tax				12,088
Derivative financial instruments				4,837
Unallocated assets				19,707
Total assets				4,830,674
Segment liabilities				
Reportable segment liabilities	1,656,350	11,613	47,992	1,715,955
Deferred tax liabilities				315,339
Income tax payable				75,869
Liability component of the Convertible Bonds				62,962
Unallocated liabilities				332,238
Total liabilities				2,502,363
Other segment information				
Capital expenditure**	1,255	1,583	13	2,851
Depreciation***	1,317	510	10	1,837
Write-down of completed properties held for sales to net realisable value	28,451	–	–	28,451
Interest income from held-to-maturity investments and entrusted loans	–	–	24,069	24,069

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	–
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
Write-down of completed properties held for sales to net realisable value	22,609	–	–	22,609	–
Interest income from held-to-maturity investment and entrusted loans	–	–	18,007	18,007	–

* The property management service income of RMB11,469,000 (2018: Nil) arisen from the investment properties were reallocated to the property investment segment for the purpose of performance assessment.

** During the year, the head office also incurred capital expenditure of RMB12,000 (2018: RMB91,000) which represents additions to non-current assets.

*** Included in unallocated head office expenses is depreciation of RMB539,000 (2018: RMB86,000).

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For the year ended 31 March 2019

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers from continuing operations

	2019 RMB'000	2018 RMB'000
The PRC	**668,244**	911,929
Hong Kong	**8,515**	8,119
	676,759	920,048

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

(b) Non-current assets

	2019 RMB'000	2018 RMB'000
The PRC	**673,428**	672,463
Hong Kong	**337,699**	296,622
	1,011,127	969,085

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 sale to a single customer which accounted for over 10% of the Group's revenue for the years ended 31 March 2019 and 2018.

5. REVENUE, OTHER INCOME AND GAINS FROM CONTINUING OPERATIONS

Revenue from continuing operations 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:

Revenue

	Year ended 31 March 2019			
	Property development and management RMB'000	Property investment RMB'000	Financial services RMB'000	Total RMB'000
Revenue from contracts with customers within HKFRS 15:				
Sale of properties	599,495	–	–	599,495
Property management service income	32,328	–	–	32,328
Guarantee fee income	–	–	22,290	22,290
	631,823	–	22,290	654,113
Revenue from other sources:				
Rental income	–	22,646	–	22,646
	631,823	22,646	22,290	676,759
Representing geographical markets of:				
The PRC	631,823	14,131	22,290	668,244
Hong Kong	–	8,515	–	8,515
	631,823	22,646	22,290	676,759
Timing of revenue recognition				
— At a point in time	599,495	–	–	599,495
— Over time	32,328	22,646	22,290	77,264
	631,823	22,646	22,290	676,759

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

5. REVENUE, OTHER INCOME AND GAINS FROM CONTINUING OPERATIONS (continued)

Revenue (continued)

	Year ended 31 March 2018			
	Property development and management RMB'000	Property investment RMB'000	Financial services RMB'000	Total RMB'000
Sale of properties	860,773	–	–	860,773
Property management service income	21,079	–	–	21,079
Guarantee fee income	–	–	15,082	15,082
Rental income	–	23,114	–	23,114
	881,852	23,114	15,082	920,048
Representing geographical markets of:				
The PRC	881,852	14,995	15,082	911,929
Hong Kong	–	8,119	–	8,119
	881,852	23,114	15,082	920,048

5. REVENUE, OTHER INCOME AND GAINS FROM CONTINUING OPERATIONS (continued)

	2019	2018
	RMB'000	RMB'000
Other income and gains		
Bank interest income	**696**	1,516
Interest income from held-to-maturity investments and entrusted loans	**24,069**	18,007
Sundry income	**882**	407
Gain on disposal of property, plant and equipment	**880**	1,048
Dividend income from financial assets at FVOCI	**7,816**	–
Dividend income from available-for-sale investment	**–**	13,026
Gain from a bargain purchase from the acquisition of subsidiaries	**–**	19,078
Total other income and gains from continuing operations	**34,343**	53,082

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	2019 RMB'000	2018 RMB'000
Cost of properties sold**	**423,237**	706,045
Cost of services	**27,382**	20,711
Cost of rental	**29,346**	28,539
Depreciation	**2,376**	2,000
Staff costs (including directors' emoluments):		
Salaries, wages and other benefits	**25,067**	32,216
Equity-settled share option expense	**824**	1,413
Contribution to defined contribution retirement plans	**4,957**	6,518
Total staff costs	**30,848**	40,147
Less: Amount capitalised into properties under development	**(2,235)**	(3,369)
	28,613	36,778
Auditor's remuneration:		
Audit services	**1,455**	2,380
Other services	**750**	1,312
Minimum lease payments under operating leases	**2,829**	3,435
Direct operating expenses arising from investment properties that generated rental income	**786**	615
Direct operating expenses arising from investment properties that did not generate rental income	**28**	51
Impairment on:		
— Trade receivables*	**3,233**	659
— Other receivables*	**20,375**	4,000
Write-down of completed properties held for sale to net realisable value**	**28,451**	22,609

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

** The item is included in cost of properties sold for the year ended 31 March 2019 above. For the year ended 31 March 2018, the item is included in other expenses in the consolidated statement of profit or loss.

7. FINANCE COSTS FROM CONTINUING OPERATIONS

	2019 RMB'000	2018 RMB'000
Interest on bank loans	**40,735**	54,435
Interest on Convertible Bonds	**6,401**	15,261
Interest on other loans	**5,054**	4,947
Other borrowing costs accrued on receipts in advance from customers	**29,660**	–
	81,850	74,643
Less: Interest capitalised into properties under development*	**(57,264)**	(45,679)
Total finance costs from continuing operations	**24,586**	28,964

* The borrowing costs have been capitalised at rates ranging from 5.4% to 8.0% per annum (2018: 5.4% to 8.0% per annum).

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and the disclosure requirements of Hong Kong Companies Ordinance is as follows:

	2019 RMB'000	2018 RMB'000
Fees	**757**	665
Other emoluments:		
Salaries, allowances and benefits in kind	**3,209**	5,037
Performance related bonuses	**929**	579
Equity-settled share option expense	**–**	501
Pension scheme contributions	**73**	199
	4,211	6,316
	4,968	6,981

The fair value of share options granted to certain directors under the share option scheme of the Company, which has been recognised in the consolidated 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 year ended 31 March 2018 was 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

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8. DIRECTORS' REMUNERATION (continued)

The remuneration of each of the directors for the years ended 31 March 2019 and 2018 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
2019						
Executive directors:						
Cui Xintong	–	2,341	599	–	16	2,956
Xiang Qiang (a)	–	617	–	–	21	638
Liu Hongjian	–	251	330	–	36	617
Wang Guanghui (b)	–	–	–	–	–	–
	–	3,209	929	–	73	4,211
Non-executive director:						
Cong Peifeng	205	–	–	–	–	205
	205	–	–	–	–	205
Independent non-executive directors:						
Chan Yuk Tong	205	–	–	–	–	205
Zhu Zuoan	205	–	–	–	–	205
Wang Xiaochu (c)	142	–	–	–	–	142
	552	–	–	–	–	552
	757	3,209	929	–	73	4,968

There was no arrangement under which a director waived or agreed to waive any remuneration during the year. In addition, no remuneration was paid by the Group to the directors as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2018: nil).

Notes:

(a) Redesignated as executive director on 4 May 2018 and resigned on 9 November 2018.

(b) Resigned on 4 May 2018.

(c) Appointed on 25 July 2018.

8. DIRECTORS' REMUNERATION (continued)

The remuneration of each of the directors for the years ended 31 March 2019 and 2018 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
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 and resigned on 9 November 2018

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2018: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2018: two) highest paid employees who are not a director of the Company are as follows:

	2019	2018
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,115**	1,993
Performance related bonuses	**574**	431
Equity-settled share option expense	**–**	171
Pension scheme contributions	**31**	31
	2,720	2,626

No emolument was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

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

	Number of employees	
	2019	2018
Nil to HK$1,000,000 (equivalent to Nil to RMB895,000)	**1**	1
HK$2,000,001 to HK$2,500,000 (equivalent to RMB1,789,000 to RMB2,236,000)	**1**	1
	2	2

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% (2018: 25%).

CIT for the year includes PRC withholding tax on dividends declared and received during the year from the Group's financial assets at FVOCI (2018: available-for-sale investment) amounting to approximately RMB782,000 (2018: RMB1,303,000).

No Hong Kong profits tax has been provided for the years ended 31 March 2019 and 2018 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 RMB69,193,000 (2018: RMB60,229,000). 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.

	2019 **RMB'000**	2018 RMB'000
Current tax:		
PRC CIT	**34,573**	23,462
PRC CIT underprovided in previous years	**2,750**	–
PRC LAT	**20,408**	9,638
Hong Kong and overseas	**–**	–
	57,731	33,100
Deferred tax (note 17)	**22,513**	(8,649)
Total charge from continuing operations	**80,244**	24,451

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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:

	2019		2018	
	RMB'000	%	RMB'000	%
Profit before tax	**103,290**		83,621	
Tax at the statutory tax rate of 25%	**25,823**	**25**	20,905	25
Expenses not deductible for tax	**8,468**	**8**	11,094	13
Income not subject to tax	**(5,375)**	**(5)**	(25,308)	(30)
Effect on overseas tax rate differences	**3,093**	**3**	735	1
LAT deductible for PRC CIT purposes	**(5,102)**	**(5)**	(2,409)	(3)
LAT	**20,408**	**20**	9,638	11
Underprovision in previous years	**2,750**	**3**	–	–
Utilisation of previously unrecognised tax losses	**–**	**–**	(5,782)	(7)
Tax losses not recognised	**6,512**	**6**	15,578	19
Reversal of previously recognised deferred tax assets	**23,667**	**23**	–	–
Tax charge at the Group's effective rate	**80,244**	**78**	24,451	29

11. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 March 2019 (2018: 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 5,273,047,000 shares (2018: 4,446,473,000 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:

	2019 **RMB'000**	2018 RMB'000
Earnings		
Profit attributable to owners of the parent,		
— continuing operations	**23,046**	59,170
— discontinued operations	**–**	(8,836)
	23,046	50,334
Effect of interest on the liability component of the Convertible Bonds	**6,401**	15,261
Effect of fair value loss on the derivative component of the Convertible Bonds	**11,045**	8,033
Adjusted profit attributable to owners of the parent		
— continuing operations	**40,492**	82,464
— discontinued operations	**–**	(8,836)
	40,492	73,628

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12. EARNINGS PER SHARE (continued)

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

	Number of shares	
	2019	2018
	’000	’000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**5,273,047**	4,446,473[(a)]
Effect of dilution — weighted average number of ordinary shares:		
Convertible preference shares	**1,639,353**	2,295,243
Convertible Bonds	**103,485**[(b)]	246,014[(b)]
Share options	**–**[(c)]	33,175
Weighted average number of ordinary shares (diluted)	**7,015,885**	7,020,905

(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, which were issued in connection with the acquisition of Ka Yun Investment Limited (“Ka Yun”) (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 March 2019 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 RMB23,046,000 (2018: RMB50,334,000) and RMB23,046,000 (2018: RMB59,170,000), respectively, and the weighted average number of ordinary shares of 6,912,400,000 shares (2018: 6,774,891,000 shares) in issue during the year.

(c) Because the exercise price of the share options were out of the money compared to the average stock prices of the Company during the year ended 31 March 2019, the share options had an anti-dilutive effect on the basic earnings per share amount for the year ended 31 March 2019.

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 for the year ended 31 March 2018.

14. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures and office equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Total RMB'000
2019				
At 1 April 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
At 1 April 2018, net carrying amount	5,049	2,407	630	8,086
Additions	945	1,918	–	2,863
Disposals	(15)	–	(71)	(86)
Depreciation	(1,270)	(920)	(186)	(2,376)
Exchange realignment	83	27	–	110
At 31 March 2019, net carrying amount	4,792	3,432	373	8,597
At 31 March 2019:				
Cost	12,561	6,812	1,754	21,127
Accumulated depreciation	(7,769)	(3,380)	(1,381)	(12,530)
Net carrying amount	4,792	3,432	373	8,597

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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
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 carrying amount	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	(1,176)	(1,109)	(170)	(2,455)
Exchange realignment	(38)	(50)	–	(88)
At 31 March 2018, net carrying amount	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

15. INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
Carrying amount at 1 April 2018/2017	**956,000**	961,138
Net gain on fair value adjustment	**20,538**	25,461
Exchange realignment	**20,993**	(30,599)
Carrying amount at 31 March 2019/2018	**997,531**	956,000
Representing:		
The PRC	**660,000**	660,000
Hong Kong	**337,531**	296,000
	997,531	956,000

At 31 March 2019, 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 2019 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	**–**	**–**	**997,531**	**997,531**

	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

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 (2018: Nil).

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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 2019 & 2018 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average, if applicable)
(1)	20th Floor of Towers I, II and III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong	337,531 (2018: 296,000)	Income capitalisation approach	Capitalisation rate Market rent	3% (2018: 3%) HK$22.2 (2018: HK$21.5) per square foot
	Car parking spaces Nos. A1 to A14 (inclusive) on 1P Floor, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong		Sales comparison approach	Comparable's unit selling/asking price	HK$1.63 million (2018: HK$1.56 million) per unit
(2)	Retail shops located on basement 1 and levels 3 to 5 of Guangze International Shopping Center, Baishan City, the PRC	660,000 (2018: 660,000)	Income capitalisation approach	Capitalisation rate Market rent	2.75%–4.75% (2018: 2.75%–4.75%) RMB59.2–RMB184.4 (2018: RMB58.2–RMB182.0) 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 (2018: 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 2019, certain of the Group's investment properties with an aggregate carrying amount of RMB997,531,000 (2018: RMB296,000,000) were pledged to banks to secure certain of the bank loans granted to the Group (note 25).

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENT

	2019 RMB'000	2018 RMB'000
Listed equity investments, at fair value	–	165,343

At 1 April 2018, the Group irrevocably designated the listed equity investments of RMB165,343,000 as financial assets at FVOCI.

During the year ended 31 March 2019, the Group disposed of its financial assets at FVOCI to its controlling shareholder because they no longer matched with the Group's investment strategy. At the date of derecognition, the fair value of the listed equity investment amounted to RMB124,947,000, based on the market quoted price; and the disposal consideration of RMB183,329,000 gave rise to a gain on disposal of RMB58,382,000 which was considered as deemed capital contribution from the Group's controlling shareholder. In addition, the accumulated fair value loss of RMB45,182,000 included in non-recycling fair value reserve was transferred directly to retained earnings on disposal.

Further details of the disposal are set out in note 35 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 RMB'000	Revaluation of properties under development and completed properties held for sale RMB'000	Prepaid tax RMB'000	Others RMB'000	Total RMB'000
At 1 April 2018	**97,981**	**205,946**	**4,327**	**3,208**	**311,462**
Charged/(credited) to profit or loss (note 10)	**4,895**	**–**	**(1,692)**	**622**	**3,825**
Exchange realignment	**52**	**–**	**–**	**–**	**52**
At 31 March 2019	**102,928**	**205,946**	**2,635**	**3,830**	**315,339**
At 1 April 2017	92,933	205,946	4,525	–	303,404
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

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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 2018	**57,556**	**13,780**	**6,484**	**3,521**	**81,341**
(Charged)/Credited to profit or loss (note 10)	**(21,875)**	**(8,140)**	**11,921**	**(594)**	**(18,688)**
At 31 March 2019	**35,681**	**5,640**	**18,405**	**2,927**	**62,653**
At 1 April 2017	33,260	26,467	1,975	2,700	64,402
Credited/(Charged) 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

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

	2019 RMB'000	2018 RMB'000
Tax losses	**304,875**	387,787
Deductible temporary differences	**10,856**	3,005
	315,731	390,792

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 RMB52,352,000 (2018: RMB51,951,000) 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

	2019 RMB'000	2018 RMB'000
Properties under development	**1,942,742**	2,171,312
Completed properties held for sale	**687,319**	725,240
	2,630,061	2,896,552
Write-down of completed properties held for sale to net realisable value	**(53,483)**	(25,032)
	2,576,578	2,871,520

Properties under development	2019 RMB'000	2018 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	**220,477**	485,616
After one year	**1,722,265**	1,685,696
	1,942,742	2,171,312

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

At 31 March 2019, certain of the Group's properties under development of RMB1,668,625,000 (2018: RMB1,490,712,000), were pledged to banks to secure certain of the bank loans granted to the Group.

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19. TRADE AND OTHER RECEIVABLES

		2019 RMB'000	2018 RMB'000
Trade receivables		**25,185**	19,663
Less: provision for impairment		**(4,138)**	(905)
	(a)	**21,047**	18,758
Other receivables:			
Deposits for land development expenditure	(b)	**352,612**	353,418
Deposits for construction and pre-sale of projects	(c)	**39,984**	34,748
Entrusted loan receivables	(d)	**410,075**	74,642
Prepaid business tax and other taxes		**33,369**	19,704
Interest income receivable from a held-to-maturity investment		**–**	11,921
Other receivables, prepayments and deposits		**87,185**	116,853
		923,225	611,286
		944,272	630,044

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. The carrying amounts of the receivables approximate to their fair values. Trade receivables are non-interest-bearing.

At 31 March 2019, trade receivables are primarily related to revenue recognised from the provision of property management service, leasing of properties and provision of financial guarantee services.

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:

	2019	2018
	RMB'000	RMB'000
Within 30 days	**3,672**	2,452
31 days–180 days	**11,338**	6,417
Over 180 days	**6,037**	9,889
	21,047	18,758

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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:

	2019 RMB'000	2018 RMB'000
Neither past due nor impaired	**997**	1,488
	997	1,488
Less than 30 days past due	**3,608**	2,452
Over 30 days and less than 180 days past due	**11,199**	6,417
Over 180 days past due	**5,243**	8,401
	20,050	17,270
	21,047	18,758

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

	2019 RMB'000	2018 RMB'000
At 1 April 2018/2017	**905**	246
Charged to profit or loss during the year	**3,233**	659
At 31 March 2019/2018	**4,138**	905

(b) The balances represented monies advanced to the local government for land development works at a land sites. 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.

19. TRADE AND OTHER RECEIVABLES (continued)

(d) Jilin Province Fengrun Financing Guaranty Company Limited* (吉林省灃潤融資擔保有限公司) ("FR Guarantee"), a wholly-owned subsidiary of the Group, entered into entrusted loan agreements through the banks with certain third parties in the PRC (the "Borrowers") pursuant to which FR Guarantee instructed the banks to act as lending agent to release loans to the Borrowers which are funded by FR Guarantee. These entrusted loans bear interests at rates ranging from 6% to 18% per annum and are repayable within one year.

	2019 **RMB'000**	2018 RMB'000
Entrusted loan receivables	**426,075**	74,642
Less: provision for impairment	**(16,000)**	–
	410,075	74,642

Analysis by methods for assessing allowances for impairment losses

	2019 **RMB'000**
12-month ECL	
Gross balance	**426,075**
Less: provision for impairment	**(16,000)**
	410,075

	2018 RMB'000
Allowances are collectively assessed	74,642

The Group's assessment of expected credit loss on entrusted loans are based on the 12-month ECL as all entrusted loans granted cannot exceed a loan period of twelve months. The Group performed post-transaction monitoring procedures to ensure the recoverability of the entrusted loans. During the year ended 31 March 2019, a provision for impairment of RMB16,000,000 has been made (2018: Nil).

Information about the Group's exposure to credit risks and loss allowance for trade and other receivables is included in note 37 to the consolidated financial statements.

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20. HELD-TO-MATURITY INVESTMENT

	2019 RMB'000	2018 RMB'000
Wealth management products, at cost	–	310,000

The held-to-maturity investment was 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 amount was fully settled upon maturity in May 2018.

21. CASH AND CASH EQUIVALENTS AND PLEDGED AND RESTRICTED DEPOSITS

	Notes	2019 RMB'000	2018 RMB'000
Cash and bank balances		219,119	246,915
Less: Restricted bank deposits under pre-sale of properties	(a)	(22,693)	(23,958)
Restricted bank deposits under provision of financing guarantee services	(b)	(166,362)	(158,737)
Cash and cash equivalents		30,064	64,220

(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 RMB amounted to RMB212,104,000 (2018: RMB244,058,000). 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.

22. TRADE AND OTHER PAYABLES

	Notes	2019 RMB'000	2018 RMB'000
Trade payables	(a)	**79,700**	230,342
Accrued construction costs		**440,112**	530,617
Interest payable		**29,534**	27,481
Deposits received from the government	(b)	**19,978**	18,059
Receipt in advance from management services	23(b)	**–**	8,096
Deferred income	23(c)	**–**	14,085
Provision for guarantee losses	(c)	**15,315**	12,832
Other creditors and accruals		**58,197**	62,697
Other deposits received		**40,735**	27,691
		683,571	931,900

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

	2019 RMB'000	2018 RMB'000
Within 30 days	**54,092**	180,786
31 days–180 days	**22,672**	35,420
Over 180 days	**2,936**	14,136
	79,700	230,342

(b) 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.

(c) The Group provides financing guarantees to certain banks in order for its customers to secure bank financing. Further details are set out in note 31(ii) to the consolidated financial statements. At the end of the reporting period, a provision for guarantee losses of RMB15,315,000 (2018: RMB12,832,000) has been made. Information about the Group's exposure to credit risk arising from guarantees issued is included in note 37 to the consolidated financial statements.

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23. CONTRACT LIABILITIES

	Notes	2019 RMB'000	2018 RMB'000
Deposits from sale of properties	(a)	**253,529**	–
Receipt in advance from management services	(b)	**8,655**	–
Deferred income	(c)	**11,706**	–
		273,890	–

The Group received payments from customers based on billing schedules as established in the property sales or rental contracts. Payments are usually received in advance of the performance under the contracts.

The revenue recognised during the year which was included in contract liabilities as at 1 April 2018:

	2019 RMB'000
Sales of properties	**319,305**
Property management services	**8,096**
Financing guarantee services	**13,908**

As at 31 March 2019, the amount of transaction price which is allocated to the performance obligations that are unsatisfied or partially unsatisfied, expected to be satisfied within one year and more than one year are RMB403,462,000 and RMB250,721,000 respectively. The amounts include the contract liabilities as disclosed above.

(a) Deposits from sales of properties represent sale proceeds received from customers in connection with the Group's pre-sale of properties. The deposit will be transferred to profit or when the Group's revenue recognition criteria are met (2018: a balance of RMB576,290,000 were recognised separately in the consolidated statement of financial position prior to the initial application of HKFRS 15).

(b) Receipt in advance from management services represent the property fee received in advance for property management. The receipts will be transferred to profit or loss when the Group's revenue recognition criteria are met (2018: a balance of RMB8,096,000 included in the trade and other payables prior to the initial application of HKFRS 15).

(c) The balance represented the financing guarantee service fees received, which are initially recognised as deferred income and are amortised to profit or loss over the term of the guarantee as income from the guarantee issued (2018: a balance of RMB14,085,000 included in the trade and other payables prior to the initial application of HKFRS 15).

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	2019 RMB'000	2018 RMB'000
Current			
Bank loans — unsecured	(i)	**29,000**	220,000
Bank loans — secured	(ii), (vi)	**311,891**	174,166
Other loans — unsecured	(iii)	**23,190**	23,190
Other loans — secured	(iv)	**–**	69,416
Entrusted loan	(v)	**100,000**	100,000
		464,081	586,772
Non-current			
Bank loans — secured	(ii)	**477,586**	418,034
		477,586	418,034
		941,667	1,004,806

	2019 RMB'000	2018 RMB'000
Analysed into:		
Bank loans repayable and entrusted loan payable:		
Within one year or on demand	**440,891**	494,166
In the second year	**306,896**	56,448
In the third to sixth years, inclusive	**170,690**	361,586
	918,477	912,200
Other borrowings repayable:		
Within one year	**23,190**	92,606
	941,667	1,004,806

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25. BANK AND OTHER BORROWINGS (continued)

Notes:

(i) As at 31 March 2019, the unsecured bank loan of RMB29,000,000 (2018: Nil) bear interests at fixed rates of 9.57% per annum. The unsecured bank loans of RMB220,000,000 as at 31 March 2018 was fully repaid in May 2018.

(ii) Included in the secured bank loans as at 31 March 2019 are loan balances of RMB70,000,000 (2018: RMB70,000,000), HK$290,000,000 (equivalent to approximately RMB248,443,000) (2018: HK$309,000,000 (equivalent to approximately RMB247,200,000)), RMB256,034,000 (2018: RMB275,000,000) and RMB215,000,000 (2018: RMB220,000,000) bearing interests at a fixed rate of 7.6% per annum, at HIBOR plus margin of 2.4%–2.75% per annum, at a fixed interest rate of 5.39% per annum and a fixed rate of 7.125% per annum respectively.

The bank loan of RMB70,000,000 is secured by the 20% equity interests of 吉林省廣澤地產有限公司 and the bank loans of RMB256,034,000, HK$290,000,000 and RMB215,000,000 are secured by pledges of the properties under development with carrying values of RMB1,410,139,000 (2018: RMB1,185,558,000) and investment properties with fair value of RMB337,531,000 (2018: RMB296,000,000) and RMB660,000,000 (2018: Nil) respectively.

(iii) As at 31 March 2019, the unsecured other loans of RMB23,190,000 (2018: RMB23,190,000) 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 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 these 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) The secured other loan as at 31 March 2018 was fully settled during the year.

(v) In December 2018, 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 RMB258,486,000 (31 March 2018: RMB305,154,000); and bears interest at a fixed rate of 8% per annum. The entrusted loan is repayable within one year.

(vi) Bank loans of RMB187,549,000 with a clause in their terms that gives the lender an overriding right to demand repayment without notice or with notice period of less than 12 months at its sole discretion are classified as current liabilities even though the directors do not expect that the lender would exercise the rights to demand repayment.

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.

As at 31 March 2019 and 2018, the CBs due in 2021 in the principal amount of HK$87,962,612 has not yet been converted.

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.

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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 HKFRS 9 *Financial Instruments.*

On the basis that the conversion options of the Convertible Bonds will be settled by the exchange of a fixed amount for a fixed number of equity instruments, the 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:

	2019 **RMB'000**	2018 RMB'000
At 1 April 2018/2017	**14,843**	46,549
Fair value change	**(11,045)**	(8,033)
Transfer to equity upon conversion	**–**	(20,840)
Exchange realignment	**1,039**	(2,833)
At 31 March 2019/2018	**4,837**	14,843

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:

	2019 **RMB'000**	2018 RMB'000
At 1 April 2018/2017	**54,218**	206,104
Accrued effective interest	**6,401**	15,261
Accrued coupon interest transferred to interest payable	**(1,506)**	(3,621)
Transfer to equity upon conversion	**–**	(153,039)
Exchange realignment	**3,849**	(10,487)
At 31 March 2019/2018	**62,962**	54,218

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:

	2019 **RMB'000**	2018 RMB'000
At 1 April 2018/2017	**40,368**	151,545
Transfer to other equity components upon conversion	**–**	(111,177)
At 31 March 2019/2018	**40,368**	40,368

As at 31 March 2019, the remaining principal amount of the CBs due in 2021 was approximately HK$87,962,612 (equivalent to RMB70,370,090) (31 March 2018: HK$87,962,612 (equivalent to RMB70,370,090)). 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 2019.

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27. SHARE CAPITAL

	Number of ordinary shares '000	Nominal value HK$'000	RMB'000
Authorised:			
Ordinary shares of HK$0.05 each	15,600,000	780,000	684,000
Issued:			
Ordinary shares of HK$0.05 each			
At 31 March 2018	5,272,551	263,628	228,335
At 31 March 2019	5,273,401	263,670	228,370

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

	Notes	Number of ordinary shares in issue '000	Issued capital HK$'000	RMB'000
At 1 April 2018		5,272,551	263,628	228,335
The exercise of share options	(a)	850	42	35
At 31 March 2019		5,273,401	263,670	228,370

(a) 850,000 new ordinary shares of the Company were allotted and issued, upon the exercise of the 850,000 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.

28. CONVERTIBLE PREFERENCE SHARES (continued)

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

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

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

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

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

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

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

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

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

As at 31 March 2019, 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 2019.

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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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

29. SHARE OPTION SCHEME (continued)

The terms and conditions of the share options granted under the Scheme were as follows:

Grantees	As at 1 April 2018	Reclassified during the year (Note 1)	Exercised during the year (Note 3)	Forfeited/ lapsed during the year	As at 31 March 2019	Date of grant	Exercise period (Note 2)	Exercise price per share option HK$
	Number of share options							
Directors/Chief Executive:								
Mr. Wang Guanghui*	3,000,000	(3,000,000)	–	–	–	24/10/2014	24/10/2015 – 23/10/2024	1.200
	3,200,000	(3,200,000)	–	–	–	18/04/2016	18/04/2016 – 17/04/2026	0.980
Sub-total	6,200,000	(6,200,000)	–	–	–			
Employees	30,000,000	–	–	–	30,000,000	19/06/2014	19/06/2014 – 18/06/2024	0.980
	3,100,000	–	–	(260,000)	2,840,000	18/04/2016	18/04/2016 – 17/04/2026	0.980
Others	6,850,000	–	(850,000)	–	6,000,000	19/06/2014	19/06/2014 – 18/06/2024	0.980
	17,900,000	3,000,000	–	(500,000)	20,400,000	24/10/2014	24/10/2015 – 23/10/2024	1.200
	8,000,000	3,200,000	–	–	11,200,000	18/04/2016	18/04/2016 – 17/04/2026	0.980
Sub-total	65,850,000	6,200,000	(850,000)	(760,000)	70,440,000			
Total	72,050,000	–	(850,000)	(760,000)	70,440,000			

* Resigned on 4 May 2018

Notes:

1. Reclassification due to the change of grantees' capacities in 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 weighted average price of the shares at the date on which the options were exercised during the year is HK$1.47 (2018: HK$1.81).

29. SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Scheme during the year:

	2019		2018	
	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	**1.0438**	**72,050**	1.0393	79,390
Exercised during the year	**0.9800**	**(850)**	0.9800	(6,800)
Lapsed/Forfeited during the year	**1.1200**	**(760)**	1.1837	(540)
Outstanding at 31 March	**1.0437**	**70,440**	1.0438	72,050
Exercisable at 31 March	**1.0437**	**70,440**	1.0519	63,930

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2019 Number of options	2018 Number of options	**Exercise price HK$ per share**	**Exercise period**
2,450,000	2,640,000	**0.98**	**18/04/2016 – 17/04/2026**
3,510,000	3,540,000	**0.98**	**18/04/2017 – 17/04/2026**
8,080,000	8,120,000	**0.98**	**18/04/2018 – 17/04/2026**
36,000,000	36,850,000	**0.98**	**19/06/2014 – 18/06/2024**
10,200,000	10,450,000	**1.20**	**24/10/2015 – 23/10/2024**
10,200,000	10,450,000	**1.20**	**24/10/2016 – 23/10/2024**
70,440,000	72,050,000		

The Group recognised share option expense of RMB824,000 (2018: RMB1,413,000) during the year ended 31 March 2019, which was related to the share options granted in the prior year and vested during the year.

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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 850,000 share options exercised during the year resulted in the issue of 850,000 ordinary shares of the Company and new share capital of RMB35,000 (before issue expenses), as further detailed in note 27 to the consolidated financial statements.

At the end of the reporting period, the Company had 70,440,000 share options outstanding under the Scheme and all of the outstanding share options are exercisable. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 70,440,000 additional ordinary shares of the Company and additional share capital of RMB2,817,600 (before issue expenses).

At the date of approval of these consolidated financial statements, the Company had 70,440,000 share options outstanding under the Scheme, which represented approximately 1.3% 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 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

For the year ended 31 March 2019

30. RESERVES (continued)

(v) Recycling/Non-recycling Fair value reserve

The non-recycling fair value comprises the cumulative net change in the fair value of financial assets at FVOCI recycling fair value at the end of the reporting period and is dealt with in accordance with the accounting policies adopted. The recycling fair value reserve as at 31 March 2018 represented the cumulated net change in fair value of available-for-sale investment in accordance with HKAS 39.

(vi) Other reserves

		2019 RMB'000	2018 RMB'000
Merger reserve	(a)	**(3,316,856)**	(3,316,856)
Property revaluation reserve	(b)	**8,151**	8,151
Deemed capital contribution reserve	(c)	**58,382**	–
Others		**4,692**	4,692
		(3,245,631)	(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 Ka Yun 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.

(c) The deemed capital contribution reserve represented the derecognition of the listed equity investment and gave rise to a gain on disposal of RMB58,382,000 during the year ended 31 March 2019 which was considered as deemed capital contribution from the Group's controlling shareholder.

(vii) 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. 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 2019, guarantees amounting to RMB905.1 million were given to banks with respect to mortgage loans procured by purchasers of property units (2018: RMB1,035.3 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 initially 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 2019, the financing guarantees amounting to RMB1,433.5 million (2018: 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. Also, the pledged assets were provided by the borrowers pursuant to the terms of the guarantees and a provision of RMB15.3 million (2018: RMB12.8 million) has been made in connection with the guarantees in addition to the deferred income recognised as contract liabilities. Therefore, the directors expect further losses arising from the guarantees issued to be insignificant.

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32. 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 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2019 **RMB'000**	2018 RMB'000
Within one year	**19,170**	23,148
In the second to fifth years, inclusive	**28,528**	30,302
After fifth years	**56,077**	59,010
	103,775	112,460

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 2019, the Group had total future minimum lease payables under non-cancellable operating leases falling due as follows:

	2019 **RMB'000**	2018 RMB'000
Within one year	**26,433**	28,338
In the second to fifth years, inclusive	**26,380**	45,839
	52,813	74,177

(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:

	2019 **RMB'000**	2018 RMB'000
Contracted, but not provided for:		
— Properties under development	**23,557**	530,617

33. 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:

	2019 RMB'000	2018 RMB'000
(i) Entities controlled by a close family member of a controlling shareholder of the Company:		
Rental expenses paid:		
— a motor vehicle	**185**	187
— office premises	**785**	1,045
Building management fees paid:		
— office premises	**45**	60
	1,015	1,292
Guarantee fees income	**696**	392
Guarantee provided	**78,000**	109,000

The related party transactions in respect of rental expenses, building management fees, guarantee fees income and guarantees provided above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The rental expenses and building management fees were exempted from the reporting announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. For the guarantee fees received and guarantees provided, they were subject to the reporting and disclosure requirements of 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 28 March 2017, 19 June 2018 and 28 December 2018 respectively.

	2019 RMB'000	2018 RMB'000
(ii) A controlling shareholder of the Company:		
Coupon interest on CBs due in 2021	**1,506**	3,063

(iii) On 6 September 2018, 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 RMB110 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. 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 7 September 2018.

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33. RELATED PARTY TRANSACTIONS (continued)

(b) Key management personnel

	2019 RMB'000	2018 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	757	665
Other emoluments:		
Salaries, allowances and benefits in kind	7,140	6,750
Performance related bonuses	1,535	953
Equity-settled share option expense	–	672
Pension scheme contributions	346	313
	9,021	8,688
Total compensation paid to key management personnel	9,778	9,353

34. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Loans from a controlling shareholder RMB'000	Interest-bearing bank and other borrowings RMB'000	Liability component of the Convertible Bonds RMB'000
At 1 April 2017	264,824	967,747	206,104
Changes from financing cash flows	(153,664)	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	111,160	1,004,806	54,218
At 1 April 2018	111,160	1,004,806	54,218
Changes from financing cash flows	149,920	(19,169)	–
Derecognition of the listed equity investment (note 35)	(120,675)	(62,654)	–
Exchange realignment	8,660	18,684	3,849
Accrued effective interest	–	–	6,401
Interest paid classified as operating cash flows	–	–	(1,506)
At 31 March 2019	149,065	941,667	62,962

35. MAJOR NON-CASH TRANSACTIONS

During the year, 43,420,000 ordinary shares issued by the Jilin Jiutai Rural Commercial Bank Corporation Limited (吉林九台農村商業銀行股份有限公司) (stock code: 6122) and listed in Hong Kong were disposed of to Charm Success Group Limited, a company incorporated in the BVI with limited liability and direct wholly-owned by Deep Wealth Holdings Limited which is in turn held by TMF (Cayman) Ltd. as the trustee of a discretionary trust where Ms. Cui Xintong ("Ms. Cui") is the settlor and protector at the consideration of HK$214,494,800 (equivalent to approximately RMB183,329,000). Ms Cui is an executive director, the chairperson of the Board and controlling shareholder of the Company. The consideration was settled by (i) a secured loan of HK$73,305,430 (equivalent to approximately RMB62,654,000) assumed by Charm Success Group Limited all the liabilities owed by the Group to the borrower and (ii) offset part of the loans from a controlling shareholder of HK$141,189,370 (equivalent to approximately RMB120,675,000). Further details are set out in the Company's announcement dated 15 February 2019 and circular dated 6 March 2019.

36. 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:

2019

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets included in trade and other receivables	–	910,903	910,903
Derivative financial instruments	4,837	–	4,837
Pledged and restricted deposits	–	189,055	189,055
Cash and cash equivalents	–	30,064	30,064
	4,837	1,130,022	1,134,859

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in trade and other payables	683,571
Liability component of the Convertible Bonds	62,962
Loans from a controlling shareholder	149,065
Interest-bearing bank and other borrowings	941,667
	1,837,265

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36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Financial instruments by category (continued)

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 and 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

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value 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**	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Available-for-sale investment	–	165,343	–	165,343
Derivative financial instruments	**4,837**	14,843	**4,837**	14,843
	4,837	180,186	**4,837**	180,186
Financial liabilities				
Loans from a controlling shareholder	**149,065**	111,160	**149,065**	111,160
Bank and other borrowings	**941,667**	1,004,806	**948,028**	1,007,282
Liability component of the Convertible Bonds	**63,926**	54,218	**65,225**	61,762
	1,154,658	1,170,184	**1,162,318**	1,180,204

Management has assessed that the fair values of cash and cash equivalents, pledged and restricted deposits and 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 2019 was assessed to be insignificant.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

36. 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 2019 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**
Derivative financial instruments	**–**	**–**	**4,837**	**4,837**
	–	**–**	**4,837**	**4,837**

	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

36. 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 2019 and 2018:

	Valuation techniques	Significant unobservable inputs	Range
Early redemption rights embedded in the Convertible Bonds	Binomial pricing model	Expected volatility	76.39%

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 2018: 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.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise the Convertible Bonds, bank loans, pledged 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/payables, 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 and liquidity 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

For the year ended 31 March 2019

37. 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
2019		
Bank loans	**50**	**(1,242)**
Bank loans	**(50)**	**1,242**
2018		
Bank loans	50	(2,086)
Bank loans	(50)	2,086

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 2019 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).

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	Increase/ (decrease) in HK$ rate	Increase/ (decrease) in equity
	%	RMB'000
2019		
RMB strengthens against HK$	**3**	**1,356**
RMB weakens against HK$	**(3)**	**(1,356)**
2018		
RMB strengthens against HK$	3	1,506
RMB weakens against HK$	(3)	(1,506)

Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, pledged bank deposit, bank balances and guarantees issued due to customer's inability or unwillingness to meet its financial obligations to make repayments.

At the end of the reporting period, the maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets and the guarantees issued for which financial liabilities in respect of these guarantees issued of RMB27,021,000 (2018: RMB26,917,000) have been recognised by the Group.

Credit risk arising from trade and other receivables

The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers and follow up action is taken to recover overdue debts, if any.

To measure the expected credit losses of trade receivables, they have been grouped based on shared credit risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating ECL for trade receivables and recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate in estimating the probability of default of these financial assets. The expected loss rate used in the provision matrix is calculated based on actual credit loss experience over the past three years and historical settlement and past experience. Expected loss rate of the overall trade receivables from property management income is assessed to be 5% to 50%. The Group has a policy of writing off the gross carrying amount when the financial asset is 1 year past due. At the end of the reporting period, certain trade receivables were considered as credit-impaired and provision for impairment of RMB4,138,000 (2018: RMB905,000) were provided.

At the end of the reporting period, the Group has concentration of credit risk as the trade receivables from the five largest customers represented 25% (2018: 38%) of the total trade receivables, while 6% (2018: 24%) of the total trade receivables were due from the largest single customer.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk arising from trade and other receivables (continued)

The Group considers the other receivables which are deposit in nature, such as deposits for land development expenditure and deposits for construction and pre-sale of projects have low credit risk and the expected loss rate, is assessed to be insignificant and no loss allowance provision is made for these deposits during the year.

In estimating the expected credit losses of other receivables other than deposits, other receivables excluding deposits have been grouped based on shared credit risk characteristics and the days past due. The management of the Group considers any additional ECL of these financial assets to be insignificant.

Credit risk arising from bank balances

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.

Credit risk arising from guarantees issued and entrusted loan receivables

The Group has taken measures to identify credit risks arising from guarantees issued and entrusted loans receivables. The Group manages credit risk at every stage of the risk management system, including pre-approval, review and credit approval and post-transaction monitoring processes. The Group conducts customer acceptance and due diligence through the business department and risk management department during the pre-approval process. Each transaction is subject to the review and approval of the management.

During the post-transaction monitoring process, the Group conducts on-site inspection and ongoing post-transaction reviews focus on various aspects, including but not limited to customers' product markets, operating income, assets and liabilities, cash flows from operating activities to detect potential risks. The Group takes proactive preventive actions based on the risk analysis and designs contingency plans accordingly.

When a certain number of clients undertake the same business activities, stay in the same geographical locations, or bear similar economic features for their industries, their ability to fulfil contracts will be affected by the same economic changes. Concentration of credit risk reflects the sensitivity of the Group's operating results to specific industries or geographical locations. As the Group mainly operates its businesses in the PRC, there exists a certain level of geographical concentration risk for its guarantee and loan portfolios in that it might be affected by changes in the PRC economic conditions. In estimating the ECL and in determining whether the credit risk has increased significantly since initial recognition, the Group has taken into account the historical credit loss experience over the past guarantee period and term of the entrusted loan receivables, the past due status of the debts under the guarantees issued and the entrusted loan receivables, the financial position of the counterparties under the guarantee issued and entrusted loan contracts by reference to, among others, their management or audited accounts and the economic environment of the industries in which the counterparties operate, adjusted for future prospects of the industry in estimating the probability of default of these debts under the guarantees issued and entrusted loan receivables. As at 31 March 2019, the Group performed the credit risk assessment and considered all of the guarantees issued are without significant increase in credit risk while RMB16,000,000 out of the gross entrusted loan receivables has significant increase in credit risk. None of these counterparties are considered as credit-impaired. The Group, based on the result of the credit risk assessment, determined the provision for guarantee losses and provision for impairment of entrusted loan receivables are RMB15,315,000 (2018: RMB12,832,000) and RMB16,000,000 (2018: Nil) respectively.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk arising from guarantees issued and entrusted loan receivables (continued)

The exposure to credit risk on the guarantees issued and entrusted loan receivables as at 31 March 2019 are as follows:

Guarantee issued:

Internal credit rating	Gross guarantee amounts issued RMB'000	Expected loss rate %	ECL	Provision for guarantee losses RMB'000
Performing	1,433,530	1.5%–3%	12-month	15,315

Entrusted loan receivables:

Internal credit rating	Gross carrying amounts RMB'000	Expected loss rate %	ECL	Provision for impairment RMB'000
Performing	410,075	1.5%–3%	12-month	11,200
Underperforming	16,000	30%–60%	12-month	4,800
	426,075			16,000

The Group considers the credit risk of guarantees given to the banks with respect to mortgage loans procured by purchasers of property units to be insignificant.

At the end of the reporting period, the Group has concentration of credit risk as the entrusted loan receivables from the 5 largest borrowers representing 70% (2018: 100%) of the total entrusted loan receivables while 17% (2018: 40%) of the total entrusted loan receivables were due from the largest single borrower. All the entrusted loans are guaranteed by third parties without pledged assets.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

37. 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:

			2019		
	Less than 3 months or on demand 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	**683,571**	**–**	**–**	**–**	**683,571**
Loans from a controlling shareholder	**149,065**	**–**	**–**	**–**	**149,065**
Bank and other borrowings	**287,798**	**213,053**	**510,348**	**–**	**1,011,199**
Liability component of the Convertible Bonds	**1,509**	**1,505**	**75,846**	**–**	**78,860**
	1,121,943	**214,558**	**586,194**	**–**	**1,922,695**

			2018		
	Less than 3 months or on demand 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
Bank and other borrowings	364,192	353,116	318,157	57,749	1,093,214
Liability component of the Convertible Bonds	706	1,408	72,936	–	75,050
	1,407,958	354,524	391,093	57,749	2,211,324

37. 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:

	2019 RMB'000	2018 RMB'000
Loans from a controlling shareholder	**149,065**	111,160
Bank and other borrowings	**941,667**	1,004,806
Trade and other payables	**683,571**	931,900
Less: Cash and cash equivalents	**(30,064)**	(64,220)
Pledged and restricted deposits	**(189,055)**	(182,695)
Net debt	**1,555,184**	1,800,951
Liability component of the Convertible Bonds	**62,962**	54,218
Equity	**2,328,311**	2,264,559
Adjusted capital	**2,391,273**	2,318,777
Capital and net debt	**3,946,457**	4,119,728
Gearing ratio	**39%**	44%

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

38. 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 2019 RMB'000	31 March 2018 RMB'000
NON-CURRENT ASSET		
Interests in subsidiaries	**5,067,946**	5,147,787
Total non-current asset	**5,067,946**	5,147,787
CURRENT ASSETS		
Other receivables	**661**	557
Derivative financial instruments	**4,837**	14,843
Cash and cash equivalents	**5,271**	1,128
Total current assets	**10,769**	16,528
CURRENT LIABILITIES		
Other payables	**9,623**	7,548
Bank and other borrowings	**40,264**	56,000
Total current liabilities	**49,887**	63,548
NET CURRENT LIABILITIES	**(39,118)**	(47,020)
TOTAL ASSETS LESS CURRENT LIABILITIES	**5,028,828**	5,100,767
NON-CURRENT LIABILITIES		
Liability component of the Convertible Bonds	**62,962**	54,218
Bank and other borrowings	**–**	91,200
Total non-current liabilities	**62,962**	145,418
Net assets	**4,965,866**	4,955,349
EQUITY		
Share capital	**228,370**	228,335
Convertible preference shares	**1,181,940**	1,181,940
Equity component of the Convertible Bonds	**40,368**	40,368
Reserves (Note)	**3,515,188**	3,504,706
TOTAL EQUITY	**4,965,866**	4,955,349

This statement of financial position was approved and authorised for issue by the Board of Directors on 28 June 2019 and signed on its behalf by

Cui Xintong	**Liu Hongjian**
Director	*Director*

38. 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 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 on translation	–	(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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

38. 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 2018	3,534,137	(192,006)	184,684	24,311	(93,168)	46,748	3,504,706
Loss for the year	–	–	–	–	(158,895)	–	(158,895)
Other comprehensive income for the year:							
Exchange differences on translation	–	167,902	–	–	–	–	167,902
Total comprehensive income for the year	–	167,902	–	–	(158,895)	–	9,007
Issuance of shares under share option scheme	1,002			(351)	–	–	651
Equity-settled share option arrangements	–	–	–	824	–	–	824
Forfeiture of share options	–	–	–	(226)	226	–	–
At 31 March 2019	3,535,139	(24,104)	184,684	24,558	(251,837)	46,748	3,515,188

39. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 June 2019.

Schedule of Principal Properties

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 2020 awards	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.	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	2019	100%
4.	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%
5.	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%

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 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%
7.	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%
8.	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	2019	100%
9.	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 2019	2018	2017 (Restated) (note 1)	2016	2015
Revenue	**676.8**	920.0	1,032.5[(1)]	624.4	103.5
Gross profit	**196.8**	164.8	274.9[(1)]	155.0	44.7
Profit (loss) for the year from continuing operations	**23.0**	59.2	47.1[(1)]	(118.0)	(18.2)
(Loss) profit for the year from discontinued operations	**–**	(8.8)	23.7[(1)]	–	–
Profit (loss) for the year	**23.0**	50.4	70.8	(118.0)	(18.2)
Basic earnings (loss) from continuing operations per share (RMB cents)	**0.44**	1.3	2.8	(10.0)	(2.23)
Total assets	**4,830.7**	5,309.2	5,615.3	5,099.0	1,017.7
Total liabilities	**2,502.4**	3,044.6	3,898.5	4,058.1	435.4
Net assets	**2,328.3**	2,264.6	1,716.8	1,040.9	582.3
Net assets value per share (RMB)	**0.44**	0.43	0.53	1.21	0.68

(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