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

2019/20
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)*
JI Ping *(appointed on 10 July 2020)*

Non-executive Director

CONG Peifeng

Independent Non-executive Directors

TSANG Hung Kei *(appointed on 30 April 2019)*
ZHU Zuoan
WANG Xiaochu

BOARD COMMITTEES

Audit Committee

TSANG Hung Kei *(Chairperson)*
(appointed on 30 April 2019)
ZHU Zuoan
WANG Xiaochu

Remuneration Committee

CUI Xintong *(Chairperson)*
(appointed as Chairperson on 30 April 2019)
ZHU Zuoan
WANG Xiaochu
TSANG Hung Kei *(appointed on 30 April 2019)*

Nomination Committee

ZHU Zuoan *(Chairperson)*
CUI Xintong
WANG Xiaochu
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

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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.

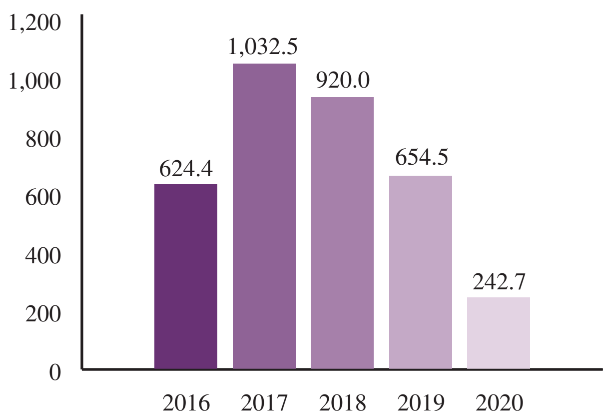
STOCK CODE

989

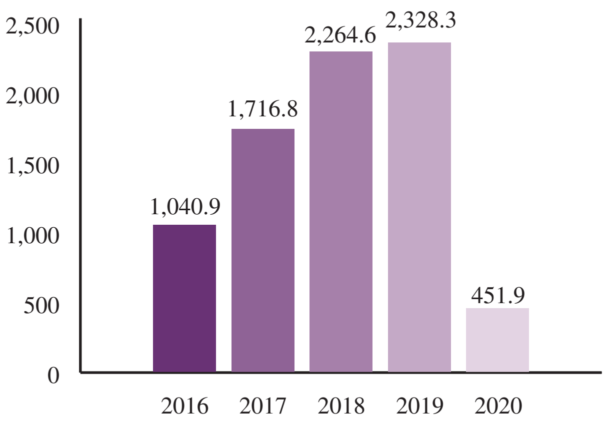
Financial Highlights

	2020 RMB million	2019 RMB million (represented)	Change %
Continuing operations			
Financial highlights			
Revenue	**242.7**	654.5	–62.9
Gross (loss) profit	**(44.6)**	174.5	N/A
Loss for the year	**(1,367.5)**	11.6	N/A
Basic (loss) earnings per share (RMB Cents)	**(33.84)**	0.44	N/A
Diluted (loss) earnings per share (RMB Cents)	**N/A**	0.33	N/A
Total assets	**2,555.8**	4,830.7	–47.1
Total equity	**451.9**	2,328.3	–80.6
Ratio highlights			
Gross (loss) profit margin	**(18.4)**	26.7	N/A
Working capital ratio (times)	**1.1**	2.3	–52.2
Quick ratio (times)	**0.2**	0.6	–66.7
Gearing ratio (%)	**75.0**	39.4	35.6 pts
Interest coverage ratio (times)	N/A	5.2	N/A

Revenue (RMB million)



Total equity (RMB million)



Chairperson's Statement

On behalf of the board (the "Board") of directors (the "Directors") of Ground International Development Limited ("Ground International" or the "Company"), I submit herewith the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2020.

Throughout the year of 2019 and up to the first quarter of 2020, the macro economies around the world have been filled with many uncertainties caused by the Sino-US trade war, Brexit, and also the social incidents in Hong Kong and elsewhere in the world. In the era of globalisation, economies at national and regional levels are somewhat inter-related and therefore are subject to adverse impact by each other. On the other hand, the PRC economy was dampened by the COVID-19 outbreak since January 2020. In March 2020, the World Health Organisation has formally announced COVID-19 a global pandemic. It is expected that the global economy would suffer from such pandemic amongst the various geo political and global trade incidents surfaced around the world. The PRC GDP recorded the worst quarterly GDP figures since the first quarter announcement in 1992; as compared with the same period last year, it decreased by 6.8%. With the pandemic gradually becoming controlled in the second quarter of 2020; the number of confirmed cases gradually decreasing; and factories re-commencing production, people re-starting work and school, the overall economy and GDP are expected to recover gradually.

For the property development business, the new coronavirus has had adverse impact to the industry with many developers unable to hold any sales activities. Despite of the gradual lifting of certain cooling measures in certain provinces, many cooling measures in many other provinces are still in force. Moreover, it has been emphasized in the meeting of the Central Government Economic Work Force that residential properties are for non-speculative purpose; accordingly, PRC property developers remain facing the continuously tightened financing environment, PRC property developers will continue the needs to increase sales and its collectability, and to be cautious in acquiring new land banks. Having said that, there remains a market demand for PRC residential properties from the public, and there remains many opportunities in residential development projects; and the PRC property market will recover quickly with the pandemic gradually controlled from the second quarter. Nevertheless, Jilin Province has the second round of outbreak in May with local confirmed cases; and provincial anti-epidemic measures continue to be in force. This will affect the speed of recovery locally.

Based on a report issued by the China Tourism Academy, the cultural tourism sector in the PRC has seen a general gradual growth in number of tourists and related income, at a rate of approximately 8.8% and 13.5%, respectively, during the first half of 2019 on a year-on-year basis. Weekend getaways and 3-hour short to medium travel circles (including high-speed rail or self-drive tours to surrounding cities and suburbs) are becoming popular. Nevertheless, the development of cultural tourism projects requires intensive capital and the relevant investment payback period tends to be long. With the tightening of the supply of financings in the PRC, financiers also expected more from the cultural tourism project developers and lifted the requirements in developer's financing capabilities and management experience.

Based on the above and together with the recent disposal of the Group's investment properties in Hong Kong and the financing guarantee business, the assessment by the Board are that, for the cultural tourism business where it involves intensive capital and a long payback period, the Group's management is looking out for a suitable business partner(s) in this sector for co-operation and/or divestment. For the property development business, the Group will focus on the land bank replenishment and the development and sales of residential and commercial properties, which enables the Group to generate quick and stable income and cash flows which enables the Group to gradually improve its financial position. In addition, the Group will also pay attention to potential featured property projects to enhance its profitability. From an industry perspective, property development remains to be supported by market demand and the relevant credit risk tends to be lower. In this respect, the Group will not rule out the possibility of any merger and acquisitions in order for the Group to achieve structural optimisation and become more market-orientated. In addition, the Group will look for possible investment opportunities to diversify the income source and risk exposure of the Group. The Board will closely monitor the impact caused by the COVID-19 pandemic outbreak and will fine tune the Group's strategies and directions and inform the Shareholders and the public of any material development in due course.

Cui Xintong
Chairperon

Management Discussion and Analysis

OVERVIEW AND OUTLOOK

During the financial year ended 31 March 2020, the global economy has been adversely affected by various events, from the Sino-US trade disputes, BREXIT and social events around various cities globally throughout the first half of the financial year, to the pandemic outbreak of coronavirus ("COVID-19") occurred in the last quarter of the financial year 2019/2020. This led to a significant downturn in the PRC economy as well as Hong Kong. Within the PRC, the COVID-19 had direct impact on almost all industries with many cities suffering from a lockdown during the period between January and March/April. As majority of the Group's operation is in the PRC, the Group's business operations in property sales, leasing and management as well as financing guarantee sector were affected.

With such adverse changes, the board of directors (the "Board") of the Company has been re-visiting the feasibility of the Group's growth model of "one primary sector as supplemented by two" (一主兩輔). In the wide-ranging realm of cultural tourism sector, as it involves intensive capital and a long payback period, the Group's management is looking for a suitable business partner or the local government for divestment in its cultural tourism project in Changbaishan, Fusong County. Up to now, the Group's management has held various discussions with the local government of Changbaishan District for a possible buy back of the undeveloped land parcels. In addition, the Group's management has commenced preliminary discussions with potential buyers in respect of portion of the land parcel that is currently under development. Taking into consideration of (i) the macro- and industry-specific risk factors and the related prospects; (ii) the current financial position and operation of the Group; and (iii) the cost and benefits to the Group for each project, the Board considered that the Group should maintain its focus in property development and management sector. Since then, the Group's real estate team has been looking for suitable land parcel to replenish the Group's land bank. In July 2020, the Group successfully bid two parcels of land at Jiutai District, Chungchun City in respect of a residential project, details of which are set out in the Company's announcement dated 10 July 2020.

As for property investment, the management has continually monitored and assessed the possibility of future property appreciation and operating performance of its investment property portfolio. Despite of the rental yield of approximately 3% earned from the Hong Kong investment properties held by the Group, these investment properties were pledged against a bank loan where the rental income is no longer able to cover the related interest expenses. As such, divestment was considered an appropriate exit option for the Group.

Disposal of the Hong Kong Investment Properties

In February 2020, the Group entered into sale and purchase agreements with four independent third party purchasers whereby the Group disposed of the entire equity interests in four subsidiaries (the "Hong Kong Property Holding Companies") which are principally engaged in the property holding of the Group's investment properties in Hong Kong, including certain office premises and car parking spaces at Enterprise Square, Kowloon Bay, Kowloon for a consideration of HK$305.3 million (equivalent to approximately RMB272.2 million). The disposal resulted in a gain on disposal to the Group's profit or loss of RMB38.5 million.

As of 31 March 2020, the Group's investment properties in the PRC, being shopping mall units in Baishan City, Jilin Province, have been operating at a loss; the market value of the property is in the downward trend; and another shopping mall nearby is expected to commence operation in the fourth quarter of 2020 increasing competition given the small size of Baishan City in terms of population. In view of these factors, the Group's management has also commenced seeking for potential buyers for a potential exit.

OVERVIEW AND OUTLOOK (continued)

The financing guarantee business

As disclosed in the Company's interim report for the six months ended 30 September 2019, the Group's management has considered (i) the risk exposure of the financing guarantee business in Jilin Province where the Group experienced a significant increase in credit risk of its financing guarantee and entrusted loan customers resulting in significant increase in provision for financing guarantee loss of RMB100.3 million and impairment loss on entrusted loan receivables and other receivables of RMB300.3 million for the year ended 31 March 2020; and (ii) the income contribution from the financing guarantee and entrusted loan business, the management have been looking for an opportunity to divest.

In March 2020, Jilin World Rich Management Limited, a wholly-owned subsidiary of the Group, entered into share transfer agreements with an independent third party purchaser whereby the Group disposed of the entire equity interests in 吉林省中業商務信息諮詢有限公司 (Jilin Province Zhongye Business Information Advisory Company Limited, "JL Zhongye") and 吉林灃潤商務信息諮詢有限公司 (Jilin Fengrun Business Information Advisory Company Limited, "JL Fengrun") which together owns the entire equity interests in 吉林省灃潤融資擔保有限公司 (Jilin Province Fengrun Financing Guaranty Company Limited, "FR Guarantee"), which is principally engaged in the provision of financing guarantee services, for a consideration of RMB122.0 million. The disposal resulted in a loss on disposal to the Group's profit or loss of RMB14.6 million.

Outlook

With the persistently strong demand from the public for residential properties in the PRC and the rebounds of contracted sales of PRC properties in April and May 2020 as reported from various listed PRC property developers, the Group's management is cautiously optimistic that property development sector remains to be profitable and is considered to be in the interest of shareholders of the Group to continue operating in this sector. Accordingly, the management will, for the coming years, put more emphasis and efforts in replenishing the Group's land bank taking into account of the financial position and cash flow of the Group. At the same time, the management will also look for other business investment opportunities as to diversify the Group's revenue and profit sources and its business risk exposure in order to provide a greater return to the Company's shareholders.

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 March 2020, overall revenue of the Group from continuing operations was approximately RMB242.7 million (year ended 31 March 2019: RMB654.5 million), representing a decrease of 62.9%. Gross loss from continuing operations was RMB44.6 million (year ended 31 March 2019: gross profit of RMB174.5 million). Net loss after tax from continuing operations was RMB1,367.5 million (year ended 31 March 2019: a net profit of RMB11.6 million).

Property Development

Contracted Sales

For the year ended 31 March 2020, the Group continued its sales of completed projects, including the remaining high-end villas at Guangze • Tudors Palace, other residential units and commercial units at Guangze Red House — Phases II and III, "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).

Properties completed, delivered and sale of properties recognised during the year ended 31 March 2020

For the year ended 31 March 2020, there were decreases in sales of properties (excluding car park units) by 72.5% and recognised gross floor area ("GFA") by 74.3%. During the year ended 31 March 2020, the Group had no newly completed and delivered projects.

For the year ended 31 March 2020, the sale of properties (excluding car park units) 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", Guangze China House Phase I, Guangze Red House Phase II and Phase III, amounted an aggregate of RMB149.7 million and an aggregate GFA of 24,748 sq.m. (year ended 31 March 2019: the sales of Guangze • Tudors Palace, Guangze • Amethyst City, "緹香" and "花香四季", Guangze China House Phase I and Guangze Red House Phase I, Phase II and Phase III, amounted an aggregate of RMB544.2 million and an aggregate GFA of 96,129 sq.m.).

For the year ended 31 March 2020, the Group delivered and recognised sale of car park units of approximately RMB37.2 million from the sale of 525 car park units (year ended 31 March 2019: RMB55.3 million from the sale of 351 car park units).

Projects under development and held for development

As at 31 March 2020, the Group has two remaining projects, namely Guangze China House — Phase I(A) in Baishan City and Guangze Pine Township International Resort in Changbaishan, Fusong County. Guangze China House — Phase I(A) is a residential property project whereas Guangze Pine Township International Resort is a cultural tourism mixed property project. This cultural tourism project in Changbaishan included an estimated GFA under development of approximately 76,002 sq.m., and an estimated GFA held for future development of approximately 547,977 sq.m. The Group's management is currently in negotiation and discussions with the local government and potential buyers for divestment.

BUSINESS REVIEW (continued)

Property Investment

During the year ended 31 March 2020, the Group disposed of its Hong Kong investment properties in respect of the office premises located in Kowloon Bay, Kowloon. The Group's management has taken into consideration of (i) the current property rental market in Kowloon Bay and nearby districts (the "Kowloon East CBD") where the market rent is on a downward trend; (ii) the many new grade-A buildings recently available in the Kowloon East CBD giving rise to an increase in office supply and causing a drop in market selling price and/or market rent; and (iii) the recent development in Hong Kong including the social events.

The COVID-19 also had an adverse impact in the PRC property leasing market. During the year ended 31 March 2020, the Group's investment properties in the PRC, namely Guangze International Shopping Centre, had a decrease in fair value of RMB110 million (year ended 31 March 2019: Nil) with an average occupancy rate of 88.3% (year ended 31 March 2019: 92.9%).

Financial Services — Financing guarantee services

Since the publication of the Company's 2019/2020 Interim Report, the Board has carried out a re-assessment on (i) the Group's growth model, (ii) the macroeconomy in the PRC; (iii) the current market condition in Jilin Province, the PRC, and (iv) the prospects of the financial service industry in the PRC, it is considered to be appropriate to minimise the risk exposure of the Group to discontinue the financing guarantee business of the Group. As there has been a significant increase in credit risk for default in repayment for the corporate customers, an additional impairment losses on the entrusted loan receivables and other receivables of approximately RMB300.3 million and provision for financing guarantee losses of approximately RMB100.3 million had been made before it was disposed of in March 2020.

FINANCIAL REVIEW

In March 2020, the Group completed the disposals of (i) the entire equity interests in the HK Property Holding Companies (the "HKIP Disposal"); and (ii) the entire equity interests in JL Zhongye and JL Fengrun with major assets being the financing guarantee business operated by FR Guarantee (the "FR Guarantee Disposal").

Preparation of the Group's financial statements for the year ended 31 March 2020

For the purpose of the financial statements of the Group for the year ended 31 March 2020, the results of and the assets and liabilities of the HK Property Holding Companies and JL Zhongye, JL Fengrun and FR Guarantee were no longer consolidated into the Group from the respective completion dates of the HKIP Disposal and the FR Guarantee Disposal.

For the HKIP Disposal, as it represented a disposal of one of the Group's investment properties under the property investment portfolio, the Group continued its property investment operation.

On the other hand, after the FR Guarantee Disposal, the Group ceased to operate the financial services — financing guarantee business (an operating segment under segment reporting). The financing guarantee business is treated and presented as a discontinued operation under HKFRS 5. Comparative figures in the consolidated financial statement of profit or loss and consolidated statement of comprehensive income for the year ended 31 March 2019 have been re-presented to disclose separately the profit or loss and total comprehensive income from such discontinued operation.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Key changes to profit or loss

Revenue from continuing operations

	Year ended 31 March 2020		Year ended 31 March 2019	
	RMB'000	**%**	RMB'000 (restated)	% (restated)
Sale of properties	**186,862**	**77.0**	599,495	91.6
Rental income	**20,592**	**8.5**	22,646	3.5
Property management service income	**35,231**	**14.5**	32,328	4.9
	242,685	**100.0**	654,469	100.0

The Group's revenue from continuing operations decreased from RMB654.5 million for the year ended 31 March 2019 to RMB242.7 million for the year ended 31 March 2020 or an decrease by 62.9%, mainly due to the decrease in sale of properties by 68.8% or RMB412.6 million as compared with the corresponding year. The decrease in sales of properties during the year ended 31 March 2020 was attributable to the fact that (i) there was no property projects newly completed and delivered during the year ended 31 March 2020; and for the year ended 31 March 2019 there were newly completed projects of Guagnze Red House — Phase III and Guangze China House Phase I contributing revenue on sales of properties of RMB309.5 million and RMB102.5 million respectively; and (ii) offset by a slight increase in sales and delivery of remaining units of the prior years completed property projects. For the year ended 31 March 2020, the sales of Guangze • Tudors Palace, Guangze • Amethyst City, "緹香" and "花香四季", Guangze China House, Guangze Red House Phase I, II and III were RMB18.2 million, RMB11.2 million, RMB4.1 million, RMB23.0 million and RMB93.2 million, respectively (year ended 31 March 2019: 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, RMB14.0 million, RMB23 million and RMB83.0 million, respectively). On the other hand, sales of car park units decreased from RMB55.3 million for the year ended 31 March 2019 to RMB37.2 million for the year ended 31 March 2020.

Rental income decreased by 9.1% for the year ended 31 March 2020 as compared to last financial year mainly attributable to the decrease in average occupancy rate during the year ended 31 March 2020 in respect of the shopping mall units in Baishan city, the PRC.

Property management service income increased from RMB32.3 million for the year ended 31 March 2019 to RMB35.2 million for the year ended 31 March 2020, mainly attributable to the increased number of units sold and delivered on completed property projects during the year.

FINANCIAL REVIEW (continued)

Key changes to profit or loss (continued)

Gross loss/profit and gross margin

For the year ended 31 March 2020, the Group recorded an overall gross loss of RMB44.6 million as opposed to the gross profit of RMB174.5 million and gross margin of 26.7% for the year ended 31 March 2019. The gross loss for the year was mainly contributed from (i) the sales of certain car park units at Guangze Amethyst City — Phases I and II at a loss; and (ii) further write-downs of RMB12.8 million mainly on the remaining car park units at various property projects.

Other income and gains

The Group's other income and gains increased from RMB2.0 million for the year ended 31 March 2019 to RMB43.5 million for the year ended 31 March 2020 which was mainly attributable to the gain on disposal of subsidiaries of RMB38.5 million and prior year's property tax now refunded of RMB3.3 million recognised for the year ended 31 March 2020.

Selling and distribution costs

The decrease in selling and distribution costs by RMB5.2 million from RMB12.4 million for the year ended 31 March 2019 to RMB7.2 million for the year ended 31 March 2020 was mainly due to the decrease in the promotion and advertising expenses as no new property project was launched for pre-sale during the year.

Administrative expenses

The decrease in administrative expenses by RMB4.2 million from RMB54.6 million for the year ended 31 March 2019 to RMB50.4 million for the year ended 31 March 2020 was mainly contributed by continual cost control implemented on the Group.

Other expenses

Other expenses for the year ended 31 March 2020 mainly related to write-downs of RMB877.6 million in relation to the property under development for Guangze Pine Townshop International Resort in Fusong County and other property projects under development in Jilin City (year ended 31 March 2019: Nil) as a result of an unfavourable change in the operating environment in the surrounding area, followed by the COVID-19 pandemic and impairment loss on receivables of RMB297.9 million (year ended 31 March 2019: RMB7.6 million) caused by the worsening local economic environment in Jilin Province resulting in the significant increase in credit risk of certain debtors.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Key changes to profit or loss (continued)

Finance costs

	Year ended 31 March	
	2020	2019
	RMB'000	RMB'000
Interest on bank and entrusted loans	**80,437**	40,735
Interest on Convertible Bonds	**7,550**	6,401
Interest on other loan	**528**	–
Interest on lease liabilities	**3,574**	–
Other borrowing costs accrued on receipts in advance from customers	**28,271**	29,660
	120,360	76,796
Less: interest capitalised into properties under development	**(16,998)**	(57,264)
	103,362	19,532

The financial cost for the year ended 31 March 2020 increased by RMB83.8 million from RMB19.5 million for the year ended 31 March 2019, which was mainly attributable to the fact that (i) an increase in interest on bank and entrusted loans as a result of increase in interest rate upon renewal of bank loans and new entrusted loans; (ii) the project loans were no longer qualified for capitalisation as the related projects had been completed resulting in an immediate charge to profit or loss as incurred; and (iii) interest on lease liabilities upon adoption of HKFRS16 from April 2019.

Change in fair value of investment properties

The amount for the year included a loss in fair value of RMB79.0 million of the investment properties in Hong Kong was recognised for the year ended 31 March 2020 (year ended 31 March 2019: gain in fair value of RMB20.5 million) due to the weakening property and leasing market caused by the COVID-19 pandemic and the social events; a loss in fair value of RMB110.0 million of the investment properties in Baishan City, the PRC was recognised for the year ended 31 March 2020 (year ended 31 March 2019: Nil) due to adverse change in market sentiment resulted from the COVID-19 pandemic.

Change in fair value of derivative financial instruments

A loss in fair value of RMB5.0 million of the derivative financial instruments was recognised for the year ended 31 March 2020 (year ended 31 March 2019: loss in fair value of RMB11.0 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.

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 2020, the Group's current income tax amounted to RMB7.0 million (year ended 31 March 2019: RMB49.3 million). The decrease in CIT and LAT for the year ended 31 March 2020 was mainly attributable to decrease in taxable income as fewer properties units were delivered and sales recognised during the year. A tax credit from deferred tax of RMB209.0 million was recorded for the year ended 31 March 2020 (year ended 31 March 2019: tax charge of RMB25.3 million) was mainly attributable by the reversal of deferred tax liabilities during the year.

Discontinued operation — financing guarantee business

The financing guarantee business is carried out by the Group's wholly-owned subsidiary, namely FR Guarantee. In March 2020, the Group completed the disposal of the entire equity interests in JL Zhongye and JL Fengrun, which together owns the entire equity interests in FR Guarantee. The Group's financing guarantee business contributed a net loss of RMB416.9 million (year ended 31 March 2019: net profit of RMB11.5 million) which was mainly attributable to the impairment losses made on entrusted loan receivable and other receivables amounting to RMB300.3 million and provision for financing guarantee losses amounting to RMB100.3 million during the year, caused by the significant increase in credit risks of the entrusted loan and financing guarantee customers.

Key changes to financial position

Investment properties

As at 31 March 2020, the Group's investment properties are certain shopping mall units 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 loss in fair value of RMB189.0 million of the investment properties in both Hong Kong and the PRC was recognised for the year ended 31 March 2020 (year ended 31 March 2019: gain in fair value of RMB20.5 million). In March 2020, the Group completed the disposal of the investment properties in Hong Kong realising a gain of RMB38.5 million for the year.

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 RMB2,576.6 million as at 31 March 2019 to RMB1,600.3 million as at 31 March 2020 was mainly attributable to (i) the transfer of development costs to costs of sales in respect of the properties delivered during the year ended 31 March 2020; and (ii) the write-downs during the year of RMB890.4 million mainly in respect of the project under development, namely Guangze Ping Township International Resort, and car parks from the completed property projects as a result of an unfavourable change in the operating environment in the surrounding area, followed by the COVID-19 pandemic. As at 31 March 2020, accumulated write-downs of RMB877.5 million and RMB66.3 million were made on properties under development and completed properties held for sale (as at 31 March 2019: nil and RMB53.5 million) respectively.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Key changes to financial position (continued)

Trade and other receivables

		As at 31 March	
		2020	2019
	Notes	**RMB'000**	RMB'000
Trade receivables		**18,097**	25,185
Less: Provision for impairment		**(4,135)**	(4,138)
	(i)	**13,962**	21,047
Other receivables			
— Deposits for land development expenditure	(ii)	**337,487**	352,612
— Deposits for construction and pre-sale of property projects	(iii)	**31,496**	39,984
— Prepaid business tax and other taxes		**19,622**	33,369
— Entrusted loan receivables	(iv)	**–**	426,075
— Consideration receivable from the disposal of FR Guarantee	(v)	**122,000**	–
— Other receivables, prepayments and deposits		**76,085**	98,133
Less: Provision for impairment	(vi)	**(308,802)**	(26,948)
		277,888	923,225
		291,850	944,272

(i) The decrease in trade receivables from RMB21.0 million as at 31 March 2019 to RMB14.0 million as at 31 March 2020 was mainly attributable to the derecognition of trade receivables relating to the financing guarantee business upon the FR Guarantee Disposal.

(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 Group will be reimbursed for the amount advanced to the local government in carrying out the land development respective of whether or not the Group will obtain the land use rights of the land in the future.

(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) In prior years, 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 net decrease in the net balance from RMB410.1 million at 31 March 2019 was attributable to (i) the impairment losses of RMB290.9 million made as there was a significant increase in credit risk to the borrowers of these entrusted loans; and (ii) the derecognition of the remaining net balance upon the FR Guarantee Disposal.

FINANCIAL REVIEW (continued)

Key changes to financial position (continued)

Trade and other receivables (continued)

(v) The amount represented the consideration for the FR Guarantee Disposal. Subsequent to the year end, an amount of RMB61.0 million has been settled in accordance with the share transfer agreements.

(vi) The increase in provision for impairment from RMB26.9 million as at 31 March 2019 to RMB308.8 million as at 31 March 2020 was caused by the worsening local economic environment in Jilin Province resulting in the significant increase in credit risk of certain debtors.

Trade and other payables

		As at 31 March	
		2020	2019
	Notes	**RMB'000**	RMB'000
Trade payables	(i)	**126,437**	79,700
Accrued construction costs	(i)	**338,187**	440,112
Interest payable		**44,481**	29,534
Deposits received from government	(ii)	**14,501**	19,978
Provision for guarantee losses	(iii)	**–**	15,315
Other creditors and accruals		**97,761**	58,197
Other deposits received		**26,138**	40,735
		647,505	683,571

(i) The decreases in trade payables and accrued construction costs from RMB79.7 million and RMB440.1 million at 31 March 2019 to RMB126.4 million and RMB338.2 million at 31 March 2020 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 provision for financing guarantee loss balance has been derecognised during the year upon the completion of the FR Guarantee Disposal.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Key changes to financial position (continued)

Contract liabilities

		As at 31 March	
		2020	2019
	Notes	**RMB'000**	RMB'000
Deposits from sale of properties	(i)	**223,695**	253,529
Receipt in advance from management services	(ii)	**10,831**	8,655
Deferred income	(iii)	**–**	11,706
		234,526	273,890

(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 decrease in balance was mainly attributable to the units delivered and sales recognised 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.

(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 balance was derecognised upon the completion of the FR Guarantee Disposal.

FINANCIAL REVIEW (continued)

Liquidity and financial resources

Cash position

As at 31 March 2020, the carrying amount of cash and bank deposits of the Group was approximately RMB30.5 million (as at 31 March 2019: approximately RMB30.1 million), representing an increase of approximately 1.3% as compared with that as at 31 March 2019.

Debt and gearing

The Group's bank and other borrowings as at 31 March 2020 decreased by RMB75.5 million to RMB866.2 million which were payable as follows:

	As at 31 March	
	2020	2019
	RMB'000	RMB'000
Current	**695,497**	464,081
Non-current	**170,690**	477,586
	866,187	941,667
Analysed into:		
Bank loans and entrusted loan repayable:		
Within one year or on demand	**655,897**	440,891
In the second year	**56,897**	306,896
In the third to fifth year, inclusive	**113,793**	170,690
	826,587	918,477
Other borrowings repayable:		
Within one year	**39,600**	23,190
	866,187	941,667

The current portion of bank and other borrowings increased from RMB464.1 million as at 31 March 2019 to RMB695.5 million as at 31 March 2020 and the non-current portion of bank and other borrowing decreased from RMB477.6 million as at 31 March 2019 to RMB170.7 million as at 31 March 2020 as the Group refinanced the long term bank loans by replacing with new short term entrusted loan of RMB200 million.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Liquidity and financial resources (continued)

Debt and gearing (continued)

The Group's gearing ratio as at 31 March 2020 was as follows:

	As at 31 March	
	2020	2019
	RMB'000	RMB'000
Loan from controlling shareholder	**105,891**	149,065
Bank and other borrowings	**866,187**	941,667
Trade and other payables	**647,505**	683,571
Less: Cash and cash equivalents	**(30,500)**	(30,064)
Pledged and restricted deposits	**(19,009)**	(189,055)
Net debt	**1,570,074**	1,555,184
Liability component of Convertible Bonds	**73,155**	62,962
Equity	**451,916**	2,328,311
Adjusted Capital	**525,071**	2,391,273
Capital and net debt	**2,095,145**	3,946,457
Gearing ratio	**75%**	39%

The gearing ratio of the Group as at 31 March 2020 increased compared with 31 March 2019 due to the decrease in equity contributed by the loss for the year ended 31 March 2020.

Cash flows for the Group's operating and investing activities

For the year ended 31 March 2020, the Group recorded net operating cash outflow of RMB105.4 million (year ended 31 March 2019: outflow of RMB154.3 million). The outflow was mainly attributable to the interest expenses of RMB86.1 million paid during the year ended 31 March 2020. For investing activities, the Group recorded a net cash inflow of RMB20.1 million (year ended 31 March 2019: outflow of RMB11.4 million). The inflow was mainly as a result of the disposal of subsidiaries in relation to the Hong Kong investment properties which generated a net cash inflow of RMB25.7 million.

COMMITMENTS FOR DEVELOPMENT EXPENDITURE

As at 31 March 2020, the Group did not have any contracted but not provided for commitments in respect of properties under development (as at 31 March 2019: RMB23.6 million). The development expenditure was prepaid and 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 94.6% of the Group's total assets as at 31 March 2020 (as at 31 March 2019: 80.0%). 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 as and when considered necessary.

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 2020, the Group was exposed to currency risk on financial assets and liabilities that were denominated in Hong Kong Dollars (HK$). At 31 March 2020, approximately 13.6% of the Group's total cash and bank balance (including pledged bank deposit) were denominated in HK$ (as at 31 March 2019: 3.4%) and 100% of the Group's total borrowings were denominated in RMB (as at 31 March 2019: 73.6% and 26.4% denominated in RMB and HK$ respectively). 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.

Management Discussion and Analysis

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Interest rate risk

As at 31 March 2020, 2.5% of the Group's total bank and other borrowings were interest free, 94.2% bore interest at fixed rates ranging from 5.39% to 12% per annum, and 3.3% of the Group's total borrowings bore interest at floating rates at benchmark interest rate plus margin of 120%. The Group does not enter into any financial instruments to hedge its interest rate risk exposure.

Credit risk

As at 31 March 2020, 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 minimal concentration of credit risk as the trade receivables from the largest single customer represented less than 5% (as at 31 March 2019: 6%) of the total trade receivables.

In order to minimise this credit risk relating to trade and other receivables, the management has established credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. 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 long term.

SIGNIFICANT INVESTMENTS HELD

Other than disclosed elsewhere, the Group did not have any other significant investments held as at 31 March 2020.

CONTINGENT LIABILITIES

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 2020, guarantees amounting to RMB803.4 million were given to banks with respect to mortgage loans procured by purchasers of property units (as at 31 March 2019: RMB905.1 million). Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate to the purchasers and (ii) the satisfaction of mortgage loans by the purchasers of properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. During the year, the Group did not incur any material losses in respect of any of these guarantees. The Directors consider that the likelihood of default in payments by the purchasers is minimal and therefore the financial guarantee measured at fair value initially 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.

CHARGE ON ASSETS

As at 31 March 2020, the Group had the following assets pledged against bank and other loans granted:

	As at 31 March	
	2020	2019
	RMB'000	RMB'000
Investment properties	**550,000**	997,531
Properties under development	**858,213**	1,668,625

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group had 228 (as at 31 March 2019: 285) full-time employees. Total staff costs (including directors' emoluments) incurred for the year ended 31 March 2020 amounted to approximately RMB20.9 million (year ended 31 March 2019 (restated): RMB27.3 million); the decrease was mainly attribute to the organic staff turnover resulting in a decrease of staff number during the year. 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 30, 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, an Executive Director. 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 46, was appointed as an Executive Director in November 2017 and had been a director in various subsidiaries of the Company. Ms. Liu resigned as an Executive Director on 29 June 2020.

Ms. Liu has solid experience in financing guarantee business and over 22 years' experience in financial management. Ms. Liu has been the legal representative and general manager of FR Guarantee from 2013 to 2020, 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.

Ms. Ji Ping ("Ms. Ji"), aged 45, was appointed as an Executive Director on 10 July 2020. Ms. Ji has been a senior management of the Group since July 2016; and a director or supervisor in various subsidiaries of the Company.

Ms. Ji has solid experience in administration and over 20 years of experience in purchasing and financing section. She joined the Group in February 2011 and was appointed as assistant president of 廣澤地產集團股份有限公司 (Ground Real Estate Group Company Limited*, an indirect wholly-owned subsidiary of the Company) 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 廣澤乳業有限公司 (Ground Dairy Company Limited*) 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).

NON-EXECUTIVE DIRECTOR

Mr. Cong Peifeng ("Mr. Cong"), aged 43, was appointed as a non-executive Director of the Company in December 2017.

Mr. Cong, has over 19 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 65, was appointed as an independent non-executive Director, a member of the Audit Committee, a member of the Remuneration Committee and member of the Nomination Committee of the Company in December 2017. Mr. Zhu was further appointed as chairperson of the Nomination Committee of the Company in May 2018.

Mr. Zhu has over 37 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.

Mr. Wang Xiaochu ("Mr. Wang"), aged 57, 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 22 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.

Biographical Details of Directors and Senior Management

Mr. Tsang Hung Kei (“**Mr. Tsang**”), aged 49, 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 24 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, 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 and China Wah Yan Healthcare Limited, the issued shares of both of which are listed on the Main Board. Mr. Tsang holds a bachelor’s degree in computer science and accounting at the University of Manchester, United Kingdom.

Mr. Chan Yuk Tong (“Mr. Chan”), aged 58, 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 on 30 April 2019.

Mr. Chan has over 31 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 44, 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.

Directors' Report

The Directors submit herewith their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2020.

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 principal subsidiaries are set out in note 1 to the consolidated financial statements.

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

BUSINESS REVIEW

A fair review of the business of the Group, including description of the principal risks and uncertainties facing the Group, important events since the end of the financial year, future development and analysis of the Group's key financial performance indicators are set out in "Management Discussion and Analysis" on pages 6 to 21 to this annual report; while the Group's environmental policies and performance can be found in "Environmental, Social and Governance Report" on pages 49 to 61 to this annual report. During the year, the Company has complied with all the relevant laws and regulations that have a significant impact on the Company.

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

Employees

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

Customers

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

Suppliers

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

Directors' Report

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2020 are set out in the consolidated statement of profit and loss and consolidated statement of comprehensive income on page 67 and page 68 to this annual report respectively.

The Board does not recommend the payment of any dividend for the year ended 31 March 2020 (2019: 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 71 and 72 to this annual report and note 37 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2020 calculated under the Companies Act 1981 of Bermuda (as amended) was Nil (2019: Nil) subject to restrictions as set out in note 29 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 26 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

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

BORROWINGS

Details of the Group's borrowings as at 31 March 2020 are set out in note 24 to the consolidated financial statements.

TAX RELIEF

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

PRE-EMPTIVE RIGHTS

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31 March 2020.

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 *(resigned on 29 June 2020)*
Ms. JI Ping *(appointed on 10 July 2020)*

Non-executive Director
Mr. CONG Peifeng

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

Ms. Ji Ping shall retire from office as Director by rotation at the forthcoming annual general meeting and, being eligible, will offer herself for re-election in accordance with the bye-law 85(2) of the Bye-laws.

Mr. Zhu Zuoan and Mr. Wang Xiaochu, 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 22 to 24 to this annual report, and details of the Directors to retire and subject to re-election at the forthcoming annual general meeting of the Company are also contained in the circular to be despatched together with this annual report.

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

Directors' Report

DIRECTORS' SERVICE CONTRACTS

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

MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

PERMITTED INDEMNITY PROVISION

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

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

As at 31 March 2020, 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	3,722,340,694 (Note 2)	70.59%
Mr. Chan Yuk Tong*	Beneficial owner	Long	850,000	0.02%
Ms. Liu Hongjian	Beneficial owner	Long	89,000	0.002%

* Resigned on 30 April 2019

(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	1,742,838,368 (Note 3)	33.05%

Directors' Report

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

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

Notes:

1. The percentage is calculated on the basis of 5,273,400,867 issued voting Shares as at 31 March 2020.

2. These 3,722,340,694 Shares consist of (i) 484,320,694 Shares held by Charm Success Group Limited ("Charm Success") and (ii) 3,238,020,000 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 ("Mr. Lee") (Ms. Cui's spouse) for the purpose of SFO.

3. 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 1,742,838,368 underlying shares consist of (i) convertible bonds in the aggregate principal amount of HK$87,962,612 (convertible into 103,485,427 Shares in total); and (ii) 1,639,352,941 convertible preference shares issued by the Company on 27 July 2016. All of such underlying shares are unlisted and physically settled under SFO. Mr. Lee 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 2020, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 March 2020, 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	484,320,694 (Note 2)	9.19%
Ka Yik	Registered owner	Long	3,238,020,000 (Note 2)	61.40%
TMF (Cayman) Ltd.	Trustee	Long	3,722,340,694 (Note 2)	70.59%
Deep Wealth	Interest in controlled corporation	Long	3,722,340,694 (Note 2)	70.59%
Integrated Asset Management (Asia) Limited	Interest in controlled corporation	Long	486,584,427 (Note 4)	9.23%
Yam Tak Cheung	Beneficial owner	Long	486,584,427 (Note 4)	9.23%
Lee Ken-yi Terence	Interest of spouse	Long	3,722,340,694 (Note 5)	70.59%

Directors' Report

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	1,742,838,368 (Note 3)	33.05%
TMF (Cayman) Ltd.	Trustee	Long	1,742,838,368 (Note 3)	33.05%
Deep Wealth	Interest in controlled corporation	Long	1,742,838,368 (Note 3)	33.05%
Lee Ken-yi Terence	Interest of spouse	Long	1,742,838,368 (Note 3)	33.05%

Notes:

1. The percentage is calculated on the basis of 5,273,400,867 issued voting Shares as at 31 March 2020.

2. These 3,722,340,694 Shares consist of (i) 484,320,694 Shares held by Charm Success and (ii) 3,238,020,000 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 (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 1,742,838,368 underlying shares consist of (i) convertible bonds in the aggregate principal amount of HK$87,962,612 (convertible into 103,485,427 Shares in total); and (ii) 1,639,352,941 convertible preference shares issued by the Company on 27 July 2016. 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 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 2020, none of the parties other than Directors and chief executives of the Company had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

Details of the share option scheme of the Company and the movements in the share options are set out in note 28 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 TRANSACTION

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.

CONTINUING CONNECTED TRANSACTIONS

(1) On 14 September 2018, FR Guarantee entered into another guarantee agreement with 吉林省乳業集團有限公司 (Julin 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 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).

Directors' Report

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(2) On 28 December 2018, FR Guarantee entered into a guarantee agreement with JL Dairy whereby FR Guarantee provided a financing guarantee in favour of a bank in the PRC in order to secure a loan facility of 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 under (1) and (2) are set out in the Company's announcement dated 28 December 2018.

The above transactions fell into the annual caps under the guarantee services framework agreement entered into between FR Guarantee and Ground Investment Holding on 17 July 2019 under (4) below. Upon completion of the disposal of the entire equity interest of Jilin Province Zhongye Business Information Advisory Company Limited and Jilin Fengrun Business Information Advisory Company Limited, which together has direct interests in FR Guarantee, the said provision of guarantee services has ceased to be a continuing connected transaction.

(3) On 17 July 2019, the Company entered into a corporate guarantee and financial assistance framework agreement with Ground Investment Holding (Group) Company Limited ("Ground Investment Holding"), Ka Yik and Charm Success (both companies being beneficially owned by Ms. Cui), pursuant to which the Company shall provide corporate guarantee to the controlling shareholders group (being Ground Investment Holding, Ka Yik and Charm Success and their respective associates) and the said controlling shareholders group shall provide shareholder loans to the Group for a period of three years covering the financial year ended/ending 31 March 2020, 2021 and 2022.

The annual caps under the corporate guarantee and financial assistance framework agreement in respect of the aggregate corporate guarantee amounts are RMB115,000,000, RMB115,000,000 and RMB115,000,000; and the aggregate amounts of financial assistance are RMB174,000,000, RMB202,000,000 and RMB232,000,000 for the year ended/ending 31 March 2020, 2021 and 2022 respectively.

(4) On 17 July 2019, FR Guarantee entered into the guarantee services framework agreement with Ground Investment Holding, pursuant to which FR Guarantee shall provide guarantee services to the Ground Investment Group (being Ground Investment Holding and its subsidiaries) for a period of three years covering the financial year ended/ending 31 March 2020, 2021 and 2022.

The annual caps under the guarantee services framework agreement in respect of the amounts of the guarantee fees are RMB1,620,000, RMB1,680,000 and RMB1,740,000; and the aggregate amounts of guarantee issued are RMB87,480,000, RMB90,720,000 and 93,960,000 for the year ended/ending 31 March 2020, 2021 and 2022 respectively.

Details of the above agreements under (3) and (4) are set out in the Company's announcement dated 17 July 2019 and circular dated 20 August 2019.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Upon completion of the disposal of the entire equity interest of Jilin Province Zhongye Business Information Advisory Company Limited and Jilin Fengrun Business Information Advisory Company Limited, which together has direct interests in FR Guarantee, the said provision of guarantee services under the guarantee services framework agreement has ceased to be a continuing connected transaction.

Details of the cessation of the continuing connected transaction are set out in the Company's announcement dated 26 March 2020.

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

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

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

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

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

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

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

1. have been approved by the Board;

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

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

4. have not exceeded the relevant cap.

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

Certain connected and continuing connected transactions that are fully exempted are disclosed in note 32 to the consolidated financial statements.

Directors' Report

EQUITY-LINKED AGREEMENTS

Save for disclosed in the sections headed "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 2020 were set out in notes 26, 27 and 25 to the consolidated financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2020, 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.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 March 2020 (2019:Nil).

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 2020 and up to the date of this report.

AUDITOR

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.

The consolidated financial statements for the financial year ended 31 March 2020 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.

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

On behalf of the Board
Cui Xintong
Chairperson

Hong Kong, 29 June 2020

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 financial year, except for a deviation specified below:

Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Generally, they should attend general meetings to gain and develop a balanced understanding of the views of shareholders. All independent non-executive directors and non-executive director were unable to attend the company's special general meeting held on 27 May 2019 due to other overseas commitments.

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 2020 they complied with the required standard as set out in the Model Code.

THE BOARD

Composition

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

Executive Directors
Ms. CUI Xintong *(Chairperson)*
Ms. JI Ping *(appointed on 10 July 2020)*
Ms. LIU Hongjian *(resigned on 29 June 2020)*

Non-executive Director
Mr. CONG Peifeng

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

Corporate Governance Report

THE BOARD (continued)

Composition (continued)

During the financial 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 financial year are set out on pages 22 to 24 to this annual report.

Other than disclosed, 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.

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 financial year, all the Directors (except Mr. Chan Yuk Tong who resigned on 30 April 2019) 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 financial year as summarised below:

Directors	Attending seminars/ courses provided by professional bodies	Reading Materials
Executive Directors		
Ms. CUI Xintong	✓	✓
Ms. LIU Hongjian[1]	✓	✓
Ms. JI Ping[2]	–	–
Non-executive Director		
Mr. CONG Peifeng	✓	✓
Independent Non-executive Directors		
Mr. TSANG Hung Kei[3]	✓	✓
Mr. WANG Xiaochu	✓	✓
Mr. ZHU Zuoan	✓	✓
Mr. CHAN Yuk Tong[4]	–	–

Note:

1. Resigned on 29 June 2020
2. Appointed on 10 July 2020
3. Appointed on 30 April 2019
4. Resigned on 30 April 2019

Corporate Governance Report

THE BOARD (continued)

Board Meetings, General Meetings and Attendance of Directors

During the financial year ended 31 March 2020, the Company held five Board meetings including four regular meetings held at approximately quarterly intervals and one ad hoc Board meeting, an annual general meeting ("AGM") and two special general meetings ("SGM"). The attendance of each Director is as follows:

	Attended/Eligible to attend		
	Board Meeting	**AGM**	**SGM**
Ms. CUI Xintong	5/5	1/1	2/2
Ms. LIU Hongjian[1]	5/5	1/1	1/2
Mr. CONG Peifeng	5/5	1/1	1/2
Mr. TSANG Hung Kei[2]	4/4	1/1	1/2
Mr. WANG Xiaochu	5/5	1/1	1/2
Mr. ZHU Zuoan	5/5	1/1	1/2
Mr. CHAN Yuk Tong[3]	0/1	–	–
Ms. JI Ping[4]	–	–	–

Note:

1. Resigned on 29 June 2020
2. Appointed on 30 April 2019
3. Resigned on 30 April 2019
4. Appointed on 10 July 2020

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

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

The positions of the Chairperson and the chief executive officer of the Company are held by separate individuals in order to enhance independence and a balanced judgment of views. The Chairperson, Ms. Cui Xintong, is responsible for overall corporate planning and strategic policy making and the effective functioning of the Board in accordance with good corporate governance practices. The Company is in the process of identifying a suitable candidate to assume the role as chief executive officer of the Company. During the year ended 31 March 2020, Ms. Liu Hongjian, an Executive Director of the Company, and Ms. Ji Ping, a senior management of the Group, carried out the role of chief executive officer in the guarantee services business and property business respectively. Ms. Ji Ping continued to assume the role of chief executive officer in the property business upon her appointment as Executive Director on 10 July 2020. On 27 March 2020, the Group completed the disposal of the financing guarantee business; and Ms. Liu resigned as Executive Director on 29 June 2020 and ceased to hold any position within the Group.

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.

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 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.

During the financial year ended 31 March 2020, the Group had at least three Independent Non-executive Directors at all times. 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.

All of the Non-executive Directors have entered into letters of appointment with the Company for a specified period of three years (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

During the financial year ended 31 March 2020, Mr. Chan ceased to be the chairperson and as member of the Remuneration Committee upon his resignation as an Independent Non-executive Director on 30 April 2019; Mr. Tsang Hung Kei became a member of the Remuneration Committee upon his appointment as an Independent Non-executive Director on 30 April 2019; and Ms. Cui Xintong was appointed as the chairperson of the Remuneration Committee. As at 31 March 2020, the Remuneration Committee comprises Ms. Cui Xintong (chairperson of the Remuneration Committee), Mr. Zhu Zuoan, Mr. Tsang Hung Kei and Wang Xiaochu. The Remuneration 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.

Corporate Governance Report

BOARD COMMITTEES (continued)

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 financial the year ended 31 March 2020. The attendance of each member is set out as follows:

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

Notes:

1. Ceased as the Chairperson and a member on 30 April 2019
2. Appointed as the Chairperson on 30 April 2019
3. Appointed as a member on 30 April 2019

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.

BOARD COMMITTEES (continued)

Nomination Committee

During the financial year ended 31 March 2020, Mr. Chan ceased to be a member of the Nomination Committee upon his resignation as an Independent Non-executive Director on 30 April 2019; and Mr. Tsang Hung Kei became a member of the Nomination Committee upon his appointment as an Independent Non-executive Director on 30 April 2019. As at 31 March 2020, the Nomination Committee comprises three Independent Non-executive Directors namely Mr. Zhu Zuoan (Chairperson of the Nomination Committee), Mr. Tsang Hung Kei and Mr. Wang Xiaochu and one Executive Director, Ms. Cui Xintong. The Nomination 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") from 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.

The Nomination Committee held one meeting during the financial year ended 31 March 2020. The attendance of each member is set out as follows:

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

Notes:

1. Appointed as a member on 30 April 2019
2. Ceased as a member on 30 April 2019

Corporate Governance Report

BOARD COMMITTEES (continued)

Nomination Committee (continued)

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.

Audit Committee

Mr. Chan resigned as the chairperson and ceased a member of the Audit Committee and Mr. Tsang Hung Kei was appointed as the chairperson of the Audit Committee upon their respective resignation and appointment as Independent Non-executive Director on 30 April 2019. As at 31 March 2020 the Audit Committee comprises all the Independent Non-executive Directors namely Mr. Tsang Hung Kei (Chairperson of the Audit Committee), Mr. Zhu Zuoan and Mr. Wang Xiaochu. One of the three Committee members possesses appropriate professional accounting qualifications and expertise. The Company was in compliance with the requirements under Rule 3.21 of the Listing Rules.

The Audit 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 financial year ended 31 March 2020. The attendance of each member is set out as follows:

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

Notes:

1. Ceased as the chairperson and a member on 30 April 2019
2. Appointed as chairperson and a member on 30 April 2019

BOARD COMMITTEES (continued)

Audit Committee (continued)

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

(a) reviewed the annual results for year ended 31 March 2019 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 2020, the auditor's remuneration amounted to RMB1,257,000 and RMB1,009,000 in respect of audit services and non-audit services respectively.

Corporate Governance Report

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 62 to 66 to this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

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

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 ShineWing Certified Public Accountants Changchun Branch ("ShineWing Changchun") 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 ShineWing Changchun 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 ShineWing Changchun 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.

(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.

Corporate Governance Report

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS (continued)

Other Communication Channels

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

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

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

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

By order of the Board
Cui Xintong
Chairperson

Hong Kong, 29 June 2020

Environmental, Social and Governance Report

1. COMPANY OVERVIEW

Ground International Development Limited ("Ground International", together with its subsidiaries, the "Group") (Stock Code: 989) is a property development company based in Hong Kong and has been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 1997. In addition, the Group invested in property development, management and investment, and financing guarantee services to customers in diverse sectors in the People's Republic of China (the "PRC").

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 2019 to 31 March 2020 (the "Reporting Period"). The scope of the Report covers the Group's operation in its Hong Kong office, Jilin financial guarantee services office and eight property management premises in Jilin.

2.2. Reporting Standard

The Report is prepared in accordance with Appendix 27 — Environmental, Social and Governance Reporting Guide (the "ESG Guide") issued by the Stock Exchange. The Group adheres to the principles of materiality, quantitative, balance and consistency to report on the measures and performances during the Reporting Period. The Report has attached a content index at the end for readers to navigate specific ESG topics. More in-depth information regarding corporate governance is addressed in the section of corporate governance in the annual report according to the Appendix 14 of the Main Board Listing Rules.

Environmental, Social and Governance Report

2. ABOUT THIS REPORT (continued)

2.3. Stakeholder Engagement and Materiality Assessment

Stakeholders' opinions are crucial to the Group's business operation. Thus, the Group maintains effective communication with stakeholders through emails and meetings to collect and listen to their comments and opinions. In alignment with the stakeholders' concerns, the Board of Directors identified and confirmed the following material issues, both environmental and social, that are relevant to the Group's business activities:

Environmental Aspect	Social Aspect
• Energy saving	• Labour standards
• Greenhouse gas ("GHG") emission control	• Training and development
• Water conservation	• Occupational health and safety
• Waste management	• Employees' wellbeing
	• Supply chain management
	• Quality assurance
	• Anti-corruption
	• Community investment
	• Customers' privacy and data protection

3. CONSERVING THE ENVIRONMENT

3.1. Environmental Policy

The Group is dedicated to conserving the environment and embedding the sustainability concept into its business operations, while promoting economic growth and social welfare. In this connection, the Group has developed and implemented sets of environmental policies to fulfil sustainability goals and meet stakeholders' expectations. During the Reporting Period, the Group complied with all relevant environmental laws and regulations such as the *Environmental Protection Law of the PRC* and the *Air Pollution Control Ordinance* in Hong Kong.

3. CONSERVING THE ENVIRONMENT (continued)

3.2. Energy Saving and GHG Emission Control

The Group strives to reduce the major GHG emissions through enhancing energy efficiency of our day-to-day operations. Electricity consumption in the property management premises contributes the most to the Group's GHG emissions. In this regard, the Group has formulated an electricity consumption management policy. The Group encourages its employees and tenants to switch off all unnecessary lighting, air-conditioning, computer, and all kinds of electronic appliances. To monitor energy efficiency and ensure the safety of the appliances, the administration department conducts inspection and equipment maintenance regularly. Moreover, the indoor air conditioning temperature is maintained at 25°C or above to save energy.

Overview of Energy Consumption

	Unit	**2020** (Note 1)	2019 (Note 2)
Total Energy Consumption	kWh in '000	**9,511**	7,022
Total Energy Consumption Intensity (Note 3)	kWh in '000/RMB'M revenue	**39.19**	10.35

Note 1: Due to the gradual improvement in data collection system, the data from Amethyst City (a property in Jilin) is available during the Reporting Period.

Note 2: Minor adjustments have been made to refine the data collection and calculation method, resulting in a slight modification of the relevant data. Adhering to the reporting principle of "consistency" the Group shall report on any adjustment or refinement of the data.

Note 3: As the revenue decreased and the total energy consumption increased due to the larger scope during the Reporting Period, the energy consumption intensity increased subsequently.

Overview of Greenhouse Gas Emissions

	Unit	**2020** (Note 1)	2019 (Note 2)
Total GHG Emissions	tonnes of CO_2 equivalent ("tCO_2e")	**10,536**	7,778
Total GHG Emissions Intensity (Note 3)	tCO_2e/RMB'M revenue	**43.41**	11.49

Note 1: Due to the gradual improvement in data collection system, the data from Amethyst City is available during the Reporting Period.

Note 2: The GHG emission in 2019 has been adjusted in alignment with the calculation method adopted in 2020.

Note 3: As the revenue decreased and the larger scope during the Reporting Period, the GHG emissions intensity increased subsequently.

Environmental, Social and Governance Report

3. CONSERVING THE ENVIRONMENT (continued)

3.3. Water Conservation

Ground International recognises water as a valuable natural resource and aims to reduce water consumption from its operating activities. The Group's major water consumption is attributed to the employees' daily water use. The Group does not encounter any significant issues on water sourcing where the supply comes from the municipal water supplier. Despite that, the Group strives to boost water efficiency by installing different water-saving equipment such as dual flush toilets, sensor faucets and water-efficient equipment.

Overview of Water Consumption

	Unit	2020 (Notes 1&2)	2019
Total Water Consumption	m^3	**77,848**	59,948
Total Water Consumption Intensity (Note 3)	m^3/RMB'M revenue	**320.76**	88.58

Note 1: Due to the gradual improvement in data collection system, the data from Amethyst City (a property in Jilin) is available during the Reporting Period.

Note 2: Due to the COVID-19 pandemic, the data collection was affected so the water data from the properties in Jilin is incomplete.

Note 3: As the revenue decreased during the Reporting Period and the total water consumption increased due to the larger scope, the total water consumption intensity increased subsequently.

3.4. Waste Management

The Group seeks to minimise its waste generation by embedding different waste management measures into the business operation. The Group's waste is mainly generated from the daily operation of tenants, customers, the domestic waste of residents, as well as the construction of properties. In the office, the Group has incorporated the concept of the green office into practice in order to reduce paper use and raise the environmental awareness of the employees. The Group also encourages separation of waste by placing recycling facilities in the properties and offices. On the other hand, the Group designated licensed waste treatment companies to collect and treat the non-recyclable waste.

Overview of Non-Hazardous Wastes Generation

	Unit	2020 (Note 1)	2019
Total Non-Hazardous Waste	tonnes	**8.74**	60,764
Total Non-Hazardous Waste Intensity	tonnes/RMB'M revenue	**0.04**	89.786

Note 1: Due to the COVID-19 pandemic, the data collection was affected so the waste data from the properties in Jilin including the construction waste is not available. During the Reporting Period, the non-hazardous waste included the office waste generated from the Hong Kong office and Jilin financial guarantee services only.

4. THE EXCELLENT TEAM

4.1. Acquiring Talents

The diligent team of employees is the valuable asset behind the Group's business success. As a result, the Group is eager to acquire suitable talents for driving its sustainable business development. The Group forbids any form of discrimination and implements a fair employment policy. Every candidate is provided with equal opportunity throughout the recruitment process. The applicants are objectively assessed according to their capability, experience and potential, and in regardless of their gender, age, religion, nationality and race. In addition, the Group strictly prohibit the employment of child and forced labour. The human resources ("HR") department is responsible for screening the applicants by carefully verifying their identity and age. During the Reporting Period, the Group complied with the *Labour Law of the PRC* and other relevant laws and regulation related to labour practices.

On top of recruiting right talents, the Group has developed policies in regards to promotion, working hours, remuneration, other benefits and welfares in order to retain employees. The Group reviews staff's promotion and salaries annually based on the "Performance Assessment Management Guidelines". Besides, employees can also enjoy meal allowance, social insurance, medical care, and festival gifts from the company. Since the Group values work-life balance, any action of involuntary overtime work is forbidden. During the Reporting Period, the Group organised a variety of staff activities to enhance the cohesion between the employees, such as Christmas dinner and party.

4.2. Safeguarding Talents

Occupational health and safety is the top priority of the Group's business operation. The Group is dedicated to securing its employees with a healthy and safe working environment. The Group has formulated and implemented comprehensive safety management policy to minimise potential occupational hazards. As part of the tendering procedures, the project management department and procurement department are appointed to assess the contractors' safety measures, such as occupational accident insurance and number of safety officer involved. Besides, to ensure the compliance with the applicable laws, regulations and standards in the workplace, the project management department is responsible for conducting daily on-site inspection and regular safety management meeting.

During the Reporting Period, the Group complied with all relevant laws and regulations related to health and safety, and did not record any work-related fatalities.

4.3. Cultivating Talents

Ground International supports the development of its employees and promotes their continuous learning. In particular, the HR department is responsible for formulating and implementing customised training programmes based on the direction of business development and position requirements. Upon the completion of the training programmes, the HR department assesses the effectiveness of the training according to training appraisals. The HR department shall then review the training plans and make corresponding modification in order to maximise the benefits of training activities for the employees. The Group is committed to offering various training and development programmes to fit in the roles of its employees. This includes orientation training to new employees introducing the Group's policies, culture, organisation and standard operating procedures. For the financial guarantee services team, the Group provides professional training on law and regulations, loaning procedures, risk control and relevant financial topics. In addition, specialised training in customer services, data protection and security are provided to property management team.

Environmental, Social and Governance Report

5. PROVIDING THE BEST QUALITY TO CUSTOMERS

5.1. Supply Chain Management

Securing the quality of suppliers and contractors is pivotal to Ground International's business. In this connection, the Group has adopted a holistic procurement and bidding management approach to select suppliers and contractors. The Group assesses them based on their safety measures, including accidental injury insurance, machinery safety, and safety certificate, in order to select the ideal business partners. In addition, the Group has implemented monitoring mechanisms to ensure that the suppliers and contractors comply with relevant social and environmental laws and regulations. In order to minimise the operational risks, the Group regularly reviews the performance of the contractors.

5.2. Assuring Quality

"Customer-focused" is one of the Group's core values. On top of selecting quality contractors and suppliers, the Group has established quality assurance mechanism to ensure that the service quality would align with the customers' expectations. Keeping customer data secure is the key to building customers' trust and loyalty to the company. To this end, Ground International requires employees to obtain customers' consent before collecting any of their personal information. Besides, the code of conduct also stipulates clearly that access to customers' personal data shall only be restricted to authorised personnel. The Group periodically reviews the security of information systems to avoid data leakage. During the Reporting Period, the Group complied with the laws and regulations relating to data protection and customers' privacy.

5.3. Ensuring Integrity

Ground International has implemented comprehensive anti-corruption policies and focuses on ethical business practices in showcasing integrity. Any misbehaviour related to bribery and corruption is intolerable. The Group prohibits employees from soliciting or offering any benefits from/to third parties without the management's permission. To eliminate corruption, the Group has established whistle-blowing channel to encourage employees to anonymously report suspicious activities. The Group would take disciplinary and legal actions promptly in case of any confirmed corruption cases. During the Reporting Period, the Group complied with the laws and regulations relating to bribery, extortion, fraud and money laundering, and no relevant litigation was identified.

6. COMMUNITY CONTRIBUTION

Since property development is inseparable from the neighbouring community, the Group considers social responsibility as an important component of its business development, and seeks to maintain a close relationship with the community. The Group encourages its employees to make contributions to society, and spread love and care to the others. To this extent, the Labour Union of the Group organises community activities and volunteer services occasionally.

7. LOOKING FORWARD

Envisioning the future, even facing the global pandemic and economic challenges, the Group will continue to improve its ESG performances, by strengthening the engagement of stakeholders and seizing the opportunity of sustainable development. Adhering to the vision of "Create a better life and bring dreams to duration", the Group pledges to consistently promote the idea of sustainability in daily operations and deliver quality services to its customers.

8. SOCIAL PERFORMANCES INDICATOR

Social Data as of 31 March 2020

Total Workforce		**228**
By Gender	Male	123
	Female	105
By Employment Type	Management	17
	Senior	30
	Junior	181
By Age Group	30 or below	50
	31–50	152
	51 or above	26
By Geographical Region	Hong Kong	8
	China	220
Overall Turnover Rate (Note 1)		25%
Percentage of Employees Trained		
By Gender	Male	6%
	Female	4%
By Employment Type	Management	18%
	Senior	10%
	Junior	6%

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

Environmental, Social and Governance Report

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 Conserving the Environment	P. 50-52
	A1.1	The types of emissions and respective emissions data.	3.2 Energy Saving and GHG Emission Control The Group did not generate a significant amount of air emission during the Reporting Period. Therefore, data on waste emissions was not disclosed in the Report.	P. 51
	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. 51
	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. Therefore, data on generation of hazardous waste was not disclosed in the Report	/
	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. 52
	A1.5	Description of measures to mitigate emissions and results achieved.	3.2 Energy Saving and GHG Emission Control	P. 51
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	3.4 Waste Management	P. 52

9. ESG CONTENT INDEX (continued)

Aspect	KPI	Description	Statement/Section	Page No.
A2: USE OF RESOURCES				
A2	*General disclosure*	Policies	3 Conserving the Environment	P. 50-52
	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. 51
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	3.3 Water Consumption	P. 52
	A2.3	Description of energy use efficiency initiatives and results achieved.	3.2 Energy Saving and GHG Emission Control	P. 51
	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 Consumption	P. 52
	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. Therefore, data on consumption of packaging materials was not disclosed in the Report.	/
A3: THE ENVIRONMENT AND NATURAL RESOURCES				
A3	*General disclosure*	Policies	3. Conserving the Environment	P. 50-52
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3. Conserving the Environment	P. 50-52

Environmental, Social and Governance Report

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 Excellent Team	P. 53
	B1.1	Total workforce by gender, employment type, age group and geographical region.	8 Social Performance Indicators	P. 55
	B1.2	Employee turnover rate by gender, age group and geographical region.	8 Social Performance Indicators The Group only disclosed the overall turnover rate. However, the Group plans to disclose the remaining information in the future.	P. 55
B2: HEALTH AND SAFETY				
B2	*General disclosure*	Information on: (a) the policies; and (b) compliance	4.2 Safeguarding Talents	P. 53
	B2.1	Number and rate of work-related fatalities.	4.2 Safeguarding Talents	P. 53
	B2.2	Lost days due to work injury.	4.2 Safeguarding Talents	P. 53
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.2 Safeguarding Talents	P. 53
B3: DEVELOPMENT AND TRAINING				
B3	*General disclosure*	Policies	4.3 Cultivating Talents	P. 53
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	8 Social Performance Indicators	P. 55
	B3.2	The average training hours completed per employee by gender and employee category.	The Group currently does not report the training information. However, the Group plans to disclose the information in the future.	/

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 Excellent Team	P. 53
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1 Acquiring Talents	P. 53
	B4.2	Description of steps taken to eliminate such practices when discovered.	4.1 Acquiring Talents	P. 53
B5: SUPPLY CHAIN MANAGEMENT				
B5	*General disclosure*	Policies	5.1 Supply Chain Management	P. 54
	B5.1	Number of suppliers by geographical region.	The Group currently does not report the training information. However, the Group plans to disclose the information in the future.	/
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	5.1 Supply Chain Management	P. 54

Environmental, Social and Governance Report

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 Assuring Quality	P. 54
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product responsibility is not a material issue to the Group's operation. Thus, it is not disclosed.	/
	B6.2	Number of products and service-related complaints received and how they are dealt with.	Product responsibility is not a material issue to the Group's operation. Thus, it is not disclosed.	/
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product responsibility is not a material issue to the Group's operation. Thus, it is not disclosed.	/
	B6.4	Description of quality assurance process and recall procedures.	5.2 Assuring Quality	P. 54
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	5.2 Assuring Quality	P. 54
B7: ANTI-CORRUPTION				
B7	*General disclosure*	Information on: (a) the policies; and (b) compliance	5.3 Ensuring Integrity	P. 54
	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.	5.3 Ensuring Integrity	P. 54
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	5.3 Ensuring Integrity	P. 54

9. ESG CONTENT INDEX (continued)

Aspect	KPI	Description	Statement/Section	Page No.
B8: COMMUNITY INVESTMENT				
B8	*General disclosure*	Policies	6 Community Contribution	P. 54
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6 Community Contribution	P. 54
	B8.2	Resources contributed (e.g. money or time) to the focus area.	The Group currently does not report the information of the resources on community investment. However, the Group plans to disclose the information in the future.	/

Independent Auditor's Report

MAZARS

MAZARS CPA LIMITED
中審眾環(香港) 會計師事務所有限公司
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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 67 to 179, which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020, 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.

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 2020, the Group's properties under development and completed properties held for sale were stated at RMB966 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, evaluating and validating the assumption 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 assumptions applied; (ii) Evaluating the competence, capabilities and objectivity of the Valuer; and (iii) Obtaining, on a sample basis, the underlying data including comparables of market transactions being used and assessing the appropriateness.

Independent Auditor's Report

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit loss ("ECL") on entrusted loan receivables and provision for guarantee losses	
As set out in notes 13 and 34(b) to the consolidated financial statements, the Group disposed of the financial services segment during the year (the "FR Guarantee Disposal"). During the period from 1 April 2019 up to the completion date of disposal, the Group recognised the ECL on entrusted loan receivables and provision for guarantee losses of RMB291 million and RMB100 million respectively in the consolidated statement of profit or loss. We identified the ECL on entrusted loan receivables and provision for guarantee losses as a key audit matter because of its significance to the consolidated financial statements and the judgement and estimation involved. Up to the completion of the FR Guarantee Disposal, the Group assesses whether there has been a significant increase in credit risk since initial recognition by comparing the risk of default at the completion date of the FR Guarantee Disposal 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 36 to the consolidated financial statements.	Our key procedures in relation to the ECL on entrusted loan receivables and provision for guarantee losses 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 on 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.

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.

Independent Auditor's Report

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, 29 June 2020

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 2020

	Notes	2020 RMB'000	2019 RMB'000 (restated)
Continuing operations			
REVENUE	5	**242,685**	654,469
Cost of sales and services		**(287,238)**	(479,965)
Gross (loss)/profit		**(44,553)**	174,504
Other income and gains	5	**43,458**	2,001
Selling and distribution expenses		**(7,150)**	(12,413)
Administrative expenses		**(50,363)**	(54,606)
Finance costs	7	**(103,362)**	(19,532)
Other expenses		**(1,213,529)**	(13,257)
Change in fair value of investment properties	15	**(189,015)**	20,538
Change in fair value of derivative financial instruments	25	**(4,976)**	(11,045)
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**(1,569,490)**	86,190
Income tax	10	**201,999**	(74,637)
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**(1,367,491)**	11,553
Discontinued operations			
(Loss)/profit for the year from discontinued operations	13	**(416,883)**	11,493
(Loss)/profit for the year		**(1,784,374)**	23,046
Attributable to:			
Owners of the parent			
– continuing operations		**(1,367,491)**	11,553
– discontinued operations		**(416,883)**	11,493
		(1,784,374)	23,046
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	12		
Basic			
– for (loss) profit for the year		**RMB(33.84) cents**	RMB0.44 cent
– for (loss) profit from continuing operations		**RMB(25.93) cents**	RMB0.22 cent
Diluted			
– for (loss) profit for the year		**N/A**	RMB0.33 cent
– for (loss) profit from continuing operations		**N/A**	RMB0.17 cent

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2020

	2020 RMB'000	2019 RMB'000 (restated)
(LOSS)/PROFIT FOR THE YEAR	**(1,784,374)**	23,046
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that are/may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(49,687)**	31,347
Reclassification of exchange reserve upon disposal of subsidiaries	**(42,334)**	–
	(92,021)	31,347
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	**–**	(50,533)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(92,021)**	(19,186)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(1,876,395)**	3,860
Attributable to:		
Owners of the parent		
— continuing operations	**(1,459,512)**	(7,633)
— discontinued operations	**(416,883)**	11,493
	(1,876,395)	3,860

Consolidated Statement of Financial Position

As at 31 March 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**6,131**	8,597
Investment properties	15	**550,000**	997,531
Goodwill		**4,999**	4,999
Right-of-use assets	16	**11,397**	–
Lease receivables	16	**446**	–
Deferred tax assets	17	**25,840**	62,653
Total non-current assets		**598,813**	1,073,780
CURRENT ASSETS			
Properties under development and completed properties held for sale	18	**1,600,263**	2,576,578
Trade and other receivables	19	**291,850**	944,272
Lease receivables	16	**2,970**	–
Prepaid income tax		**12,333**	12,088
Derivative financial instruments	25	**96**	4,837
Pledged and restricted deposits	20	**19,009**	189,055
Cash and cash equivalents	20	**30,500**	30,064
Total current assets		**1,957,021**	3,756,894
CURRENT LIABILITIES			
Trade and other payables	21	**647,505**	683,571
Contract liabilities	22	**234,526**	273,890
Lease liabilities	16	**27,577**	–
Loans from a controlling shareholder	23	**105,891**	149,065
Bank and other borrowings	24	**695,497**	464,081
Income tax payable		**74,872**	75,869
Total current liabilities		**1,785,868**	1,646,476
NET CURRENT ASSETS		**171,153**	2,110,418
TOTAL ASSETS LESS CURRENT LIABILITIES		**769,966**	3,184,198

Consolidated Statement of Financial Position

As at 31 March 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Liability component of the Convertible Bonds	25	**73,155**	62,962
Bank and other borrowings	24	**170,690**	477,586
Deferred tax liabilities	17	**72,189**	315,339
Lease liabilities	16	**2,016**	–
Total non-current liabilities		**318,050**	855,887
Net assets		**451,916**	2,328,311
EQUITY			
Share capital	26	**228,370**	228,370
Convertible preference shares	27	**1,181,940**	1,181,940
Equity component of the Convertible Bonds	25	**40,368**	40,368
Reserves	29	**(998,762)**	877,633
Total equity		**451,916**	2,328,311

These consolidated financial statements on pages 67 to 179 were approved and authorised for issue by the Board of Directors on 29 June 2020 and signed on its behalf by:

Cui Xintong
Director

Tsang Hung Kei
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

				Reserves									
	Share capital RMB'000 (Note 26)	Convertible preference shares RMB'000 (Note 27)	Equity component of the Convertible Bonds RMB'000 (Note 25)	Share premium RMB'000 (Note 29(i))	Exchange reserve RMB'000 (Note 29(ii))	Contributed surplus RMB'000 (Note 29(iii))	Share option reserve RMB'000 (Note 29(iv))	Non-recycling fair value reserve RMB'000 (Note 29(v))	Other reserves RMB'000 (Note 29(vi))	Statutory reserve RMB'000 (Note 29(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
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	–	–	–	–	–	–	–	–	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 Changes in Equity

For the year ended 31 March 2020

				Reserves									
	Share capital RMB'000 (Note 26)	Convertible preference shares RMB'000 (Note 27)	Equity component of the Convertible Bonds RMB'000 (Note 25)	Share premium RMB'000 (Note 29(i))	Exchange reserve RMB'000 (Note 29(ii))	Contributed surplus RMB'000 (Note 29(iii))	Share option reserve RMB'000 (Note 29(iv))	Non-recycling fair value reserve RMB'000 (Note 29(v))	Other reserves RMB'000 (Note 29(vi))	Statutory reserve RMB'000 (Note 29(vii))	Retained earnings RMB'000	Sub-total RMB'000	Total equity RMB'000
At 1 April 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
Loss for the year	–	–	–	–	–	–	–	–	–	–	(1,784,374)	(1,784,374)	(1,784,374)
Other comprehensive income for the year:													
Transfer upon disposal of subsidiaries (note 34(a))	–	–	–	–	–	–	–	–	(8,151)	–	8,151	–	–
Exchange differences arising from foreign operations	–	–	–	–	(49,687)	–	–	–	–	–	–	(49,687)	(49,687)
Reclassification of exchange reserve upon disposal of subsidiaries	–	–	–	–	(42,334)	–	–	–	–	–	–	(42,334)	(42,334)
Total comprehensive income for the year	–	–	–	–	(92,021)	–	–	–	(8,151)	–	(1,776,223)	(1,876,395)	(1,876,395)
Transfer to statutory reserve	–	–	–	–	–	–	–	–	–	2,370	(2,370)	–	–
Lapse/Forfeiture of share options	–	–	–	–	–	–	(3,842)	–	–	–	3,842	–	–
	–	–	–	–	–	–	(3,842)	–	–	2,370	1,472	–	–
At 31 March 2020	228,370	1,181,940	40,368	3,535,139	(58,621)	184,684	20,716	–	(3,253,782)	68,241	(1,495,139)	(998,762)	451,916

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Notes	2020 RMB'000	2019 RMB'000 (restated)
OPERATING ACTIVITIES			
(Loss)/profit before tax			
— from continuing operations		**(1,569,490)**	86,190
— from discontinued operations (note 13)		**(375,630)**	17,100
Adjustments for:			
Finance costs	7	**103,362**	24,586
Bank and other interest income		**(3,194)**	(24,765)
Gain on disposal of items of property, plant and equipment	5	**–**	(880)
Write-down of properties under development and completed properties held for sale	6	**890,365**	28,451
Loss on derecognition of right-of-use assets	16	**16,464**	–
Impairment on trade and other receivables		**598,127**	23,608
Dividend income from financial assets at FVOCI		**–**	(7,816)
Gain on disposal of subsidiaries	34(a)	**(38,478)**	–
Loss on disposal of subsidiaries	34(b)	**14,627**	–
Change in fair value of investment properties	15	**189,015**	(20,538)
Change in fair value of derivative financial instruments	25	**4,976**	11,045
Depreciation		**24,552**	2,376
Equity-settled share option expense	6	**–**	824
		(145,304)	140,181
Decrease in properties under development and completed properties held for sale		**85,950**	294,642
(Increase) decrease in trade and other receivables		**(7,867)**	13,597
Decrease in lease receivable		**1,738**	–
Increase (decrease) in trade and other payables		**72,727**	(220,195)
Decrease/(increase) in pledged and restricted deposits		**7,892**	(6,360)
Decrease in deposits from sales of properties		**–**	(576,290)
(Decrease)/increase in contract liabilities		**(33,380)**	273,890
Cash used in operations		**(18,244)**	(80,535)
Interest received		**3,194**	696
Interest paid		**(86,121)**	(45,789)
Tax paid:			
— The People's Republic of China (the "PRC") corporate income tax paid		**(1,483)**	(23,954)
— PRC land appreciation tax paid		**(2,780)**	(3,910)
— PRC withholding tax paid for dividend income received		**–**	(782)
Net cash flows used in operating activities		**(105,434)**	(154,274)

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Notes	2020 RMB'000	2019 RMB'000 (restated)
INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(1,193)**	(2,863)
Proceeds from disposal of items of property, plant and equipment		**97**	966
Increase in entrusted loan receivables		**–**	(351,433)
Dividend income received		**–**	7,816
Interest income from held-to-maturity investment and entrusted loans		**–**	24,069
Net cash inflow from disposals of subsidiaries	34	**21,224**	–
Redemption of held-to-maturity investment upon maturity		**–**	310,000
Net cash flows from (used in) investing activities		**20,128**	(11,445)
FINANCING ACTIVITIES			
Proceeds from shares issued under share option scheme		**–**	686
Proceeds from new bank and other borrowings		**259,032**	385,356
Repayment of bank and other borrowings		**(101,334)**	(404,525)
New loans from a controlling shareholder		**12,293**	185,957
Repayment of a controlling shareholder's loan		**(60,258)**	(36,037)
Payment on lease liabilities		**(24,409)**	–
Net cash flows from financing activities		**85,324**	131,437
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**18**	(34,282)
Cash and cash equivalents at the beginning of the year		**30,064**	64,220
Effect of foreign exchange rate changes, net		**418**	126
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**30,500**	30,064

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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 2020, 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. Upon completion of the disposal of the entire equity interests of Jilin Province Zhongye Business Information Advisory Company Limited ("JL Zhongye") and Jilin Fengrun Business Information Advisory Company Limited* ("JL Fengrun") in March 2020, the provision of financial services was discontinued (note 13).

Information about subsidiaries

Particulars of the Company's principal subsidiaries at 31 March 2020 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
Ka Yun Investments Limited (Note)	BVI	US$10,001	–	100%	Investment holding
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
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

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1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries at 31 March 2020 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	
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

* For identification purpose only

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

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.

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 (Chapter 622 of the Laws of Hong Kong). 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 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 lost.

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For the year ended 31 March 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has applied, for the first time, the following new/revised HKFRSs:

Annual Improvements to HKFRSs	2015–2017 Cycle
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases

Annual Improvements Project — 2015–2017 Cycle

HKAS 23: Borrowing costs eligible for capitalisation

The amendments clarify that (a) if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the funds an entity borrows generally and (b) funds borrowed specifically to obtain an asset other than a qualifying asset are included as part of general borrowings.

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

HK(IFRIC)-Int 23: Uncertainty over Income Tax Treatments

The Interpretation supports the requirements in HKAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes.

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

Amendments to HKFRS 9: Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income instead of at FVPL if specified conditions are met.

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

HKFRS 16: Leases

HKFRS 16 replaces HKAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time at 1 April 2019 (i.e. the date of initial application, the “DIA”) using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of retained earnings or other component of equity, where appropriate, at the DIA.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 16: Leases (continued)

As lessee

Before the adoption of HKFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group's accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Group's accounting policies applicable from the DIA.

As lessee — leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and the Group applied the following practical expedients on a lease-by-lease basis.

(a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

(b) Did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA.

At the DIA, except for those that were previously or will be accounted for as investment property using the fair value model, right-of-use assets were, on a lease-by-lease basis, measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The weighted average incremental borrowing rate applied to the lease liabilities at the DIA is 4.7% and 7.0% for those leases located in Hong Kong and the PRC respectively.

Reconciliation of operating lease commitments disclosed applying HKAS 17 at 31 March 2019 and lease liabilities recognised at the DIA is as follows.

	RMB'000
Operating lease commitment at 31 March 2019	52,813
Less: short-term leases to be expired within twelve months	(486)
	52,327
Discounting	(5,027)
Lease liabilities at 1 April 2019 upon initial application of HKFRS 16	47,300

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 16: Leases (continued)

As lessee (continued)

The adjustments resulted from the initial application of HKFRS 16 at 1 April 2019 are set out below:

	Increase RMB'000
Assets	
Right-of-use assets	47,300
	47,300
Liabilities	
Lease liabilities	
— Current	24,129
— Non-current	23,171
	47,300

As lessor

The Group is not required to make any adjustments on transition for leases in which it is a lessor and those leases are accounted for by applying HKFRS 16 from the DIA, except for the change of classification of subleases. Under HKFRS 16, the classification of a sublease is determined by reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

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.

Amendments to HKASs 1 and 8	Definition of Material[1]
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

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

The directors do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the results of the Group.

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.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

Fair value measurement

The Group measures its investment properties 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.

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets 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.

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;

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For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

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.

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.

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For the year ended 31 March 2020

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.

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

Applicable from 1 April 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Applicable from 1 April 2019 (continued)

The Group as lessee (continued)

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received, and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option — in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Office and other premises	1–3 years
Shopping mall units	1–2 years

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs and payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

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For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Applicable from 1 April 2019 (continued)

The Group as lessee (continued)

(b) Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.

(b) the Group determines the lease term of the modified contract.

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Applicable from 1 April 2019 (continued)

The Group as lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

When the Group is an intermediate lessor, it accounts for the head lease and sublease as two separate contracts. The sublease is classified as an operating lease if the head lease is a short-term lease to which the Group has applied the recognition exemption. Otherwise, the sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. When the Group entered into sublease as an intermediate lessor, any difference between the derecognition of right-of-use asset and the net investment in the sublease are recognised in profit or loss.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

As lessor — finance lease

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. The Group applies the derecognition and impairment requirements in HKFRS 9 to the net investment in the finance lease.

The Group accounts for a modification to a finance lease as a separate lease if both:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Applicable from 1 April 2019 (continued)

The Group as lessor (continued)

As lessor — finance lease (continued)

For a modification to a finance lease that is not accounted for as a separate lease, the Group accounts for the modification as follows:

(a) if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Group:

(i) accounts for the lease modification as a new lease from the effective date of the modification; and

(ii) measures the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification.

(b) otherwise, the Group applies the requirements of HKFRS 9.

As lessor — operating lease

The Group applies the derecognition and impairment requirements in HKFRS 9 to the operating lease receivables.

A modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Applicable before 1 April 2019

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Classification and measurement

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 fair value through profit and loss ("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 fair value through other comprehensive income ("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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and measurement (continued)

(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 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.

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

(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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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 directly attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables, loans from a controlling shareholder, lease liabilities 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.

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.

Impairment of financial assets and other items

The Group recognises loss allowances for ECL on financial assets that are measured at amortised cost, debt instrument at FVOCI, lease receivables 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets and other items (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 lease receivables, the cash flow used for determining the ECL should be consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 or HKAS 17.

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 (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 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets and other items (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.

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 (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.

Cash and cash equivalents

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, net of discount, in the ordinary course of the Group's activities.

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 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (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)

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.

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.

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For the year ended 31 March 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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 forfeited 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.

Other employee benefits

Pension schemes

The Group participates in 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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 executive directors 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.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

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.

Identification of leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease based on the requirements of HKFRS 16 and all the relevant facts and circumstances. In particular, the Group assesses whether the contract involves the use of an identified asset by applying the concept of substantive substitution right. Also, the Group assesses whether the Group or the customer has the right to direct the use of the identified asset with reference to determination of which party has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where such decisions are predetermined, the right to operate the asset or the incorporation of such decisions by means of designing the asset are considered.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

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

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

Key sources of estimation uncertainty

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

Net realisable value 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. In estimating the total budgeted costs, management makes reference to information such as (i) current offers from contractors and suppliers; (ii) recent offer agreed with contractors and suppliers; and (iii) professional estimation on construction and material costs. Where the expectation is different from the original estimate, the carrying value and provision for properties in the period in which the estimate is changed will be adjusted accordingly.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

Fair value of investment properties

The investment properties of the Group are measured at fair value, which were 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 2020 was RMB550,000,000 (2019: RMB997,531,000). Further details, including the key assumptions used for fair value measurement, are stated in note 15 to the consolidated financial statements.

PRC Land Appreciation Tax ("LAT")

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

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 March 2020 was Nil (2019: RMB35,681,000). The amount of unrecognised tax losses at 31 March 2020 was RMB503,376,000 (2019: RMB304,875,000). Further details are contained in note 17 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

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 36 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 and 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.

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Discount rates for calculating lease liabilities — as lessee

The Group uses the lessee's incremental borrowing rates to discount future lease payments since interest rates implicit in the leases are not readily determinable. In determining the discounts rates for its leases, the Group refers to a rate that is readily observable as the starting point and then applies judgement and adjusts such observable rate to determine the incremental borrowing rate.

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 executive directors 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*
Discontinued operations		
Financial services**	Provision of guarantee services and investment holding	The PRC

* During the year ended 31 March 2020, the Group disposed of its wholly-owned subsidiaries, the main asset of which are the Group's investment properties in Hong Kong. Upon the disposal of these subsidiaries as set out in note 34(a), the PRC is the sole place of operation under the property investment segment.

** As set out in note 13, the Group's financial services segment is treated and presented as discontinued operations upon the disposal of the entire equity interests in JL Zhongye and JL Fengrun (as defined in the note thereafter).

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/loss before tax except that bank interest income, finance costs, fair value gains/losses from the Group's financial instruments, loss on disposal of subsidiaries 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 2020

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2020

	Continuing operations			Discontinued operations
	Property development and management RMB'000	Property investment RMB'000	Total RMB'000	Financial services RMB'000
Segment revenue				
Sales to external customers	222,093	20,592	242,685	23,283
Segment results	(1,363,141)	(65,352)	(1,428,493)	(376,058)
Bank interest income			124	428
Finance costs			(103,362)	–
Change in fair value of derivative financial instruments			(4,976)	–
Loss on disposal of subsidiaries			(14,627)	–
Unallocated head office expenses			(18,156)	–
Loss before tax			(1,569,490)	(375,630)
Income tax			201,999	(41,253)
Loss for the year			(1,367,491)	(416,883)
Segment assets:				
Reportable segment assets	1,939,743	562,684	2,502,427	–
Deferred tax assets			25,840	–
Prepaid income tax			12,333	–
Derivative financial instruments			96	–
Unallocated assets			15,138	–
Total assets			2,555,834	–
Segment liabilities				
Reportable segment liabilities	1,743,268	35,123	1,778,391	–
Deferred tax liabilities			72,189	–
Income tax payable			74,872	–
Liability component of the Convertible Bonds			73,155	–
Unallocated liabilities			105,311	–
Total liabilities			2,103,918	–
Other segment information				
Capital expenditure*	1,193	–	1,193	–
Depreciation**	1,088	21,383	22,471	7
Impairment on other receivables	297,854	–	297,854	300,276
Provision for guarantee losses	–	–	–	100,308
Write-down of properties under development to net realisable value	877,554	–	877,554	–
Write-down of completed properties held for sales to net realisable value	12,811	–	12,811	–
Interest income from entrusted loans	–	–	–	2,642

* During the year, the head office did not incur any capital expenditure (2019: RMB12,000) which represents additions to non-current assets.

** Included in unallocated head office expenses is depreciation of RMB2,074,000 (2019: RMB539,000).

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2019 (restated)

	Continuing operations			Discontinued operations
	Property development and management RMB'000	Property investment RMB'000	Total RMB'000	Financial services RMB'000
Segment revenue				
Sales to external customers	620,354	34,115	654,469	22,290
Segment results	122,127	4,976	127,103	26,396
Bank interest income			239	457
Finance costs			(19,532)	(5,054)
Change in fair value of derivative financial instruments			(11,045)	–
Unallocated head office expenses			(10,575)	(4,699)
Profit before tax			86,190	17,100
Income tax			(74,637)	(5,607)
Profit for the year			11,553	11,493
Segment assets:				
Reportable segment assets	3,127,440	1,004,551	4,131,991	599,398
Deferred tax assets			55,726	6,927
Prepaid income tax			12,088	–
Derivative financial instruments			4,837	–
Unallocated assets			19,707	–
Total assets			4,224,349	606,325
Segment liabilities				
Reportable segment liabilities	1,656,350	11,613	1,667,963	47,992
Deferred tax liabilities			311,510	3,829
Income tax payable			71,262	4,607
Liability component of the Convertible Bonds			62,962	–
Unallocated liabilities			332,238	–
Total liabilities			2,445,935	56,428
Other segment information				
Capital expenditure*	1,255	1,583	2,838	13
Depreciation**	1,317	510	1,827	10
Provision for guarantee losses	–	–	–	2,483
Impairment on other receivables	4,375	–	4,375	16,000
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

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For the year ended 31 March 2020

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers from continuing operations

	2020 RMB'000	2019 RMB'000 (restated)
The PRC	**233,631**	645,954
Hong Kong	**9,054**	8,515
	242,685	654,469

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

(b) Non-current assets

	2020 RMB'000	2019 RMB'000
The PRC	**567,978**	673,428
Hong Kong	**4,995**	337,699
	572,973	1,011,127

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

Information about major customers

There was no sale to a single customer which accounted for over 10% or more of the Group's revenue for the years ended 31 March 2020 and 2019.

5. REVENUE, OTHER INCOME AND GAINS FROM CONTINUING OPERATIONS

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

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

Revenue

	Year ended 31 March 2020		
	Property development and management RMB'000	Property investment RMB'000	Total RMB'000
Revenue from contracts with customers within HKFRS 15:			
Sale of properties	186,862	–	186,862
Property management service income	35,231	–	35,231
	222,093	–	222,093
Revenue from other sources:			
Rental income	–	20,592	20,592
	222,093	20,592	242,685
Representing geographical markets of:			
The PRC	222,093	11,538	233,631
Hong Kong	–	9,054	9,054
	222,093	20,592	242,685
Timing of revenue recognition			
— At a point in time	186,862	–	186,862
— Over time	35,231	20,592	55,823
	222,093	20,592	242,685

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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

Revenue (continued)

	Year ended 31 March 2019 (restated)		
	Property development and management RMB'000	Property investment 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
	631,823	–	631,823
Revenue from other sources:			
Rental income	–	22,646	22,646
	631,823	22,646	654,469
Representing geographical markets of:			
The PRC	631,823	14,131	645,954
Hong Kong	–	8,515	8,515
	631,823	22,646	654,469
Timing of revenue recognition			
— At a point in time	599,495	–	599,495
— Over time	32,328	22,646	54,974
	631,823	22,646	654,469

Other income and gains

	2020 RMB'000	2019 RMB'000 (restated)
Other tax refund (Note)	**3,260**	–
Bank interest income	**124**	239
Sundry income	**1,596**	882
Gain on disposal of property, plant and equipment	**–**	880
Gain on disposal of subsidiaries	**38,478**	–
Total other income and gains from continuing operations	**43,458**	2,001

Note: During the year, the Group successfully obtained a tax refund of property tax from the Tax Bureau of Baishan City that were over-charged in prior years.

6. (LOSS) PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	2020 RMB'000	2019 RMB'000 (restated)
Cost of properties sold*	**231,023**	423,237
Cost of services	**28,836**	27,382
Cost of rental**	**27,379**	29,346
Depreciation		
— property, plant and equipment	**3,542**	2,366
— right-of-use assets	**21,003**	–
Staff costs (including directors' emoluments):		
Salaries, wages and other benefits	**17,762**	22,110
Equity-settled share option expense	**–**	824
Contribution to defined contribution retirement plans	**3,132**	4,342
Total staff costs	**20,894**	27,276
Less: Amount capitalised into properties under development	**(1,439)**	(2,235)
	19,455	25,041
Auditor's remuneration:		
Audit services	**1,257**	1,455
Other services	**1,009**	750
Operating lease charges in respect of office premises and other leased assets under short term leases	**1,121**	–
Direct operating expenses arising from investment properties that generated rental income	**1,482**	786
Direct operating expenses arising from investment properties that did not generate rental income	**32**	28
Gain on disposal of subsidiaries (note 34(a))	**(38,478)**	–
Loss on disposal of subsidiaries (note 34(b))***	**14,627**	–
Impairment on:		
— Trade receivables***	**(3)**	3,233
— Other receivables***	**297,854**	4,375
Write-down of properties under development to net realisable value***	**877,554**	–
Write-down of completed properties held for sale to net realisable value	**12,811**	28,451

* Included in cost of properties sold was the write-down of completed properties held for sale to net realisable value of RMB12,811,000 (2019: RMB28,451,000) for the year ended 31 March 2020.

** Included in the cost of rental for the year ended 31 March 2020 was depreciation of the right-of use assets in respect of certain leased units of the Group's shopping mall in Baishan City, the PRC, in property investment segment of RMB19,058,000 which was also included in the depreciation as disclosed separately above following the adoption of HKFRS 16 (2019: operating lease charges of RMB25,839,000 in respect of certain leased units of the Group's shopping mall in Baishan City, the PRC under HKAS 17 but not included in the depreciation amount).

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

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For the year ended 31 March 2020

7. FINANCE COSTS FROM CONTINUING OPERATIONS

	2020 RMB'000	2019 RMB'000 (restated)
Interest on bank and entrusted loans	**80,437**	40,735
Interest on Convertible Bonds	**7,550**	6,401
Interest on other loan	**528**	–
Interest on lease liabilities	**3,574**	–
Other borrowing costs accrued on receipts in advance from customers	**28,271**	29,660
	120,360	76,796
Less: Interest capitalised into properties under development*	**(16,998)**	(57,264)
Total finance costs from continuing operations	**103,362**	19,532

* The borrowing costs have been capitalised at rates ranging from 7.6% to 8.0% per annum (2019: 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:

	2020 RMB'000	2019 RMB'000
Fees	**881**	757
Other emoluments:		
Salaries, allowances and benefits in kind	**2,759**	3,209
Discretionary related bonuses	**160**	929
Pension scheme contributions	**90**	73
	3,009	4,211
	3,890	4,968

8. DIRECTORS' REMUNERATION (continued)

The remuneration of each of the directors for the years ended 31 March 2020 and 2019 is set out below:

	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2020						
Executive directors:						
Cui Xintong ("Ms. Cui")	–	2,509	–	–	16	2,525
Liu Hongjian	–	250	160	–	74	484
	–	2,759	160	–	90	3,009
Non-executive director:						
Cong Peifeng	220	–	–	–	–	220
	220	–	–	–	–	220
Independent non-executive directors:						
Chan Yuk Tong [(a)]	18	–	–	–	–	18
Tsang Hung Kei [(b)]	203	–	–	–	–	203
Zhu Zuoan	220	–	–	–	–	220
Wang Xiaochu	220	–	–	–	–	220
	661	–	–	–	–	661
	881	2,759	160	–	90	3,890

Note:

(a) Resigned on 30 April 2019

(b) Appointed on 30 April 2019

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8. DIRECTORS' REMUNERATION (continued)

The remuneration of each of the directors for the years ended 31 March 2020 and 2019 is set out below: (continued)

	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2019						
Executive directors:						
Ms. Cui	–	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 [(d)]	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 (2019: 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.

(d) Resigned on 30 April 2019.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2019: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2019: two) highest paid employees who are not a director of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	**3,003**	2,115
Discretionary bonuses	**333**	574
Pension scheme contributions	**130**	31
	3,466	2,720

There is no arrangement under which the five highest paid individuals waived or agreed to waive any remuneration during the year. In addition, 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 (2019: nil).

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

	Number of employees 2020	 2019
Nil to HK$1,000,000 (equivalent to Nil to RMB895,000)	**3**	1
HK$1,500,001 to HK$2,000,000 (equivalent to RMB1,342,001 to RMB1,789,000)	**1**	–
HK$2,000,001 to HK$2,500,000 (equivalent to RMB1,789,001 to RMB2,236,000)	**–**	1
	4	2

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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% (2019: 25%).

No Hong Kong profits tax has been provided for the years ended 31 March 2020 and 2019 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 RMB39,873,000 (2019: RMB69,193,000). 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.

	2020 **RMB'000**	2019 RMB'000 (restated)
Current tax:		
PRC CIT	**241**	26,182
PRC CIT underprovided in previous years	**–**	2,750
PRC LAT	**6,718**	20,408
	6,959	49,340
Deferred tax	**(208,958)**	25,297
Total (credit) charge from continuing operations	**(201,999)**	74,637

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:

	2020		2019	
	RMB'000	%	RMB'000	%
(Loss)/profit before tax	**(1,569,490)**		86,190	
Tax at the statutory tax rate of 25%	**(392,373)**	**25**	21,548	25
Expenses not deductible for tax	**100,728**	**(6)**	6,249	7
Income not subject to tax	**(8,697)**	**1**	(3,421)	(4)
Effect on overseas tax rate differences	**3,026**	**–**	3,260	4
LAT deductible for PRC CIT purposes	**(1,680)**	**–**	(5,102)	(6)
LAT	**6,718**	**–**	20,408	24
Underprovision in previous years	**–**	**–**	2,750	3
Tax losses not recognised	**62,188**	**(4)**	5,278	6
Reversal of previously recognised deferred tax assets	**28,091**	**(2)**	23,667	27
Tax (credit) charge at the Group's effective rate	**(201,999)**	**14**	74,637	86

11. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 March 2020 (2019: Nil).

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12. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share amounts is based on the (loss) profit for the year attributable to ordinary equity holders of the parent, and the weighted average of 5,273,401,000 shares (2019: 5,273,047,000 shares) in issue during the year.

The calculation of the diluted (loss) earnings per share amounts is based on the (loss) 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 (loss) earnings per share are based on:

	2020 **RMB'000**	2019 RMB'000 (restated)
(Loss)/earnings		
(Loss)/profit attributable to owners of the parent,		
— continuing operations	**(1,367,491)**	11,553
— discontinued operations	**(416,883)**	11,493
	(1,784,374)	23,046
Effect of interest on the liability component of the Convertible Bonds	**7,550**	6,401
Effect of fair value loss on the derivative component of the Convertible Bonds	**4,976**	11,045
Adjusted (loss) profit attributable to owners of the parent		
— continuing operations	**(1,354,965)**	28,999
— discontinued operations	**(416,883)**	11,493
	(1,771,848)	40,492

12. (LOSS) EARNINGS PER SHARE (continued)

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

	Number of shares 2020 '000	2019 '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**5,273,401**	5,273,047
Effect of dilution — weighted average number of ordinary shares:		
Convertible preference shares	**1,639,353**[(a)]	1,639,353
Convertible Bonds	**103,485**[(a)]	103,485[(b)]
Share options	–[(c)]	–[(c)]
Weighted average number of ordinary shares (diluted)	**7,016,239**	7,015,885

(a) Because the diluted loss per share amount was decreased when taking the convertible preference shares and/or the Convertible Bonds into account, the convertible preference shares and/or the Convertible Bonds had an anti-dilutive effect on the basic loss per share amount for the year ended 31 March 2020. Accordingly, the diluted loss per share for the year ended 31 March 2020 was not presented.

(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 and RMB11,553,000, respectively, and the weighted average number of 6,912,400,000 shares in issue during the year ended 31 March 2019.

(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 years ended 31 March 2020 and 2019, the share options had an anti-dilutive effect on the basic (loss) earnings per share amount for the years ended 31 March 2020 and 2019.

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13. DISCONTINUED OPERATIONS

Disposals of subsidiaries — Financing guarantee business

On 26 March 2020, Jilin World Rich Management Limited ("Jilin World Rich"), an indirect wholly owned subsidiary of the Company, entered into share transfer agreements with an independent third party (the "Fengrun Purchaser"), pursuant to which Jilin World Rich has conditionally agreed to sell, and the Fengrun Purchaser has conditionally agreed to purchase the entire equity interests in Jilin Province Zhongye Business Information Advisory Company Limited (吉林省中業商務信息諮詢有限公司) ("JL Zhongye") and Jilin Fengrun Business Information Advisory Company Limited (吉林灃潤商務信息諮詢有限公司) ("JL Fengrun") at an aggregate consideration of RMB122,000,000 (the "FR Guarantee Disposal"). The main assets of JL Zhongye and JL Fengrun is an investment in a subsidiary, namely 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 the provision of guarantee services in the PRC. On 27 March 2020, the FR Guarantee Disposal was completed, upon which the Group ceased to operate the financial services business segment. The financial service segment is treated and presented as discontinued operations. Comparative figures in the consolidated statement of profit or loss for the year ended 31 March 2019 have been re-presented to disclose separately the profit or loss from such discontinued operations.

The results of the discontinued operations are summarised as follows:

	2020 **RMB'000**	2019 RMB'000
Revenue	**23,283**	22,290
Other income and gains (note (a))	**6,563**	32,342
Selling and distribution costs	**(103,037)**	(9,128)
Administrative expenses	**(2,163)**	(7,350)
Finance cost	**–**	(5,054)
Other expenses	**(300,276)**	(16,000)
(Loss)/profit before tax (note (b))	**(375,630)**	17,100
Income tax	**(41,253)**	(5,607)
(Loss)/profit for the year from discontinued operations	**(416,883)**	11,493

13. DISCONTINUED OPERATIONS (continued)

Disposals of subsidiaries — Financing guarantee business (continued)

Notes:

(a) **Other income and gains**

	2020 RMB'000	2019 RMB'000
Interest income from held-to-maturity investments and entrusted loans	**2,642**	24,069
Sundry income	**3,493**	7,816
Bank interest income	**428**	457
	6,563	32,342

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

	2020 RMB'000	2019 RMB'000
Staff costs:		
Salaries, wages and other benefits	**2,814**	2,957
Contribution to defined contribution retirement plans	**431**	615
	3,245	3,572
Other items:		
Impairment on other receivables*	**300,276**	16,000
Depreciation	**7**	10
Provision for guarantee losses**	**100,308**	2,483

* The item is included in other expenses.

** The item is included in selling and distribution costs.

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

	2020 RMB'000	2019 RMB'000
Net cash flows generated from operating activities	**(7,721)**	(11,129)
Net cash flows generated from investing activities	**–**	(13)
Net cash flows	**(7,721)**	(11,142)

Out of the aggregate consideration receivable of RMB122,000,000 (note 19) relating to the FR Guarantee Disposal, an amount of RMB61,000,000 has been subsequently settled in accordance with payment terms as set out in the share transfer agreements.

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13. DISCONTINUED OPERATIONS (continued)

Disposals of subsidiaries — Financing guarantee business (continued)

(Loss)/earnings per share

	2020	2019
(Loss)/earnings per share:		
Basic, from the discontinued operations	**RMB(7.91) cents**	RMB0.22 cent
Diluted, from the discontinued operations	**N/A**	RMB0.17 cent

The calculation of basic and diluted (loss)/earnings per share from the discontinued operations are based on:

	2020 RMB'000	2019 RMB'000
(Loss)/profit attributable to equity owners of the parent from the discontinued operations	**(416,883)**	11,493

	Number of shares	
	2020 '000	2019 '000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**5,273,401**	5,273,047
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**N/A**	6,912,400

14. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures and office equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Total RMB'000
2020				
At 1 April 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
At 1 April 2019, net carrying amount	4,792	3,432	373	8,597
Additions	137	1,052	4	1,193
Disposals of subsidiaries	(22)	–	–	(22)
Disposals	(71)	(26)	–	(97)
Depreciation	(1,021)	(2,352)	(176)	(3,549)
Exchange realignment	6	2	1	9
At 31 March 2020, net carrying amount	3,821	2,108	202	6,131
At 31 March 2020:				
Cost	12,580	7,900	1,759	22,239
Accumulated depreciation	(8,759)	(5,792)	(1,557)	(16,108)
Net carrying amount	3,821	2,108	202	6,131

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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
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

15. INVESTMENT PROPERTIES

	2020	2019
	RMB'000	RMB'000
Carrying amount at 1 April 2019/2018	**997,531**	956,000
Net (loss) gain on fair value adjustment	**(189,015)**	20,538
Disposal of subsidiaries (note 34(a))	**(274,756)**	–
Exchange realignment	**16,240**	20,993
Carrying amount at 31 March 2020/2019	**550,000**	997,531
Representing:		
The PRC	**550,000**	660,000
Hong Kong	**–**	337,531
	550,000	997,531

At 31 March 2020, the Group's investment properties included certain units of a shopping mall in Baishan City, Jilin Province (2019: 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).

Leasing arrangement — the Group as lessor

At the end of the reporting period, the Group leases out certain units of the shopping mall under operating leases with average lease terms of 1 to 20 years. These leases do not contain renewal or termination options.

Accounting policies of lease income from operating leases are set out in note 2.4 to the consolidated financial statements.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically entered into new operating leases and therefore will not immediately realise a reduction in the residual value at the end of the leases. Expectation about future residual values are reflected in the fair value of the properties.

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15. INVESTMENT PROPERTIES (continued)

Leasing arrangement — the Group as lessor (continued)

Below is the maturity analysis of undiscounted lease payments to be received from the leasing of investment properties.

At 31 March 2020

	RMB'000
Year 1	6,153
Year 2	4,267
Year 3	3,496
Year 4	3,472
Year 5	3,472
After year 5	28,878
Undiscounted lease payments to be received	49,738

The future aggregate minimum rental receivables under non-cancellable operating leases of investment properties were as follows:

At 31 March 2019

	RMB'000
Within one year	19,170
In the second to fifth years inclusive	28,528
Over five years	56,077
	103,775

15. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

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

	Fair value measurement as at 31 March 2020 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	–	–	550,000	550,000

	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

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 (2019: Nil).

The changes in net unrealised loss for the year included in profit or loss for the investment properties held at the end of the reporting period was RMB110,000,000 (2019: net unrealised gain of RMB20,538,000).

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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 2020 & 2019 RMB'000	Valuation techniques	Unobservable inputs	Range (weighted average, if applicable)
(1)	Retail shops located on basement 1 and levels 3 to 5 of Guangze International Shopping Center, Baishan City, the PRC	550,000 (2019: 660,000)	Income capitalisation approach	Capitalisation rate Market rent	3.75%–4.75% (2019: 2.75%–4.75%) RMB42.75–RMB180.0 (2019: RMB59.2–RMB184.4) 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 (2019: RMB150,000) per unit
(2)	20th Floor of Towers I, II and III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong	N/A (2019: 337,531)	Income capitalisation approach	Capitalisation rate Market rent	N/A (2019: 3%) HK$N/A (2019: HK$22.5) 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	N/A (2019: HK$1.63 million) 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 2020, the Group's investment properties with an aggregate carrying amount of RMB550,000,000 (2019: RMB997,531,000) were pledged to banks to secure certain of the bank loans granted to the Group (note 24).

16. RIGHT-OF-USE ASSETS, LEASE RECEIVABLES AND LEASE LIABILITIES

The Group as lessor

(a) *Lease receivables under finance lease*

	2020	2019
	RMB'000	RMB'000
Net investment	**3,416**	–
Allowance for ECL	**–**	–
	3,416	–

Information about the Group's exposure to credit risks and loss allowance for lease receivables is included in Note 36 to the consolidated financial statements.

The Group entered into sublease arrangements as the intermediate lessor for certain shopping mall units, which have an initial non-cancellable lease term of 2 to 6 years. These leases do not include purchase or termination options.

In addition to the above leased assets, as disclosed in note 15, the Group also owns certain shopping mall units in Baishan City, the PRC, which is classified as investment properties. With these owned and leased shopping mall units, the Group's management re-zoned the shopping mall based on its business and marketing strategies and subleased to tenants.

Below is a maturity analysis of lease payments receivable and the reconciliation of undiscounted lease payments to the net investment.

At 31 March 2020

	RMB'000
Year 1	**3,178**
Year 2	**388**
Year 3	**52**
Undiscounted lease payments to be received	**3,618**
Less: unearned finance income	**(202)**
Net investment (net of ECL)	**3,416**
Current portion	**2,970**
Non-current portion	**446**

The finance income on net investment and the loss on derecognition of right-of-use assets upon subleases classified as finance lease recognised during the year amounting to RMB161,000 (2019: Nil) and RMB16,464,000 (2019: Nil) respectively.

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16. RIGHT-OF-USE ASSETS, LEASE RECEIVABLES AND LEASE LIABILITIES (continued)

The Group as lessee

(b) Right-of-use assets

The Group leases certain shopping mall units in Baishan City and office and other premises in Hong Kong. The leases have non-cancellable lease terms ranging from one to three years. None of the leases includes variable lease payment terms, extension and termination options.

	Office and other premises RMB'000	Shopping mall units RMB'000	Total RMB'000
Reconciliation of carrying amount — year ended 31 March 2020			
At 1 April 2019 — Upon adoption of HKFRS 16	**175**	**47,125**	**47,300**
Additions	**6,297**	**–**	**6,297**
Depreciation	**(1,945)**	**(19,058)**	**(21,003)**
Derecognition upon subleases classified as finance lease	**–**	**(21,618)**	**(21,618)**
Exchange realignment	**421**	**–**	**421**
At 31 March 2020	**4,948**	**6,449**	**11,397**
At 31 March 2020			
Cost	**6,893**	**17,386**	**24,279**
Accumulated depreciation	**(1,945)**	**(10,937)**	**(12,882)**
	4,948	**6,449**	**11,397**

Restrictions or covenants

Except for the lease of shopping mall units in Baishan that is allowed for sublease, most of the leases impose a restriction that, unless approval is obtained from the lessor, the right-of-use asset can only be used by the Group. The Group is prohibited from selling or pledging the underlying assets. The Group is required to keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

16. RIGHT-OF-USE ASSETS, LEASE RECEIVABLES AND LEASE LIABILITIES (continued)

The Group as lessee (continued)

(b) Right-of-use assets (continued)

The Group has recognised the following amounts for the year:

	2020 RMB'000	2019 RMB'000
Income from subleasing right-of-use assets	**5,555**	–
Lease payments:		
Short-term leases	**1,121**	–
Operating lease payments	**–**	2,829
Expenses recognised in profit or loss	**1,121**	2,829
Lease payments:		
Interest on lease liabilities	**3,574**	–
Repayment of lease liabilities	**24,409**	–
	27,983	–
Total cash outflow for leases	**29,104**	2,829

Commitments under leases

At 31 March 2020, the Group was committed to RMB1,583,000 for short-term leases.

At 31 March 2019

The Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	RMB'000
Within one year	**26,433**
In the second to fifth years inclusive	**26,380**
	52,813

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16. RIGHT-OF-USE ASSETS, LEASE RECEIVABLES AND LEASE LIABILITIES (continued)

The Group as lessee (continued)

(c) Lease liabilities

	2020	2019
	RMB'000	RMB'000
Lease liabilities		
Current portion	**27,577**	–
Non-current portion	**2,016**	–
	29,593	–

17. DEFERRED TAX

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

Deferred tax liabilities

	Depreciation allowance and fair value change of investment properties	Revaluation of properties under development and completed properties held for sale	Prepaid tax	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2018	97,981	205,946	4,327	3,208	311,462
Charged/(credited) to profit or loss	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 2019	**102,928**	**205,946**	**2,635**	**3,830**	**315,339**
Charged/(credited) to profit or loss	**(27,220)**	**(205,946)**	**49**	**27,534**	**(205,583)**
Disposal of subsidiaries	**(6,500)**	**–**	**–**	**(31,364)**	**(37,864)**
Exchange realignment	**297**	**–**	**–**	**–**	**297**
At 31 March 2020	**69,505**	**–**	**2,684**	**–**	**72,189**

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	(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 2019	**35,681**	**5,640**	**18,405**	**2,927**	**62,653**
Credited/(charged) to profit or loss	**(29,955)**	**2,374**	**(579)**	**1,387**	**(26,773)**
Disposal of subsidiaries	**(5,971)**	**–**	**–**	**(4,314)**	**(10,285)**
Exchange realignment	**245**	**–**	**–**	**–**	**245**
At 31 March 2020	**–**	**8,014**	**17,826**	**–**	**25,840**

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

	2020 RMB'000	2019 RMB'000
Tax losses	**503,376**	304,875
Deductible temporary differences	**–**	10,856
	503,376	315,731

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 RMB221,013,000 (2019: RMB52,352,000) 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 of which RMB13,582,000 will be expired in the following year. 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.

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18. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

	2020 RMB'000	2019 RMB'000
Properties under development	**1,843,972**	1,942,742
Completed properties held for sale	**700,139**	687,319
	2,544,111	2,630,061
Write-down of properties under development and completed properties held for sale to net realisable value	**(943,848)**	(53,483)
	1,600,263	2,576,578

Properties under development	2020 RMB'000	2019 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	**1,843,972**	220,477
After one year	**–**	1,722,265
	1,843,972	1,942,742

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

At 31 March 2020, certain of the Group's properties under development of RMB858,213,000 (2019: RMB1,668,625,000), were pledged to banks to secure certain of the bank loans granted to the Group.

The movement of the write-down of properties under development and completed properties held for sale to net realisable value during the year is as follows:

	2020 RMB'000	2019 RMB'000
At 1 April 2019/2018	**53,483**	25,032
Increase in the write-down	**890,365**	28,451
At 31 March 2020/2019	**943,848**	53,483

At 31 March 2020, the Group has accumulated write downs on its properties under development of RMB877,554,000 as a result of re-estimation of the net realisable value of the Group's projects, of which taking into consideration of the unfavourable change in the operating environment in the surrounding area in Fusong County and the pandemic outbreak of coronavirus ("COVID-19"), the Group decided to suspend the project and estimated the net realisable value with the assumption of possible divestment of the entire project in near future. The net realisable value of the project in Fusong county was determined by the management with reference to the valuation performed by Savills Valuation and Professional Services Limited. The remaining accumulated write downs of RMB66,294,000 was mainly related to completed properties held for sale as a result of a decrease in the expected selling price.

19. TRADE AND OTHER RECEIVABLES

The Group has recognised the following amounts for the year:

		2020 RMB'000	2019 RMB'000
Trade receivables		**18,097**	25,185
Less: provision for impairment		**(4,135)**	(4,138)
	(a)	**13,962**	21,047
Other receivables:			
Deposits for land development expenditure	(b)	**337,487**	352,612
Deposits for construction and pre-sale of projects	(c)	**31,496**	39,984
Entrusted loan receivables	(d)	**–**	426,075
Prepaid business tax and other taxes		**19,622**	33,369
Consideration receivable from the disposal of FR Guarantee	(e)	**122,000**	–
Other receivables, prepayments and deposit		**76,085**	98,133
Less: provision for impairment	(f)	**(308,802)**	(26,948)
		277,888	923,225
Total trade and other receivables		**291,850**	944,272

(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 and property management 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 to minimise credit risk. The carrying amounts of the receivables approximate to their fair values. Trade receivables are non-interest-bearing.

At 31 March 2020, trade receivables are primarily related to revenue recognised from the provision of property management service and leasing of properties (2019: 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:

	2020 RMB'000	2019 RMB'000
Within 30 days	**1,538**	3,672
31 days–180 days	**6,651**	11,338
Over 180 days	**5,773**	6,037
	13,962	21,047

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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:

	2020 RMB'000	2019 RMB'000
Neither past due nor impaired	**50**	997
	50	997
Less than 30 days past due	**1,488**	3,608
Over 30 days and less than 180 days past due	**6,651**	11,199
Over 180 days past due	**5,773**	5,243
	13,912	20,050
	13,962	21,047

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

	2020 RMB'000	2019 RMB'000
At 1 April 2019/2018	**4,138**	905
(Credited)/charged to profit or loss during the year	**(3)**	3,233
At 31 March 2020/2019	**4,135**	4,138

(b) The balances represented monies advanced to the local government for land development works at land sites. The Group will be reimbursed for the amount advanced to the local government in carrying out the land development irrespective of whether or not the Group will obtain the land use rights of the land in the future.

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

(d) In prior years, 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 were funded by FR Guarantee. These entrusted loans bore interests at rates ranging from 6% to 18% per annum and were repayable within one year. As set out in note 13 to the consolidated financial statements, FR Guarantee was disposed of during the year ended 31 March 2020; and the balance was derecognised upon the completion of the FR Guarantee Disposal.

19. TRADE AND OTHER RECEIVABLES (continued)

(e) The balance represented the consideration receivable of RMB122,000,000 relating to the FR Guarantee Disposal. Details of the disposal are set out in the note 13 to the consolidated financial statements. Subsequent to 31 March 2020, RMB61,000,000 was settled in accordance with payment terms as set out in the share transfer agreements.

(f) Movement in provision for impairment of other receivables are as follows:

	2020 **RMB'000**	2019 RMB'000
At 1 April 2019/2018	**26,948**	6,573
Charge to profit or loss during the year		
— Continuing operations	**297,854**	4,375
— Discontinued operations	**300,276**	16,000
Disposal of subsidiaries	**(316,276)**	–
At 31 March 2020/2019	**308,802**	26,948

Further information about the Group's credit risks on other receivables is included in note 36 to the consolidated financial statements.

20. CASH AND CASH EQUIVALENTS AND PLEDGED AND RESTRICTED DEPOSITS

	Notes	**2020** **RMB'000**	2019 RMB'000
Cash and bank balances		**49,509**	219,119
Less: Restricted bank deposits under pre-sale of properties	(a)	**(19,009)**	(22,693)
Restricted bank deposits under provision of financing guarantee services	(b)	**–**	(166,362)
Cash and cash equivalents		**30,500**	30,064

(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 was required to place certain amounts of deposits in the banks to secure the provision of financing guarantee services. The balances were refundable when the obligation of the financing guarantee is released. The restricted cash earned interest at floating daily bank deposit rates. The balance was derecognised upon the completion of the FR Guarantee Disposal.

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB42,823,000 (2019: RMB212,104,000). 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.

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21. TRADE AND OTHER PAYABLES

	Notes	2020 RMB'000	2019 RMB'000
Trade payables	(a)	**126,437**	79,700
Accrued construction costs		**338,187**	440,112
Interest payable		**44,481**	29,534
Deposits received from the government	(b)	**14,501**	19,978
Provision for guarantee losses	(c)	**–**	15,315
Other creditors and accruals		**97,761**	58,197
Other deposits received		**26,138**	40,735
		647,505	683,571

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

	2020 RMB'000	2019 RMB'000
Within 30 days	**43,164**	54,092
31 days–180 days	**59,150**	22,672
Over 180 days	**24,123**	2,936
	126,437	79,700

(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 provided financing guarantees to certain banks in order for its customers to secure bank financing. At 31 March 2019, a provision for guarantee losses of RMB15,315,000 was made. The balance was derecognised upon the completion of the FR Guarantee Disposal.

22. CONTRACT LIABILITIES

	Notes	2020 RMB'000	2019 RMB'000
Deposits from sale of properties	(a)	**223,695**	253,529
Receipt in advance from management services	(b)	**10,831**	8,655
Deferred income	(c)	**–**	11,706
		234,526	273,890

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within HKFRS 15 during the year are as follows:

	2020 RMB'000	2019 RMB'000
At 1 April 2019/2018	**273,890**	–
Upon adoption of HKFRS 15	**–**	656,437
Additions	**135,597**	16,728
Disposal of subsidiaries (note 34(b))	**(17,257)**	–
Recognised as revenue	**(157,704)**	(399,275)
At 31 March 2020/2019	**234,526**	273,890

At 31 March 2020, the amount of transaction price which is allocated to the performance obligations that are unsatisfied, expected to be satisfied within one year and more than one year are RMB65,839,000 (2019: RMB403,462,000) and RMB247,566,000 (2019: RMB250,721,000) respectively. The amounts included the contract liabilities as disclosed above.

At 31 March 2020, the contract liabilities that are expected to be settled after more than 12 months are RMB180,602,000 (2019: RMB102,868,000).

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.

(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 loss when the Group's revenue recognition criteria are met.

(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.

(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. The balance was derecognised upon the completion of the FR Guarantee Disposal.

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23. LOANS FROM A CONTROLLING SHAREHOLDER

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

24. BANK AND OTHER BORROWINGS

	Notes	2020 RMB'000	2019 RMB'000
Current			
Bank loans — unsecured	(i)	–	29,000
Bank loans — secured	(ii)	**355,897**	311,891
Other loans — unsecured	(iii)	**22,000**	23,190
Other loans — secured	(iv)	**17,600**	–
Entrusted loan	(v)	**300,000**	100,000
		695,497	464,081
Non-current			
Bank loans — secured	(ii)	**170,690**	477,586
		170,690	477,586
		866,187	941,667

	2020 RMB'000	2019 RMB'000
Analysed into:		
Bank loans and entrusted loan repayable:		
Within one year or on demand	**655,897**	440,891
In the second year	**56,897**	306,896
In the third to fifth years, inclusive	**113,793**	170,690
	826,587	918,477
Other borrowings repayable:		
Within one year	**39,600**	23,190
	866,187	941,667

24. BANK AND OTHER BORROWINGS (continued)

Notes:

(i) Included in the balance as at 31 March 2019 was the unsecured bank loan of RMB29,000,000 which bore interests at fixed rates of 9.57% per annum. During the year ended 31 March 2020, the loan was renewed and became a secured bank loan (note ii).

(ii) Included in the secured bank loans as at 31 March 2020 are loan balances of RMB29,000,000 (note i), RMB70,000,000 (2019: RMB70,000,000), RMB227,587,000 (2019: RMB256,034,000) and RMB200,000,000 (2019: RMB215,000,000) bearing interests at benchmark interest rate plus margin of 120%, at a fixed rate of 7.6%–9.57% per annum, at a fixed 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 60% equity interests of 吉林省廣澤地產有限公司 (Jilin Ground Real Estate Company Limited); the bank loan of RMB29,000,000 is guaranteed by an independent third party guarantee company where the Group provided a counter guarantee in favour of the independent third party for its obligations to guarantee the payment obligations; and the bank loans of RMB227,587,000 and RMB200,000,000 are secured by pledges of the properties under development with carrying values of RMB858,213,000 (2019: RMB1,410,139,000) and investment properties with fair value of RMB550,000,000 (2019: RMB660,000,000) respectively.

The secured bank loan of HK$290,000,000 (equivalent to approximately RMB248,443,000) as at 31 March 2019 was repaid during the year.

(iii) As at 31 March 2020, the unsecured other loan of RMB22,000,000 (2019: 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. Subsequent to the year ended 31 March 2020, Jilin Wan Sheng entered into a supplemental agreement with the remaining one individual third party, where the loan remains unsecured, bears a fixed interest rate of 24% per annum and is repayable on demand.

(iv) As at 31 March 2020, the secured other loan of RMB17,600,000 bears interests at a fixed rate of 12% per annum and is secured by 80% equity interests of 吉林市築家房地產開發有限公司 (Jilin Zhujia Real Estate Development Company Limited). The loan is guaranteed by the personal and corporate guarantees by certain connected parties of the Company.

(v) Included in the entrusted loans as at 31 March 2020 are loan balances of RMB100,000,000 (2019: RMB100,000,000) and RMB200,000,000 (2019: nil) bearing interest at fixed rates of 8% per annum and 12% per annum respectively.

The entrusted loan of RMB100,000,000 is secured by properties under development held by the Group with a carrying amount of RMB254,666,000 as at 31 March 2020 (2019: RMB258,486,000) and entrusted loan of RMB200,000,000 is secured by a second charge of properties under development with carrying amounts of RMB858,213,000 as at 31 March 2020 (2019: Nil) and 66.4% equity interests of 撫松長白山廣澤旅遊開發有限公司 (Fusong Changbaishan Ground Tourism Development Company Limited).

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25. DERIVATIVE FINANCIAL INSTRUMENTS AND CONVERTIBLE BONDS

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 "Convertible Bonds") as part of the considerations in respect of the Ka Yun Acquisition. The Convertible Bonds 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 Convertible Bonds 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 Convertible Bonds are not transferrable without the prior written consent of the Company.

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

The Company has not early redeemed any portion of the Convertible Bonds during the year.

On 29 March 2017, the Convertible Bonds 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 Convertible Bonds 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 2020 and 2019, the Convertible Bonds in the principal amount of HK$87,962,612 has not yet been converted.

25. DERIVATIVE FINANCIAL INSTRUMENTS AND CONVERTIBLE BONDS (continued)

Accounting treatment

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:

	2020 **RMB'000**	2019 RMB'000
At 1 April 2019/2018	**4,837**	14,843
Fair value change	**(4,976)**	(11,045)
Exchange realignment	**235**	1,039
At 31 March 2020/2019	**96**	4,837

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25. 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:

	2020	2019
	RMB'000	RMB'000
At 1 April 2019/2018	**62,962**	54,218
Accrued effective interest	**7,550**	6,401
Accrued coupon interest transferred to interest payable	**(1,582)**	(1,506)
Exchange realignment	**4,225**	3,849
At 31 March 2020/2019	**73,155**	62,962

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 Convertible Bonds 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:

	2020	2019
	RMB'000	RMB'000
At 31 March 2020/2019	**40,368**	40,368

As at 31 March 2020, the remaining principal amount of the CBs due in 2021 was approximately HK$87,962,612 (equivalent to RMB70,370,090) (2019: 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 2020.

26. 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 2020 and 2019	5,273,401	263,670	228,370

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

	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	850	42	35
At 31 March 2019, 1 April 2019 and 31 March 2020	5,273,401	263,670	228,370

27. CONVERTIBLE PREFERENCE SHARES

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

Key terms of the CPS are as follows:

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

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

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

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

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27. CONVERTIBLE PREFERENCE SHARES (continued)

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

(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 2020, 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 2020.

28. 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.

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28. 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.

28. SHARE OPTION SCHEME (continued)

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

	Number of share options						
Grantees	As at 1 April 2019	Exercised during the year	Forfeited/ lapsed during the year	As at 31 March 2020	Date of grant	Exercise period (Note 1)	Exercise price per share option HK$
Employees	30,000,000	–	–	30,000,000	19/06/2014	19/06/2014 – 18/06/2024	0.980
	2,840,000	–	–	2,840,000	18/04/2016	18/04/2016 – 17/04/2026	0.980
Others	6,000,000	–	–	6,000,000	19/06/2014	19/06/2014 – 18/06/2024	0.980
	20,400,000	–	(14,800,000)	5,600,000	24/10/2014	24/10/2015 – 23/10/2024	1.200
	11,200,000	–	(3,570,000)	7,630,000	18/04/2016	18/04/2016 – 17/04/2026	0.980
Total	70,440,000	–	(18,370,000)	52,070,000			

Notes:

1. 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.

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28. SHARE OPTION SCHEME (continued)

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

	2020 Weighted average exercise price HK$ per share	**2020** Number of options '000	2019 Weighted average exercise price HK$ per share	2019 Number of options '000
Outstanding at 1 April	**1.0437**	**70,440**	1.0438	72,050
Exercised during the year	**N/A**	**–**	0.9800	(850)
Lapsed/Forfeited during the year	**1.1572**	**(18,370)**	1.1200	(760)
Outstanding at 31 March	**1.0037**	**52,070**	1.0437	70,440
Exercisable at 31 March	**1.0037**	**52,070**	1.0437	70,440

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

2020 Number of options	2019 Number of options	**Exercise price HK$ per share**	**Exercise period**
2,399,000	2,450,000	**0.98**	**18/04/2016 – 17/04/2026**
3,459,000	3,510,000	**0.98**	**18/04/2017 – 17/04/2026**
4,612,000	8,080,000	**0.98**	**18/04/2018 – 17/04/2026**
36,000,000	36,000,000	**0.98**	**19/06/2014 – 18/06/2024**
2,800,000	10,200,000	**1.20**	**24/10/2015 – 23/10/2024**
2,800,000	10,200,000	**1.20**	**24/10/2016 – 23/10/2024**
52,070,000	70,440,000		

No share option expense was recognised during the year ended 31 March 2020 (2019: RMB824,000) as all the above share options had been fully vested in prior year.

28. 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.

At the end of the reporting period, the Company had 52,070,000 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 52,070,000 additional ordinary shares of the Company and additional share capital of RMB2,817,600 (before issue expenses) which represented approximately 0.99% of the Company's shares in issue as at that date.

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29. 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.

29. RESERVES (continued)

(v) 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.

(vi) Other reserves

		2020 RMB'000	2019 RMB'000
Merger reserve	(a)	**(3,316,856)**	(3,316,856)
Property revaluation reserve	(b)	**–**	8,151
Deemed capital contribution reserve	(c)	**58,382**	58,382
Others		**4,692**	4,692
		(3,253,782)	(3,245,631)

(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. During the year, the relevant revaluation reserve was transferred directly to retained earnings upon the disposal of the assets.

(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 Company'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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

30. CONTINGENT LIABILITIES

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

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 2020, guarantees amounting to RMB803.4 million were given to banks with respect to mortgage loans procured by purchasers of property units (2019: RMB905.1 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.

31. COMMITMENTS

Commitments for development expenditure

The Group had the following capital commitments at the end of the reporting period:

	2020 **RMB'000**	2019 RMB'000
Contracted, but not provided for:		
— Properties under development	–	23,557

32. RELATED PARTY TRANSACTIONS

(a) Other than disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with related parties during the year:

	2020 **RMB'000**	2019 RMB'000
(i) Entities controlled by a close family member of a controlling shareholder of the Company:		
Rental expenses paid:		
— a motor vehicle	**194**	185
— office premises	**698**	785
Building management fees paid:		
— office premises	**40**	45
	932	1,015
Guarantee fees income	**960**	696
Guarantee provided	**48,000**	78,000

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, disclosure, circular and independent shareholders' approval requirements of Chapter 14A of the Listing Rules, until the provision for guarantee services ceased to be a continuing connected transaction upon the completion of FR Guarantee Disposal. Further details are set out in the Company's announcement dated 19 June 2018 and 28 December 2018 respectively.

	2020 **RMB'000**	2019 RMB'000
(ii) A controlling shareholder of the Company:		
Coupon interest on CBs due in 2021	**1,582**	1,506

(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 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 with a total guaranteed amount of not more than RMB110 million. 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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32. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

(iv) On 17 July 2019, the Company entered into a corporate guarantee and financial assistance framework agreement with Ground Investment Holding (Group) Company Limited ("Ground Investment Holding"), Ka Yik and Charm Success Group Limited, companies beneficially owned by close family members of the controlling shareholder of the Company or a director of the Company (collectively known as the "Controlling Shareholders"), pursuant to which the Company shall provide corporate guarantee to the Controlling Shareholders and their respective associates and the Controlling Shareholders shall provide shareholders loans to the Group with a total amount of not more than RMB115,000,000 and RMB174,000,000 during the year respectively.

On the same day, FR Guarantee entered into a guarantee service framework agreement with Ground Investment Holding, pursuant to which FR Guarantee shall provide guarantee services to Ground Investment Holding with a total amount of not more than RMB87,480,000 during the year.

The above transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules and subject to the reporting, disclosure, circular and independent shareholders' approval requirements. Upon the completion of FR Guarantee Disposal, the guarantee services provided by FR Guarantee has ceased to be a continuing connected transaction. Further details of these above transactions and cessation of continuing connected transaction are set out in the Company's announcement and circulars dated 17 July 2019, 20 August 2019 and 26 March 2020 respectively.

(b) Key management personnel

	2020 RMB'000	2019 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	**881**	757
Other emoluments:		
Salaries, allowances and benefits in kind	**6,631**	7,140
Discretionary bonuses	**965**	1,535
Pension scheme contributions	**467**	346
	8,063	9,021
Total compensation paid to key management personnel	**8,944**	9,778

33. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Lease liabilities RMB'000	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 2019	**–**	**149,065**	**941,667**	**62,962**
Net cash flows	**(27,983)**	**(47,965)**	**157,698**	**–**
Upon adoption of HKFRS 16	**47,300**	**–**	**–**	**–**
Interest on lease liabilities	**3,574**	**–**	**–**	**–**
New leases	**6,297**	**–**	**–**	**–**
Offsetting consideration on disposal of subsidiaries (Note)	**–**	**–**	**(245,126)**	**–**
Exchange realignment	**405**	**4,791**	**11,948**	**4,225**
Accrued effective interest	**–**	**–**	**–**	**7,550**
Interest paid classified as operating cash flows	**–**	**–**	**–**	**(1,582)**
At 31 March 2020	**29,593**	**105,891**	**866,187**	**73,155**
At 1 April 2018	–	111,160	1,004,806	54,218
Net cash flows	–	149,920	(19,169)	–
Derecognition of the listed equity investment	–	(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

Note: As disclosed in Note 34(a), the Group completed the IP Disposal (as defined hereafter) in March 2020, prior to which the investment properties were pledged against the Group's bank loans. Upon the completion of the IP Disposal pursuant to the terms of the sale and purchase agreements, the proceeds from the IP Disposal of approximately RMB245,126,000 were remitted to the bank directly from the IP Purchasers for the purpose of the Group's repayment of the bank loans in order for the release of the pledge of the investment properties.

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34. DISPOSALS OF SUBSIDIARIES

(a) Disposal of subsidiaries — Hong Kong investment properties

On 24 February 2020, the Group's subsidiaries, namely (i) Ground Holdings Limited, (ii) Sungloss International Limited, (iii) Master Form Limited, and (iv) Target Lane Investments Limited, entered into sale and purchase agreements with independent third parties (the "IP Purchasers") to dispose of the entire equity interests in Ground Data System Limited, World Sheen Properties Limited, Ground Properties (HK) Limited and Jackie Industries Limited respectively at an aggregate consideration of HK$305,280,000 (equivalent to approximately RMB272,220,000), subject to adjustments (if any) under the agreements (the "IP Disposal"). The main assets under these subsidiaries were the Group's investment properties in Hong Kong. The IP Disposal was completed in March 2020. The following summaries the aggregate consideration received and the carrying amount of assets and liabilities at the date of disposal:

	RMB'000
Net assets disposed of:	
Investment properties	274,756
Deferred tax assets	5,971
Trade and other receivables	352
Cash and cash equivalents	1,430
Trade and other payables	(3,582)
Income tax payable	(50)
Deferred tax liabilities	(6,500)
	272,377
Gain on disposal of subsidiaries	
Consideration received	272,220
Less: Net assets disposed of	272,377
	(157)
Release of exchange reserve	42,334
Transaction costs on disposal of subsidiaries	(3,699)
	38,478

An analysis of the net inflow of cash and cash equivalents in respect of the IP Disposal is as follows:

	RMB'000
Aggregate consideration	272,220
Repayment of secured bank loans pursuant to the terms of the sale and purchase agreements (note 33)	(245,126)
Cash and cash equivalents disposed of	(1,430)
Net inflow of cash and cash equivalents	25,664

34. DISPOSALS OF SUBSIDIARIES (continued)

(b) Disposals of subsidiaries — FR Guarantee Disposal

As set out in note 13 to the consolidated financial statements, the Group completed the disposal of the entire equity interests of JL Zhongye and JL Fengrun at an aggregate consideration of RMB122,000,000 on 27 March 2020. The following summarises the aggregate consideration and the carrying amount of assets and liabilities at the date of disposal:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	22
Deferred tax assets	4,314
Trade and other receivables	183,810
Pledged deposits	162,154
Cash and cash equivalents	4,440
Trade and other payables	(155,402)
Contract liabilities	(17,257)
Income tax payable	(14,978)
Deferred tax liabilities	(31,364)
	135,739
Loss on disposal of subsidiaries	
Consideration receivable (note 19)	122,000
Less: Net assets disposed of	135,739
	(13,739)
Transaction costs on disposal of subsidiaries	(888)
	(14,627)

An analysis of the net outflow of cash and cash equivalents in respect of the FR Guarantee Disposal is as follows:

	RMB'000
Net outflow of cash and cash equivalents	4,440

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35. 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:

2020

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	–	272,228	272,228
Derivative financial instruments	96	–	96
Pledged and restricted deposits	–	19,009	19,009
Cash and cash equivalents	–	30,500	30,500
	96	321,737	321,833

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in trade and other payables	647,505
Lease liabilities	29,593
Liability component of the Convertible Bonds	73,155
Loans from a controlling shareholder	105,891
Bank and other borrowings	866,187
	1,722,331

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

Financial instruments by category (continued)

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
Bank and other borrowings	941,667
	1,837,265

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35. 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 are as follows:

	Carrying amounts		**Fair values**	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Derivative financial instruments	**96**	4,837	**96**	4,837
	96	4,837	**96**	4,837
Financial liabilities				
Loans from a controlling shareholder	**105,891**	149,065	**105,891**	149,065
Lease liabilities	**29,593**	–	**29,593**	–
Bank and other borrowings	**866,187**	941,667	**889,986**	948,028
Liability component of the Convertible Bonds	**73,155**	63,926	**76,257**	65,225
	1,074,826	1,154,658	**1,101,727**	1,162,318

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 and other borrowings 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 and other borrowings and the Convertible Bonds as at 31 March 2020 and 2019 was assessed to be insignificant.

35. 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 2020 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	**–**	**–**	**96**	**96**
	–	**–**	**96**	**96**

	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

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35. 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 2020 and 2019:

	Valuation techniques	Significant unobservable inputs	Range
Early redemption rights embedded in the Convertible Bonds	Binomial pricing model	Expected volatility	110.8% (2019: 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 (2019: 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 25 to the consolidated financial statement.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise the Convertible Bonds, bank and other borrowings, pledged and restricted 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 and lease liabilities 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.

36. 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 (loss)/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
2020		
Bank loans	**50**	**145**
Bank loans	**(50)**	**(145)**
2019		
Bank loans	50	(1,242)
Bank loans	(50)	1,242

Foreign currency risk

The Group's exposure to foreign currency risk mainly arises 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 its business operations in the PRC, transactional currency exposure arising from sales or purchases in currencies other RMB has an immaterial impact on the Group's results and equity.

The following table demonstrates the sensitivity as at 31 March 2020 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).

	Increase/ (decrease) in HK$ rate %	Increase/ (decrease) in equity RMB'000
2020		
RMB strengthens against HK$	**3**	**5,007**
RMB weakens against HK$	**(3)**	**(5,007)**
2019		
RMB strengthens against HK$	3	1,356
RMB weakens against HK$	(3)	(1,356)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

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

Credit risk arising from trade and lease 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 ECL of trade receivables and lease 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 lease 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% (2019: 5% to 50%). The Group has a policy of making impairment loss allowance on 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 RMB4,135,000 (2019: RMB4,138,000) were provided. For lease receivables, after consideration, the management of the Group considers any addition of ECL of lease receivables to be insignificant and no loss allowance provision is made during the year.

At the end of the reporting period, the Group has minimal concentration of credit risk as the trade receivables from the largest single customer represented less than 5% (2019: 6%) of the total trade receivables.

Credit risk arising from other receivables excluding entrusted loan receivables

In estimating the provision for impairment of other receivables and in determining whether there is a significant increase in credit risk since initial recognition, the Group has taken into account the historical actual credit loss experience, negotiation results with the debtors, adjusted for forward-looking factors that are specific to the debtors with the consideration of the downturn in the economy in Jilin Province and further impact to the economy arising from the outbreak of COVID-19 during the year, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. At the end of the reporting period, the Group considers certain debtors' credit quality was worsen which gave rise to a significant increase in credit risk and therefore considered as credit-impaired. The Group measures the provision for impairment at an amount equal to the lifetime ECL and recognised provision for impairment on other receivables of RMB308,802,000 (2019: RMB10,948,000).

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk arising from other receivables excluding entrusted loan receivables (continued)

Out of the total provision for impairment, RMB264,180,000 (2019: Nil) was made in respect of the deposits for land development expenditure and deposits for construction and pre-sale of projects. During the year, the Group considered that the impact of economic downturn in Jilin Province and the outbreak of COVID-19 could also impact the credit risk of these deposits. Having considered the result of the recovery actions taken by the Group including but not limited to negotiation with the counterparties, the management considered any additional ECL of these deposits to be insignificant.

In respect of the consideration receivable from the disposal of FR Guarantee, as set out in note 13 to the consolidated financial statements, certain part of the consideration receivables had been subsequently settled in accordance with the payment terms as set out in the share transfer agreement, the management considered that the credit risk was low and no loss allowance was made at the end of the reporting period.

The movement of the provision for impairment for the balances are summarised as below:

For the year ended 31 March 2020

	Deposits for land development expenditure RMB'000	**Deposits for construction and pre-sale of projects RMB'000**	**Other receivables, prepayment and deposit RMB'000**	**Total RMB'000**
At beginning of year	**—**	**—**	**10,948**	**10,948**
Increase in provision	**249,328**	**14,852**	**33,674**	**297,854**
At 31 March 2020	**249,328**	**14,852**	**44,622**	**308,802**
Gross carrying amounts	**337,487**	**31,496**	**76,985**	
Expected loss rate	**74%**	**47%**	**58%**	

For the year ended 31 March 2019

	Deposits for land development expenditure RMB'000	Deposits for construction and pre-sale of projects RMB'000	Other receivables, prepayment and deposit RMB'000	Total RMB'000
At beginning of year	–	–	6,573	6,573
Increase in provision	–	–	4,375	4,375
At 31 March 2019	–	–	10,948	10,948
Gross carrying amounts	352,612	39,984	98,133	
Expected loss rate	0%	0%	11%	

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk arising from guarantees issued and entrusted loan receivables

Prior to the completion of FR Guarantee Disposal, 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 operation 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 focusing 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 undertakes the same business activities, operates in the same geographical locations, or bears 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. During the year until the completion of FR Guarantee Disposal, the Group closely monitored the credit risk arising from these guarantee issued and entrusted loan and performed the credit risk assessment with the consideration of latest available information and the market situation including the impact of COVID-19. Apart from performing the abovementioned post-transaction monitoring process, the Group has also taken necessary actions especially to those overdue entrusted loan receivables including but not limited to negotiate with the borrowers for a feasible repayment schedule and/or taking legal action to recover the outstanding balances. Based on the credit risk assessment, the credit ratings of certain customers and borrowers were worsened given rise to a significant increase in credit risk of these guarantee issued and entrusted loan receivables. As a result, the Group recognised provision for guarantee losses and ECL on entrusted loan receivables of RMB100,308,000 and RMB290,923,000 respectively in accordance with the Group's internal credit rating policies by adopting the expected loss rate of 40%–80% (2019: 30%–60%) for under-performing status and 2%–4% (2019: 1.5%–3%) for performing status respectively.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

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:

	2020				
	Less than 3 months RMB'000	**3 to less than 12 months RMB'000**	**1 to less than 2 years RMB'000**	**2 to 5 years RMB'000**	**Total RMB'000**
Trade and other payables	**647,505**	**–**	**–**	**–**	**647,505**
Lease liabilities	**7,233**	**21,659**	**2,482**	**414**	**31,788**
Loans from a controlling shareholder	**105,891**	**–**	**–**	**–**	**105,891**
Bank and other borrowings	**364,175**	**360,407**	**66,097**	**122,994**	**913,673**
Liability component of the Convertible Bonds	**1,611**	**81,166**	**–**	**–**	**82,777**
	1,126,415	**463,232**	**68,579**	**123,408**	**1,781,634**

	2019				
	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to less than 2 years RMB'000	2 to 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	319,894	190,454	1,011,199
Liability component of the Convertible Bonds	1,509	1,505	75,846	–	78,860
	1,121,943	214,558	395,740	190,454	1,922,695

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objective of the Group's capital management is to maintain the Group's stability and growth.

The management 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 loans from a controlling shareholder, bank and other borrowings, trade and other payables, less cash and cash equivalents and pledged and restricted deposits. Adjusted capital includes the liability component of the Convertible Bonds and equity. The gearing ratios as at the end of the reporting periods were as follows:

	2020 **RMB'000**	2019 RMB'000
Loans from a controlling shareholder	**105,891**	149,065
Bank and other borrowings	**866,187**	941,667
Trade and other payables	**647,505**	683,571
Less: Cash and cash equivalents	**(30,500)**	(30,064)
Pledged and restricted deposits	**(19,009)**	(189,055)
Net debt	**1,570,074**	1,555,184
Liability component of the Convertible Bonds	**73,155**	62,962
Equity	**451,916**	2,328,311
Adjusted capital	**525,071**	2,391,273
Adjusted capital and net debt	**2,095,145**	3,946,457
Gearing ratio	**75%**	39%

37. 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 2020 RMB'000	31 March 2019 RMB'000
NON-CURRENT ASSET		
Interests in subsidiaries	**785,571**	5,067,946
Total non-current asset	**785,571**	5,067,946
CURRENT ASSETS		
Other receivables	**744**	661
Derivative financial instruments	**96**	4,837
Cash and cash equivalents	**5,950**	5,271
Total current assets	**6,790**	10,769
CURRENT LIABILITIES		
Other payables	**17,693**	9,623
Bank and other borrowings	**–**	40,264
Total current liabilities	**17,693**	49,887
NET CURRENT LIABILITIES	**(10,903)**	(39,118)
TOTAL ASSETS LESS CURRENT LIABILITIES	**774,668**	5,028,828
NON-CURRENT LIABILITIES		
Liability component of the Convertible Bonds	**73,155**	62,962
Total non-current liabilities	**73,155**	62,962
Net assets	**701,513**	4,965,866
EQUITY		
Share capital	**228,370**	228,370
Convertible preference shares	**1,181,940**	1,181,940
Equity component of the Convertible Bonds	**40,368**	40,368
Reserves (Note)	**(749,165)**	3,515,188
TOTAL EQUITY	**701,513**	4,965,866

This statement of financial position was approved and authorised for issue by the Board of Directors on 29 June 2020 and signed on its behalf by

Cui Xintong
Director

Tsang Hung Kei
Director

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

The movement 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**
At 1 April 2019	**3,535,139**	**(24,104)**	**184,684**	**24,558**	**(251,837)**	**46,748**	**3,515,188**
Loss for the year	**–**	**–**	**–**	**–**	**(4,509,558)**	**–**	**(4,509,558)**
Other comprehensive income for the year:							
Exchange differences on translation	**–**	**245,205**	**–**	**–**	**–**	**–**	**245,205**
Total comprehensive income for the year	**–**	**245,205**	**–**	**–**	**(4,509,558)**	**–**	**(4,264,353)**
Lapse/forfeiture of share options	**–**	**–**	**–**	**(3,842)**	**3,842**	**–**	**–**
At 31 March 2020	**3,535,139**	**221,101**	**184,684**	**20,716**	**(4,757,553)**	**46,748**	**(749,165)**

	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
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
Lapse/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

38. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated to conform with the current year presentation as a result of the discontinued operations, as set out in notes 13 and 34(b) to the consolidated financial statements, in accordance with HKFRS 5.

As further explained in note 2.2 to the financial statements, the Group adopted HKFRS 16 on 1 April 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, HKAS 17, and related interpretations.

39. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 June 2020.

Schedule of Principal Properties

INVESTMENT PROPERTIES

	Address	Lot No.	Category of the lease	Use	Lease expiry	Percentage held by the Group
1.	Portion of Guangze International Shopping Centre, 135 Hunjiang Dajie, Hunjiang District, Jilin Province, PRC	N/A The properties have a total gross floor area of 60,672.33 sq. m.	Medium-term lease	Retail	2053	100%
2.	Car parking spaces of Guangze International Shopping Centre, 135 Hunjiang Dajie, Hunjiang District, Jilin Province, PRC	N/A The properties have a total gross floor area of 7,760.53 sq. m.	Medium-term lease	Car parks	2053	100%

PROPERTIES UNDER DEVELOPMENT

	Address	Estimated gross floor area (sq. m)	Uses	Lease expiry	Stage of completion	Expected date of completion	Percentage held by the Group
1.	Changbaishan Ground Pine Township International Resort (長白山廣澤果松小鎮國際度假村), Guosong Village Donggang Town, Fusong County, Baishan, Jilin Province, PRC	539,646	Residential and commercial (including hotels)	Residential: 2082 Commercial: 2052	Construction in progress	N/A	100%
2.	Guangze China House Phase I(A) (廣澤蘭亭一(A)期) North of National Highway 201, Hunjiang District, Baishan, Jilin Province, PRC	43,370	Residential and commercial	Residential: 2084 Commercial: 2054	Construction in progress	2021	100%

Schedule of Principal Properties

COMPLETED PROPERTIES HELD FOR SALE

	Address	Approximate gross floor area (sq. m)	Uses	Lease expiry	Year 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	33,047	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	19,066	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	37,024	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	1,094	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	20,579	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	Year 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	1,472	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, Yanxi Street, Yanji, Jilin Province, PRC	2,971	Residential, commercial and carparks	Residential: 2085 Commercial: 2055	2018	100%
8.	Guangze Red House Phase III and Relocated District (廣澤紅府三期和回遷區), East of Wenhua East Street, Yanji, Jilin Province, PRC	19,139	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	22,944	Residential	2082	2016	100%

Five-year Financial Summary

(Expressed in RMB million, unless otherwise stated)	Year ended 31 March				
	2020	2019	2018	2017	2016
		(Re-presented) (note 1)		(Re-presented) (note 2)	
Revenue	**242.7**	654.5	920.0	1,032.5	624.4
Gross (loss) profit	**(44.6)**	174.5	164.8	274.9	155.0
(Loss) profit for the year from continuing operations	**(1,367.5)**	11.6	59.2	47.1	(118.0)
(Loss) profit for the year from discontinued operations	**(416.9)**	11.4	(8.8)	23.7	–
(Loss) profit for the year	**(1,784.4)**	23.0	50.4	70.8	(118.0)
Basic (loss) earnings from continuing operations per share (RMB cents)	**(25.93)**	0.22	1.3	2.8	(10.0)
Total assets	**2,555.8**	4,830.7	5,309.2	5,615.3	5,099.0
Total liabilities	**2,103.9**	2,502.4	3,044.6	3,898.5	4,058.1
Net assets	**451.9**	2,328.3	2,264.6	1,716.8	1,040.9
Net assets value per share (RMB)	**0.09**	0.44	0.43	0.53	1.21

(1) The figures in respect of profit or loss items have been re-presented to reflect the continuing and discontinued operations caused by the Fengrun Disposal.

(2) The figures in respect of profit or loss items were re-presented to reflect the continuing and discontinued operations caused by the disposal of telecommunications retail sales and management service business in Shanghai in June 2017.

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