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HUA YIN INTERNATIONAL HOLDINGS LIMITED

華音國際控股有限公司

(Incorporated in Bermuda with limited liability)

(stock code: 989)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

The Board (the “Board”) of Directors (the “Directors”) of Hua Yin International Holdings Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2022 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2022

		Six months ended 30 September	
		2022 (unaudited) RMB'000	2021 (unaudited) RMB'000
	Notes		
Revenue	5(a)	335,505	66,345
Cost of sales and services		<u>(281,231)</u>	<u>(41,648)</u>
Gross profit		54,274	24,697
Other income	5(b)	540,596	84,358
Selling and distribution expenses		(2,513)	(4,520)
Administrative expenses		(16,446)	(17,249)
Finance costs	6	(39,818)	(24,746)
Other expenses		(4,656)	(5,672)
Change in fair value of investment properties	11	(27,493)	(46,627)
Change in fair value of derivative financial instruments	19	<u>13,728</u>	<u>(21)</u>
Profit before tax	7	517,672	10,220
Income tax	8	<u>(101,110)</u>	<u>6,562</u>
Profit for the period attributable to the owners of the parent		<u>416,562</u>	<u>16,782</u>
EARNINGS PER SHARE			
ATTRIBUTABLE TO OWNERS OF THE PARENT			
	9		
Basic		<u>5.98 cents</u>	<u>0.25 cents</u>
Diluted		<u>5.43 cents</u>	<u>0.23 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	Six months ended 30 September	
	2022 (unaudited) RMB'000	2021 (unaudited) (Restated) RMB'000
PROFIT FOR THE PERIOD	416,562	16,782
OTHER COMPREHENSIVE INCOME <i>Other comprehensive income may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>(18,427)</u>	<u>1,339</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>(18,427)</u>	<u>1,339</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT, NET OF TAX	<u>398,135</u>	<u>18,121</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		30 September 2022 (unaudited) <i>RMB'000</i>	31 March 2022 (audited) <i>RMB'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		227	261
Investment properties	<i>11</i>	589,200	615,800
Right-of-use assets		3,150	332
Deferred tax assets		10,382	17,363
Total non-current assets		602,959	633,756
CURRENT ASSETS			
Properties under development and completed properties held for sale	<i>12</i>	1,523,491	1,262,844
Trade and other receivables	<i>13</i>	43,458	55,681
Prepaid income tax		9,910	9,257
Derivative financial instruments	<i>19</i>	25,278	9,709
Pledged and restricted deposits	<i>14</i>	6,193	7,596
Cash and cash equivalents	<i>14</i>	74,291	93,151
Total current assets		1,682,621	1,438,238
CURRENT LIABILITIES			
Trade and other payables	<i>15</i>	465,310	481,876
Contract liabilities	<i>16</i>	90,828	383,969
Lease liabilities		14,840	12,646
Loans from a controlling shareholder	<i>17</i>	281,196	234,819
Bank and other borrowings	<i>18</i>	420,697	420,697
Income tax payable		49,551	42,753
Total current liabilities		1,322,422	1,576,760

		30 September 2022 (unaudited) RMB'000	31 March 2022 (audited) RMB'000
	<i>Notes</i>		
NET CURRENT ASSETS (LIABILITIES)		360,199	(138,522)
TOTAL ASSETS LESS CURRENT LIABILITIES		963,158	495,234
NON-CURRENT LIABILITIES			
Liability component of the Convertible Bonds	<i>19</i>	91,056	79,267
Bank and other borrowings	<i>18</i>	262,448	290,897
Deferred tax liabilities		139,227	52,042
Lease liabilities		27,751	28,487
Total non-current liabilities		520,482	450,693
Net assets		442,676	44,541
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>20</i>	311,453	292,554
Convertible preference shares	<i>21</i>	–	299,515
Equity component of the Convertible Bonds	<i>19</i>	60,276	60,276
Reserves		70,947	(607,804)
Total equity		442,676	44,541

NOTES

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda. Its registered office address is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company is principally engaged in investment holding and the Group is principally engaged in the property development and management, including planning, designing, budgeting, licensing, contract tendering and contract administration and property investment.

2. BASIS OF PREPARATION

The unaudited interim financial information for the six months ended 30 September 2022 (the “Interim Financial Information”) has been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those policies adopted in the preparation of the Group’s financial statements for the year ended 31 March 2022, except for the adoption of new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time on 1 April 2022.

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s audited financial statements for the year ended 31 March 2022.

Restatement of comparative information

Certain comparative information in the condensed consolidated statement of comprehensive income relating to exchange reserve was incorrectly stated as certain loans from a controlling shareholder during the six months ended 30 September 2021 has been inadvertently recorded in consolidated statement of other comprehensive income as exchange differences on translation of foreign operations. Accordingly, the related information has been restated and summarised as below:

	As previously reported <i>RMB '000</i>	Reclassification <i>RMB '000</i>	As restated <i>RMB '000</i>
Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 September 2021:			
Exchange differences on translation of foreign operations	50,139	(48,800)	1,339

Going concern basis

The Group had net current assets of approximately RMB360,199,000 as at 30 September 2022 (31 March 2022: net current liabilities of RMB138,522,000). However, the Group's current portion of bank and other borrowings amounted to RMB420,697,000 while its unrestricted cash and cash equivalents amounted to RMB74,291,000. In addition, in view of the current condition of the property market, coupled with the limited source of financing from the capital market, the Group may take longer time than expected to realise cash from the sale of its properties and/or have the cash from external financing to meet its loan repayment obligations. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the aforesaid conditions, the condensed consolidated financial statements have been prepared on a going concern basis on the assumption that the Group is able to operate as a going concern for the foreseeable future. In the opinion of the Directors, the Group can meet its financial obligations as and when they fall due within the next twelve months, after taking into consideration of the measures and arrangements made by the Group as detailed below:

- (i) the Group is expected to generate adequate cash flows to maintain its operations;
- (ii) the Group is expected to obtain continuous financial support from the Group's major shareholders. In respect of the loans from the controlling shareholder, the controlling shareholder has confirmed that it will not demand the Group for repayment of the loans from the controlling shareholder within the next twelve months should the Group not be in the financial position to make such repayment.

- (iii) The Group is actively reviewing its debt structure and looking for funding opportunities. It is actively negotiating with financial institutions to extend or renew existing borrowings and to secure new sources of financing at reasonable costs.

The Directors have prepared a cash flow forecast covering a period up to 30 September 2023 on the basis that with the continuous financial support from the controlling shareholder of the Company and are satisfied that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the twelve months from 30 September 2022. Accordingly, the Directors consider that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

3. CHANGE IN ACCOUNTING POLICIES

3.1 New/revised HKFRSs adopted

The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current period did not have any significant effect on the results and financial position of the Group for the current and prior accounting periods.

3.2 New and revised HKFRSs not yet adopted

As at the date of this announcement, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current period, which the Group has not early adopted.

The Directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's results and financial position.

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 reportable segments. No operating segments have been aggregated to form the following reportable segments.

Operating segments	Nature of business activities	Place of operation
Property development and management	Property development and provision of management service to property projects	The People's Republic of China (the "PRC")
Property investment	Property holding for long term investment and leasing purposes	The PRC

For the purpose of monitoring segment performances and allocating resources between segments:

Revenue and expenses allocated to the reportable segments include the sales generated by the segment and the expenses incurred by the segment or which arise from the depreciation of assets attributable to those segments.

Segment results and other segment information

For the six months ended 30 September 2022 – unaudited

	Property development and management <i>RMB'000</i>	Property investment <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue			
Sales to external customers	<u>329,523</u>	<u>5,982</u>	<u>335,505</u>
Segment results	<u>581,501</u>	<u>(31,753)</u>	549,748
Finance costs			(39,818)
Change in fair value of derivative financial instruments			13,728
Unallocated head office and corporate expenses			<u>(5,986)</u>
Profit before tax			517,672
Income tax			<u>(101,110)</u>
Profit for the period			<u><u>416,562</u></u>

For the six months ended 30 September 2021 – unaudited

	Property development and management <i>RMB '000</i>	Property investment <i>RMB '000</i>	Total <i>RMB '000</i>
Segment revenue			
Sales to external customers	60,046	6,299	66,345
	<hr/>	<hr/>	<hr/>
Segment results	21,790	(45,222)	(23,432)
	<hr/>	<hr/>	
Finance costs			(24,746)
Change in fair value of derivative financial instruments			(21)
Gain on disposal of subsidiaries	64,348	–	64,348
Unallocated head office and corporate expenses			(5,929)
			<hr/>
Profit before tax			10,220
Income tax			6,562
			<hr/>
Profit for the period			16,782
			<hr/> <hr/>

5. REVENUE AND OTHER INCOME

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

An analysis of revenue and other income is presented below:

(a) Revenue

	Six months ended 30 September 2022 (unaudited)		
	Property development and management <i>RMB'000</i>	Property investment <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with customers within HKFRS 15:			
Sale of properties	312,883	–	312,883
Property management service income	16,640	–	16,640
	<u>329,523</u>	–	<u>329,523</u>
Revenue from other source:			
Rental income	–	5,982	5,982
	<u>329,523</u>	<u>5,982</u>	<u>335,505</u>
Representing geographical market of:			
The PRC	329,523	5,982	335,505
	<u>329,523</u>	<u>5,982</u>	<u>335,505</u>
Timing of revenue recognition			
– At a point in time	312,883	–	312,883
– Over time	16,640	5,982	22,622
	<u>329,523</u>	<u>5,982</u>	<u>335,505</u>

Six months ended 30 September 2021
(unaudited)

	Property development and management <i>RMB'000</i>	Property investment <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with customers within HKFRS 15:			
Sale of properties	43,454	–	43,454
Property management service income	16,592	–	16,592
	<u>60,046</u>	–	<u>60,046</u>
Revenue from other source:			
Rental income	–	6,299	6,299
	<u>60,046</u>	<u>6,299</u>	<u>66,345</u>
Representing geographical market of:			
The PRC	<u>60,046</u>	<u>6,299</u>	<u>66,345</u>
	<u>60,046</u>	<u>6,299</u>	<u>66,345</u>
Timing of revenue recognition			
– At a point in time	43,454	–	43,454
– Over time	16,592	6,299	22,891
	<u>60,046</u>	<u>6,299</u>	<u>66,345</u>

(b) Other income

	Six months ended 30 September 2022 (unaudited) RMB'000	Six months ended 30 September 2021 (unaudited) RMB'000
Exchange gain	3,604	–
Sundry income	450	794
Gain on disposal of subsidiaries	–	64,348
Reversal of write-down of properties under development (note 12(b))	536,542	19,216
	<hr/>	<hr/>
Total other income	540,596	84,358

6. FINANCE COSTS

	Six months ended 30 September 2022 (unaudited) RMB'000	Six months ended 30 September 2021 (unaudited) RMB'000
Interest on bank and other borrowings	35,217	29,880
Interest on Convertible Bonds	2,994	1,302
Interest on lease liabilities	1,607	2,045
	<hr/>	<hr/>
	39,818	33,227
Less: Interest capitalised into properties under development*	–	(8,481)
	<hr/>	<hr/>
Total finance costs	39,818	24,746

* No borrowing costs have been capitalised during the six months ended 30 September 2022. For the six months ended 30 September 2021, borrowing costs had been capitalised at rates of 7.3% per annum.

7. PROFIT BEFORE TAX

	Six months ended 30 September 2022 (unaudited) RMB'000	Six months ended 30 September 2021 (unaudited) RMB'000
This is stated after charging/(crediting):		
Cost of properties sold	268,938	26,722
Cost of services	12,287	12,794
Cost of rental	6	2,132
Reversal of write-down of properties under development to net realisable value**	(536,542)	(19,216)
Depreciation		
– property, plant and equipment	34	243
– right-of-use assets	955	678
Increase of impairment on		
– Trade receivables*	3,208	551
– Other receivables*	–	6,655
	=====	=====

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

** This item is included in other income in the condensed consolidated statements of profit or loss.

8. INCOME TAX

	Six months ended 30 September 2022 (unaudited) RMB'000	Six months ended 30 September 2021 (unaudited) RMB'000
Current tax		
PRC Corporate Income Tax	5,365	–
PRC Land Appreciation Tax	1,583	6,843
	<u>6,948</u>	<u>6,843</u>
Deferred tax		
Origination and reversal of temporary differences	94,162	(13,405)
	<u>101,110</u>	<u>(6,562)</u>

No Hong Kong profits tax has been provided for the six months ended 30 September 2022 and 2021 as the Group had no assessable profit subject to Hong Kong profits tax for the said periods.

PRC Corporate Income Tax (“CIT”) has been provided for the six months ended 30 September 2022 in accordance with the relevant tax laws applicable to the entities in the PRC. The statutory CIT tax rate in the PRC is 25%.

As at 30 September 2022, the estimated withholding tax effects on the distribution of the unremitted retained earnings of the PRC subsidiaries amounted to approximately RMB22,692,000 (31 March 2022 (audited): RMB24,775,000). 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 provision for deferred taxation has been made in this respect.

The Group’s subsidiaries are not subject to any income tax in Bermuda, the British Virgin Islands and Samoa pursuant to the respective rules and regulations.

PRC 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 expenditure. The Group has estimated, made and included in the income tax 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 provision is subject to the final review/approval by the tax authorities.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the parent for the six months ended 30 September 2022 and the weighted average of 6,965,956,000 shares (six months ended 30 September 2021: 6,764,286,000 shares) in issue during the six months ended 30 September 2022.

The calculation of the diluted earnings per share amounts is based on the adjusted profit or loss for the period attributable to owners of the parent. The weighted average number of ordinary shares used in the calculation is the aggregate of the weighted average number of ordinary shares in issue during the period, 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 calculation of basic and diluted earnings per share are based on:

	Six months ended 30 September 2022 (unaudited) RMB'000	Six months ended 30 September 2021 (unaudited) RMB'000
Earnings		
Profit attributable to owners of the parent	416,562	16,782
Effect of interest on the liability component of the Convertible Bonds	2,994 ^(a)	1,302 ^(c)
Effect of fair value (gain) loss on the derivative component of the Convertible Bonds	(13,728) ^(a)	21 ^(c)
Adjusted profit attributable to owners of the parent	<u>405,828</u>	<u>18,105</u>

	Number of shares	
	Six months ended 30 September 2022 (unaudited) '000	Six months ended 30 September 2021 (unaudited) '000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	6,965,956	6,764,286
Effect of dilution – weighted average number of ordinary shares:		
Convertible preference shares	264,299^(a)	439,353 ^(a)
Convertible Bonds	237,683^(a)	41,081 ^(c)
Share options	<u> ^(b)</u>	<u> ^(b)</u>
Weighted average number of ordinary shares (diluted)	<u>7,467,938</u>	<u>7,244,720</u>

- (a) Because the diluted earnings per share amount decreased when taking into account of the convertible preference shares and the Convertible Bonds, which both had dilutive effect on the basic earnings per share amount for the six months ended 30 September 2022. For the six months ended 30 September 2021, only the convertible preference shares had an dilutive effect on basic earnings per share amount.

Therefore, the calculation of the diluted earnings per share amount was based on the adjusted profit attributable to the owners of the parent of RMB405,828,000 and the adjusted weighted average number of 7,467,938,000 shares in issue during the six months ended 30 September 2022 (six months ended 30 September 2021: RMB16,782,000 and 7,203,639,000 shares).

- (b) Because the exercise price of the share options were out of the money compared to the average stock prices of the Company during the six months ended 30 September 2022 and 2021, the share options had an anti-dilutive effect on the basic earnings per share amount for the six months ended 30 September 2022 and 2021.
- (c) 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 six months period ended 30 September 2021 and were ignored in the calculation of diluted earnings per share.

10. DIVIDEND

The Directors do not declare the payment of any interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

11. INVESTMENT PROPERTIES

	30 September 2022 (unaudited) RMB'000	31 March 2022 (audited) RMB'000
At the beginning of the reporting period	615,800	547,100
Transfer from right-of-use assets	893	10,714
Transfer from completed properties held for sale	–	139,700
Net loss from fair value adjustment	(27,493)	(81,714)
	<hr/>	<hr/>
At the end of the reporting period	589,200	615,800
	<hr/> <hr/>	<hr/> <hr/>

As at 30 September 2022 and 31 March 2022, the Group's investment properties included certain retail units and car park spaces of a shopping mall in Baishan City, Jilin Province. These investment properties were stated at fair value and were valued by Colliers Appraisal and Advisory Services Company Limited as at 30 September 2022 (31 March 2022 (audited): Savills Valuation and Professional Services Limited/Savills Real Estate Valuation (Guangzhou) Limited Beijing Branch), independent professional qualified valuers.

Fair value hierarchy

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

	Fair value measurement as at 30 September 2022 using			Total (unaudited) RMB'000
	Quoted prices in active markets (Level 1) (unaudited) RMB'000	Significant observable inputs (Level 2) (unaudited) RMB'000	Significant unobservable inputs (Level 3) (unaudited) RMB'000	
Recurring fair value measurement for:				
Retail shops and car park spaces	–	–	589,200	589,200
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Fair value measurement as at 31 March 2022 using			Total (audited) RMB'000
	Quoted prices in active markets (Level 1) (audited) RMB'000	Significant observable inputs (Level 2) (audited) RMB'000	Significant unobservable inputs (Level 3) (audited) RMB'000	
Recurring fair value measurement for:				
Retail shops and car park spaces	–	–	615,800	615,800
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

During the period, there are no transfer of fair value measurement between Level 1 and Level 2 and no transfer into or out of Level 3 (six months ended 30 September 2021: Nil).

As at 30 September 2022, the Group's investment properties with an aggregate carrying amount of RMB427,391,000 (31 March 2022 (audited): RMB442,931,000) were pledged to banks to secure certain of the bank loans granted to the Group as further detailed in note 18 to the condensed consolidated financial statements.

12. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

		30 September 2022 (unaudited) RMB'000	31 March 2022 (audited) RMB'000
	<i>Notes</i>		
Properties under development		1,760,439	2,125,264
Completed properties held for sale		252,820	163,890
		2,013,259	2,289,154
Write-down of properties under development and completed properties held for sale to net realisable value	<i>(b)</i>	(489,768)	(1,026,310)
	<i>(a)</i>	1,523,491	1,262,844

(a) As at 30 September 2022, certain of the Group's properties under development and completed properties held for sale with carrying value of RMB1,201,000,000 (31 March 2022 (audited): RMB665,600,000) and RMB8,069,000 (31 March 2022 (audited): RMB8,069,000) were pledged to banks to secure certain of the bank loans granted to the Group as further detailed in note 18 to the condensed consolidated financial statements.

(b) The movement of the write-down of properties under development and completed properties held for sale to net realisable value during the period are as follows:

	<i>RMB'000</i>
At 1 April 2022	1,026,310
Decrease in the write-down during the period	(536,542)
At 30 September 2022 (unaudited)	489,768

In estimating the net realisable value of the Group's properties under development under the property project in Fusong County, Jilin Province ("Fusong Property Project"), the management has engaged an independent valuer to carry out an independent valuation on the properties under development. Given the management's intention to divest the project in short period of time, the valuation in prior reporting periods was carried out on a bare land basis and based on a direct comparison approach by making reference to comparable land transactions available in the market, followed by applying a discount factor on the appraised value for the intended short-term sale. As at 31 March 2022, the Group had accumulated write-downs on Fusong Property Project of RMB992,200,000.

During the six months ended 30 September 2022, the Board decided to re-activate the development of the project after a detailed assessment on the feasibility study and the Group started the refurbishment construction work on the existing buildings. Accordingly, the discount factor applied for the intended short term sale as at 31 March 2022 was no longer applicable due to the change of the development plan. As at 30 September 2022, the valuation has been carried out by an independent valuer, (i) for the land parcels under development, on the basis of capitalisation of net income based on the project plan by making reference to comparable market transactions taking into account of the construction costs to be expended; and (ii) for the land parcels for future development, on the bare land basis and based on direct comparison approach by making reference to comparable land transactions available in the market. As a result, a reversal of write-down of RMB536,542,000 relating to the Fusong Property Project was made to the other income in the condensed consolidated statements of profit or loss in the current period.

13. TRADE AND OTHER RECEIVABLES

		30 September 2022 (unaudited) RMB'000	31 March 2022 (audited) RMB'000
	<i>Notes</i>		
Trade receivables		22,179	20,679
Less: provision for impairment		(8,783)	(5,575)
		<hr/>	<hr/>
	<i>(a)</i>	13,396	15,104
Other receivables:			
Deposits for land development expenditure	<i>(b)</i>	22,095	22,095
Deposits for construction and pre-sale of property projects	<i>(c)</i>	6,741	6,741
Prepaid business tax and other taxes		21,636	36,352
Other receivables, prepayments and deposits		50,524	46,323
Less: provision for impairment	<i>(d)</i>	(70,934)	(70,934)
		<hr/>	<hr/>
		30,062	40,577
		<hr/>	<hr/>
		43,458	55,681
		<hr/> <hr/>	<hr/> <hr/>

- (a) In respect of properties sales, no credit terms are granted to customers. For property investment and property management, 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, certain 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.

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

	30 September 2022 (unaudited) RMB'000	31 March 2022 (audited) RMB'000
Within 30 days	1,762	1,610
31 days-180 days	7,140	8,033
Over 180 days	4,494	5,461
	<u>13,396</u>	<u>15,104</u>

For trade receivables, the Group has applied the simplified approach and has calculated expected credit losses based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

- (b) The balances 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 irrespective of whether the Group will obtain the land use rights of the land in the future.
- (c) The balances represented various deposits paid to local government directly attributable to construction of property projects which would be refundable upon completion of the development projects.
- (d) In estimating the expected credit losses of other receivables, the Group has grouped these other receivables based on same credit risk characteristics and the days past due, and negotiation results with the debtors.

14. CASH AND CASH EQUIVALENTS AND PLEDGED AND RESTRICTED DEPOSITS

		30 September 2022 (unaudited) RMB'000	31 March 2022 (audited) RMB'000
	<i>Notes</i>		
Cash and bank balances	<i>(b)</i>	80,484	100,747
Less: Restricted bank deposits under pre-sale of properties	<i>(a)</i>	(6,193)	(7,596)
Cash and cash equivalents		<u>74,291</u>	<u>93,151</u>

- (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 pre-sale of properties as guarantee deposits for construction of the properties. The restriction will be released upon the construction is completed. The restricted cash earns interest at floating daily bank deposit rates.
- (b) At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to RMB19,743,000 (31 March 2022 (audited): RMB34,968,410). The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

15. TRADE AND OTHER PAYABLES

		30 September 2022 (unaudited) RMB'000	31 March 2022 (audited) RMB'000
	<i>Notes</i>		
Trade payables	<i>(a)</i>	46,199	57,850
Accrued construction costs		244,360	284,075
Interest payable		90,682	60,996
Other creditors and accruals		51,805	53,277
Other deposits received		32,264	25,678
		465,310	481,876

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

	30 September 2022 (unaudited) RMB'000	31 March 2022 (audited) RMB'000
Within 30 days	90	2,252
31 days-180 days	1,269	24,742
Over 180 days	44,840	30,856
	46,199	57,850

16. CONTRACT LIABILITIES

		30 September 2022 (unaudited) RMB'000	31 March 2022 (audited) RMB'000
	<i>Notes</i>		
Deposits from sales of properties	<i>(a)</i>	78,765	371,944
Receipt in advance from management services	<i>(b)</i>	12,063	12,025
		90,828	383,969

- (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 upon the Group's revenue recognition criteria are met.
- (b) Receipt in advance from management services represents the 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.

17. LOANS FROM A CONTROLLING SHAREHOLDER

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

18. BANK AND OTHER BORROWINGS

		30 September 2022 (unaudited) RMB'000	31 March 2022 (audited) RMB'000
	<i>Notes</i>		
Current			
Bank loans – secured	<i>(i), (iii)</i>	130,697	130,697
Entrusted loans	<i>(ii), (iii)</i>	290,000	290,000
		420,697	420,697
Non-current			
Bank loans – secured	<i>(i)</i>	262,448	290,897
		683,145	711,594

	30 September 2022 (unaudited) RMB'000	31 March 2022 (audited) RMB'000
Analysed into:		
Bank loans and entrusted loan repayable:		
Within one year or on demand	420,697	420,697
In the second year	33,448	61,897
In the third to fifth years, inclusive	229,000	229,000
	<u>683,145</u>	<u>711,594</u>

Notes:

- (i) Included in the secured bank loans as at 30 September 2022 are loan balances of RMB70,000,000 (31 March 2022 (audited): RMB70,000,000), RMB85,345,000 (31 March 2022 (audited): RMB113,794,000), RMB231,000,000 (31 March 2022 (audited): RMB231,000,000) and RMB6,800,000 (31 March 2022 (audited): RMB6,800,000) bearing interests at a fixed rate of 7.83% per annum, a fixed interest rate of 5.39% per annum, a fixed rate of 7.13% per annum and a fixed rate of 7.6% per annum respectively.

For the six months ended 30 September 2022, the bank loan of RMB70,000,000 is secured by the 70% equity interests of a connected party. The bank loans of RMB85,345,000 and RMB231,000,000 are secured by pledges of the properties under development with carrying values of RMB861,000,000 and investment properties with fair value of RMB424,900,000 respectively. The bank loan of RMB6,800,000 is secured by the pledges of the completed properties held for sale with carrying amount of RMB8,069,000 and investment properties with fair value of RMB2,491,000.

- (ii) The entrusted loans as at 30 September 2022 are loan balances of RMB100,000,000 (31 March 2022 (audited): RMB100,000,000) and RMB190,000,000 (31 March 2022 (audited): RMB190,000,000).

During the period, the entrusted loan of RMB100,000,000 bore interest at a fixed rate of 8% and was secured by properties under development held by the Group with carrying amount of RMB340,000,000 as at 30 September 2022 (31 March 2022 (audited): RMB188,600,000).

The entrusted loan of RMB190,000,000 (31 March 2022 (audited): RMB190,000,000) bore interest at a fixed rate of 10% per annum and was secured by a second charge of properties under development with carrying amounts of RMB1,201,000,000 as at 30 September 2022 (31 March 2022 (audited): RMB665,600,000) and was guaranteed by corporate guarantees of certain group of companies of the Group.

- (iii) As at 30 September 2022, the lenders have agreed to renew the entrusted loans of RMB100,000,000 and RMB190,000,000 and bank loans of RMB70,000,000. However, except for the bank loan of RMB70,000,000, the terms of the loans to be renewed are yet to finalise up to the date of this announcement.

19. DERIVATIVE FINANCIAL INSTRUMENTS AND CONVERTIBLE BONDS

CBs due in 2023

On 14 December 2021, the Company completed the issue of an aggregate principal amount of HK\$103,076,730 (equivalent to approximately RMB84,283,059 on the issue date) convertible bonds to Ka Yik Investments Limited (“Ka Yik”), the controlling shareholder, which are due on 13 June 2023 (the “CBs due in 2023”) and may, subject to the controlling shareholder’s written consent that shall not be unreasonably withheld, be extended for another eighteen months by notice issued by the Company at any time during the three months prior to the maturity date by serving at least thirty days prior written notice to Ka Yik in the event that the Company’s directors are of the reasonable opinion that the redemption of the CBs due in 2023 on the maturity date will result in the Group not having sufficient working capital for the operation for the next twelve months. The CBs due in 2023 are convertible into the Company’s ordinary shares of HK\$0.05 each at an initial conversion price of HK\$0.39 per share subject to adjustments. The interest rate is 2% per annum payable semi-annually in arrears each year before the maturity date.

The conversion rights are exercisable at any time from the date of issue of the CBs due in 2023 up to the maturity date, provided that any conversion does not result in the public float of the Company’s shares being less than 25% (or any given percentage as required by the Listing Rules).

The CBs due in 2023 are not transferrable without the prior written consent of the Company.

The Company may at any time before the maturity date redeem the CBs due in 2023 (in whole or in part) at 100% of its principal amount.

The Company has not early redeemed any portion of the CBs due in 2023 during the period.

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 or fixed number of equity instruments, the Convertible Bonds are accounted for as compound instruments according to HKAS 32 Financial Instruments: Presentation. The deemed proceeds, after the fair value of the early redemption right features are bifurcated, have been split into between a liability component and an equity component. The residual amount, representing the value of the equity component, is credited to “Equity component of the Convertible Bonds” in the Group’s equity attributable to the Company’s shareholders.

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

Up to the date of maturity of the Convertible Bonds, if the bond holder had not exercised the conversion option of the Convertible Bonds, the equity component of the Convertible Bonds would be fully transferred to retained earnings; and the early redemption right features classified as derivative financial instruments would be derecognised on the same date.

Early redemption right features of the Convertible Bonds

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

	<i>RMB'000</i>
At 1 April 2022	9,709
Change in fair value of derivative financial instruments	13,728
Exchange realignment	1,841
	<hr/>
At 30 September 2022 (unaudited)	<u>25,278</u>

Liability component of the Convertible Bonds

The movement of the liability component of the Convertible Bonds recognised in the condensed consolidated statement of financial position is as follows:

	<i>RMB'000</i>
At 1 April 2022	79,267
Accrued effective interest	2,994
Accrued coupon interest transferred to interest payables	(894)
Exchange realignment	9,689
	<hr/>
At 30 September 2022 (unaudited)	<u>91,056</u>

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 7.21%.

Equity component of the Convertible Bonds

The movement of the equity component of the Convertible Bonds is as follows:

	<i>RMB'000</i>
At 1 April 2022 and at 30 September 2022 (unaudited)	<u>60,276</u>

20. SHARE CAPITAL

	Number of ordinary shares '000	Nominal value	
		HK\$'000	RMB'000
<i>Authorised:</i>			
Ordinary shares of HK\$0.05 each	<u>15,600,000</u>	<u>780,000</u>	<u>684,000</u>
<i>Issued:</i>			
Ordinary shares of HK\$0.05 each At 31 March 2022 (audited)	<u>6,764,286</u>	<u>338,214</u>	<u>292,554</u>
At 30 September 2022 (unaudited)	<u>7,203,639</u>	<u>360,182</u>	<u>311,453</u>

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

	Notes	Number of	Issued Capital
		shares in issue '000	RMB'000
At 1 April 2022		6,764,286	292,554
The conversion of convertible preference shares	(a)	<u>439,353</u>	<u>18,899</u>
At 30 September 2022 (unaudited)		<u><u>7,203,639</u></u>	<u><u>311,453</u></u>

- (a) During the period, an aggregate of 439,352,941 ordinary shares of the Company were allotted and issued upon the conversion of 439,352,941 non-redeemable convertible preference shares.

21. 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 Xintong (“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 transferable subject to the conditions stated in the terms of the CPS and in accordance with the provision as set out in the Company’s bye-laws.
- (5) CPS shall confer on the CPS holders the right to be paid, in priority to any return of assets in respect of the ordinary shares of the Company, *pari passu* as between themselves an amount equal to the aggregate notional value of the CPS plus all dividends accrued and unpaid with respect thereto, whereupon if the assets of the Company available for distribution shall be insufficient to provide for full payment to holders of the CPS, the Company shall make payment on the CPS on a pro rata basis on return of capital on liquidation, winding-up or dissolution of the Company. The CPS do not confer on the holders of CPS any further or other right to participate in the assets of the Company upon liquidation, winding up or dissolution of the Company.

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

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

- (a) The CPS holders have 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 not a liability component of the CPS.
- (b) The conversion options of the CPS will be settled by the exchange of a fixed amount or fixed number of equity instruments.

During the six months ended 30 September 2022, 439,352,941 CPS were converted to 439,352,941 ordinary shares (Period ended 30 September 2021: 700,000,000 CPS were converted to 700,000,000 ordinary shares) of the Company.

As at 30 September 2022, no outstanding CPSs remained.

22. 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 30 September 2022, guarantees amounting to RMB334.3 million were given to banks with respect to mortgage loans procured by purchasers of property units (31 March 2022 (audited): RMB378.0 million). Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate to the purchasers and (ii) the satisfaction of mortgage loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. During the period, the Group did not incur any material losses in respect of any of these guarantees. The Directors consider that the likelihood of default in payments by the purchasers is remote 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.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW AND OUTLOOK

With the advent of the post-epidemic era, the cultural tourism industry, especially in the field of featured tourism, vacation, traditional culture and wellness, will usher in strong demand and more development opportunities. The Group will continue to focus on the established strategy and introduce more resources and partners to develop the cultural tourism industry with excellent traditional Chinese culture and characteristic cultural tourism as the core. Also, the Group will, with the help of the featured resources and local advantages of Changbaishan and the Group's cultural tourism project in Fusong County (the "Fusong Property Project"), create a featured cultural tourism setup with unique cultural symbols and spiritual pedigree. At the same time, the Group will also integrate and utilize the features and high-quality resources of Changbaishan in other industries (such as ginseng, mineral water, etc.), in order to cultivate and build an internationally influential brand demonstrating Changbaishan's superior resources, and expand the Group's income source; diversify the Group's business risks; strengthen the flow of cash flow; and to inject vitality into the sustainable development of the Group and bring more benefits to the shareholders and stakeholders of the Company.

Since the Board has preliminarily approved the management to conduct further research, forecast and assessment on the Group's Fusong Property Project in the first half of 2022, the Board decided in September to re-activate the development of Fusong Property project. The management has made slight adjustments towards the Fusong Property Project – Phase I's sales and marketing positioning in order to increase the cash flow of the project. In addition, regarding other undeveloped land parcels of the project, the Group is currently studying the re-planning of the project content to make adjustments in line with the current strategy and situation of the Group.

For the Group's property development business, two residential property projects, namely Guangze Jiuxi Red House – Phase I in Jiutai District of Changchun City and Guangze China House – Phase IA in Baishan City were completed and delivered during the period. The Group remains to have Guangze Jiuxi Red House – Phase II and Guangze China House – Phase II under development. In view of the market situation, the development of these two projects will be carried out in steady pace. The Group will also continue to maintain a prudent attitude in land replenishment.

BUSINESS REVIEW

For the six months ended 30 September 2022, the Group's overall revenue was approximately RMB335.5 million (six months ended 30 September 2021: RMB66.3 million), representing an increase of 405.7%. The Group had a gross profit of RMB54.3 million for the six months ended 30 September 2022 (six months ended 30 September 2021: RMB24.7 million) and net profit for the period of RMB416.6 million (six months ended 30 September 2021: RMB16.8 million).

Property Development

As of 30 September 2022, the Group had two residential property projects, namely Guangze Jiuxi Red House and Guangze China House, both of which are located in Jilin Province, the People's Republic of China (the "PRC"). The Group also has a cultural tourism mixed property project in Changbaishan, Fusong County, Jilin Province.

Guangze Jiuxi Red House is located in Jiutai District of Changchun City and has two phases (Phase I and Phase II), each with site area of 30,641 sq.m. and 28,028 sq.m., respectively. During the six months ended 30 September 2022, the Group completed the construction work of Guangze Jiuxi Red House – Phase I and delivered the residential units.

Guangze China House is located in Baishan City. Phase I of this project was completed in prior years. During the six months ended 30 September 2022, the Group completed and delivered the remaining part of the first phase of the project (i.e. Phase IA).

The Group's cultural tourism project, namely Ground Pine Township International Resort, has 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.. In March 2020, the property project was suspended with the management's intention to divest such project given that there had been an unfavourable change in the operating environment in the project's surrounding area and followed by the COVID-19 pandemic. The Group's divestment plan included actively seeking potential buyers and discussion with the local government for a potential buy back; however, none of the divestment plan was materialised. During the six months ended 30 September 2022, the Group's management has carried out another review on the project and performed detailed analysis and assessment on the project. It was approved by the Board to re-activate the construction of the project, of which the first phase of the project involving the four blocks of hotels and a hot spring centre has started to continue its development.

Properties completed, delivered and sale of properties recognized during the six months ended 30 September 2022

For the six months ended 30 September 2022, sales of properties of approximately RMB307.1 million were mainly contributed from the sales of Guangze Jiuxi Red House – Phase I and Guangze China House – Phase IA with an aggregate GFA of 66,213 sq.m. upon the completion of these projects in the first half of the Group's financial year.

In addition, the Group delivered and recognized sale of car park units of approximately RMB5.8 million from the sale of 32 car park units for the six months ended 30 September 2022 (six months ended 30 September 2021: RMB7.8 million from the sale of 144 car park units).

Property Investment

As at 30 September 2022, the Group's investment properties are the retail shopping units at Baishan City which includes self-owned portion and leased portion. The fair value of the investment properties decreased from RMB615.8 million at 31 March 2022 to RMB589.2 million at 30 September 2022 with an average occupancy rate of 73% (At 31 March 2022: 77%).

FINANCIAL REVIEW

Key changes to profit or loss

Revenue

	Six months ended 30 September 2022		Six months ended 30 September 2021	
	RMB'000	%	RMB'000	%
Sale of properties	312,883	93.3	43,454	65.5
Rental income	5,982	1.8	6,299	9.5
Property management service income	16,640	4.9	16,592	25.0
	<u>335,505</u>	<u>100.0</u>	<u>66,345</u>	<u>100.0</u>

The Group's revenue increased from RMB66.3 million for the six months ended 30 September 2021 to RMB335.5 million for the six months ended 30 September 2022 or an increase by 405.7%, mainly contributed from the increase in sale of properties by 620.0% or RMB269.4 million as compared with the corresponding period. The increase in sales of properties during the six months ended 30 September 2022 was attributable to the revenue recognition in sales of properties of the Group's newly completed property projects, namely Guangze Jiuxi Red House – Phase I and Guangze China House – Phase IA, during the period. During the six months ended 30 September 2022, the Group recognised sales of properties from Guangze Jiuxi Red House – Phase I and Guangze China House – Phase IA of approximately RMB210.0 million and RMB97.1 million respectively with an aggregate of GFA recognised of 66,213 sq.m..

During the six months ended 30 September 2021, the Group sold remaining units of the property projects of Guangze • Tudors Palace and Guangze Red House Phase III of RMB7.8 million and RMB15.7 million, respectively.

Also, sales of car parks decreased from RMB7.8 million for the six months ended 30 September 2021 to RMB5.8 million for the six months ended 30 September 2022.

The property management service income for the six months ended 30 September 2022 and 30 September 2021 remained stable. The rental income decreased from RMB6.3 million for the six months ended 30 September 2021 to RMB6.0 million for the six months ended 30 September 2022 due to the decrease in average occupancy rate during the period ended 30 September 2022 in respect of the shopping mall units in Baishan City, the PRC.

Gross profit and gross margin

For the six months ended 30 September 2022, the Group recorded an overall gross profit of RMB54.3 million, representing an increase of RMB29.6 million or 119.8% from the gross profit of RMB24.7 million for the six months ended 30 September 2021. The increase in the Group's gross profit was primarily attributable to the increase in sales of properties arising from the two newly completed and delivered property projects of Guangze Jiuxi Red House – Phase I and Guangze China House – Phase IA during the period. However, the Group's gross margin of 16.2% for the six months ended 30 September 2022 was lower than that of 37.2% for the six months ended 30 September 2021. The decrease in gross margin was mainly attributable to the fact that, in corresponding period of last year, the gross profit was mainly related to the sales of commercial units of Guangze Red House – Phases II and III in Yanji City with a margin over 30%, which contributed over half of the Group's sales of properties for that period. During the six months ended 30 September 2022, the sales of properties at Guangze Jiuxi Red House – Phase I and Guangze China House – Phase IA were entirely related to sales of residential units which gross margin is lower than that of commercial units.

Other income

The Group's other income increased from RMB84.4 million for the six months ended 30 September 2021 to RMB540.6 million for the six months ended 30 September 2022 which was mainly attributable to the reversal of write-down of properties under development of RMB536.5 million, namely Ground Pine Township International Resort in Changbaishan, Fusong County (“Fusong Property Project”) (six months ended 30 September 2021: RMB19.2 million) during the six months ended 30 September 2022; and an exchange gain of RMB3.6 million arising from a bank deposit of approximately USD9.0 million held by a wholly-owned subsidiary in the PRC as a result of the recent strong US Dollars; and partially offset by the gain of disposal of subsidiaries of RMB64.3 million upon completion of the disposal of Ground Real Estate Group Company Limited and its project companies in Jilin City in the corresponding period in last year.

Selling and distribution expenses

The decrease in selling and distribution expenses by RMB2.0 million from RMB4.5 million for the six months ended 30 September 2021 to RMB2.5 million for the six months ended 30 September 2022 was mainly due to the decrease in the promotion and advertising expenses incurred as no promotional activities were carried out on Guangze Jiuxi Red House in Jiutai District during the period.

Administrative expenses

The decrease in administrative expenses by RMB0.8 million from RMB17.2 million for the six months ended 30 September 2021 to RMB16.4 million for the six months ended 30 September 2022 was mainly attributable to the continual cost control implemented by the Group.

Other expenses

Other expenses decreased from RMB5.7 million for the six months ended 30 September 2021 to RMB4.7 million for the six months ended 30 September 2022 as there was a decrease in impairment made on trade and other receivables for the six months ended 30 September 2022.

Finance costs

	Six months ended	
	30 September	
	2022	2021
	RMB'000	RMB'000
Interest on bank and other borrowings	35,217	29,880
Interest on Convertible Bonds	2,994	1,302
Interest on lease liabilities	1,607	2,045
	39,818	33,227
Less: interest capitalised into properties under development	–	(8,481)
	39,818	24,746

The increase in finance costs by RMB15.1 million from RMB24.7 million for the six months ended 30 September 2021 to RMB39.8 million for the six months ended 30 September 2022 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; and (ii) less project loans were qualified for capitalisation as most of the related projects had been completed resulting in an immediate charge to profit or loss as incurred.

Change in fair value of investment properties

For the six months ended 30 September 2022, there was a loss in fair value of RMB27.5 million (six months ended 30 September 2021: RMB46.6 million) relating to the investment properties in the PRC. The further loss in fair value was primarily attributable to the continual decrease in average occupancy rate and market rent.

Income tax

	Six months ended	
	30 September	
	2022	2021
	RMB'000	RMB'000
Current tax		
PRC Corporate Income Tax	5,365	–
PRC Land Appreciation Tax	1,583	6,843
	6,948	6,843
Deferred tax		
Origination and reversal of temporary differences	94,162	(13,405)
Total charge (credit)	101,110	(6,562)

Current tax

The Group's current income tax represents Land Appreciation Tax (LAT) and Corporate Income Tax (CIT). For the six months ended 30 September 2022, the Group's current income tax related to LAT provision of RMB1.6 million (six months ended 30 September 2021: RMB6.8 million) and CIT provision of RMB5.4 million (six months ended 30 September 2021: nil) were made. The decrease in LAT for the six months ended 30 September 2022 was mainly due to fewer commercial properties units with higher profit margin delivered which is subject to LAT and sales recognised during the period. The increase in CIT provision for the six months ended 30 September 2022 was mainly due to the assessable profits arising from Guangze Jiuxi Red House – Phase I during the period.

Deferred tax

A tax charge from deferred tax of RMB94.2 million was recorded for the six months ended 30 September 2022 (six months ended 30 September 2021: tax credit of RMB13.4 million) was mainly attributable by the increase in deferred tax liabilities due to the reversal of write-down of properties under development during the period.

Key changes to financial position

Investment properties

As at 30 September 2022, 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 Colliers Appraisal and Advisory Services Company Limited (an independent professional qualified valuer). As at 30 September 2022, the fair value decreased by RMB27.5 million as compared to that as at 31 March 2022.

Properties under development and completed properties held for sale

As at 30 September 2022, the Group's properties under development was mainly Fusong Property Project and Guangze Jiuxi Red House – Phase II; and the completed properties held for sale were mainly unsold units of Guangze Jiuxi Red House – Phase I and the remaining residential and commercial units and car parking spaces at projects completed in prior years.

The increase in the Group's properties under development and completed properties held for sale to approximately RMB1,523.5 million as at 30 September 2022 (As at 31 March 2022: approximately RMB1,262.8 million) was primarily attributable to the reversal of write-down of the Fusong Property Project of approximately RMB536.5 million; and partially offset by the transfer of the properties construction costs relating to Guangze Jiuxi Red House – Phase I and Guangze China House – Phase IA during the period.

According to the Group's accounting policy, the carrying values of the Fusong Property Project was stated at the lower of cost and net realisable value as 30 September 2022 and 31 March 2022. The net realizable value of the Fusong Property Project was estimated based on the valuation of the project.

As at 31 March 2022, the valuation of the Fusong Property Project was carried out by an independent valuer. Given the management's intention to divest the project in a short period of time, the valuation was carried out on a bare land basis and based on a direct comparison approach by making reference to comparable land transactions available in the market, followed by applying a discount factor on the appraised value for the intended short term sale.

During the six months ended 30 September 2022, the Board decided to re-activate the development of the project after a detailed assessment on the feasibility study. Accordingly, the valuation as at 30 September 2022 has been carried out by an independent valuer, (i) for the land parcels under development, on the basis of capitalisation of net income based on the project plan by making reference to comparable market transactions taking into account of the construction costs to be expended; and (ii) for the land parcels for future development, on the bare land basis and based on a direct comparison approach, by making reference to comparable land transactions available in the market; and the discount factor was no longer applied on the appraised value to reflect the change of the development plan of the Fusong Property Project. As a result, a reversal of write-down of RMB536,542,000 relating to the project was made in the current period.

Trade and other receivables

	<i>Notes</i>	30 September 2022 RMB'000	31 March 2022 RMB'000
Trade receivables		22,179	20,679
Less: Provision for impairment		(8,783)	(5,575)
	<i>(i)</i>	13,396	15,104
Other receivables			
– Deposits for land development expenditure	<i>(ii)</i>	22,095	22,095
– Deposits for construction and pre-sale of property projects	<i>(iii)</i>	6,741	6,741
– Prepaid business tax and other taxes		21,636	36,352
– Other receivables, prepayments and deposits		50,524	46,323
Less: Provision for impairment	<i>(iv)</i>	(70,934)	(70,934)
		30,062	40,557
		43,458	55,681

- (i) Trade receivables mainly related to rental receivable from tenants and property management fee receivables from property unit owners. At 30 September 2022, the trade receivable balance remained stable as compared to that at 31 March 2022.
- (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 irrespective 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) The provision for impairment was caused by the worsening local economic environment in Jilin Province as well as certain prolonged aged debtors resulting in the significant increase in credit risk of certain debtors. At 30 September 2022, the provision for impairment balance increased by RMB3,208,000 due to the increase in credit risk of long-aged balances as compared to that at 31 March 2022.

Trade and other payables

	<i>Notes</i>	30 September 2022 RMB'000	31 March 2022 RMB'000
Trade payables	<i>(i)</i>	46,199	57,850
Accrued construction costs	<i>(i)</i>	244,360	284,075
Interest payable		90,682	60,996
Other creditors and accruals		51,805	53,277
Other deposits received		32,264	25,678
		<u>465,310</u>	<u>481,876</u>

- (i) The decreases in trade payables and accrued construction costs from RMB57.9 million and RMB284.1 million as at 31 March 2022 to RMB46.2 million and RMB244.4 million as at 30 September 2022 respectively were mainly attributable to the gradual settlement of construction cost payable balances arising from the completed properties projects.

Contract liabilities

	<i>Notes</i>	30 September 2022 RMB'000	31 March 2022 RMB'000
Deposits from sale of properties	<i>(i)</i>	78,765	371,944
Receipt in advance from management services	<i>(ii)</i>	12,063	12,025
		<u>90,828</u>	<u>383,969</u>

- (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 revenue recognised in respect of Guangze Jiuxi Red House – Phase I and Guangze China House – Phase IA during the period.
- (ii) Receipt in advance from management services represent the 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.

Liquidity and financial resources

Cash position

As at 30 September 2022, the carrying amount of cash and bank deposits of the Group was approximately RMB74.3 million (as at 31 March 2022: approximately RMB93.2 million), representing a decrease of approximately 20.3% as compared with that as at 31 March 2022.

Debt and gearing

The Group's bank and other borrowings as at 30 September 2022 decreased by RMB28.5 million to RMB683.1 million which were payable as follows:

	30 September 2022 RMB'000	31 March 2022 RMB'000
Current	420,697	420,697
Non-current	262,448	290,897
	683,145	711,594
Analysed into:		
Bank loans and entrusted loan repayable:		
Within one year or on demand	420,697	420,697
In the second year	33,448	61,897
In the third year to fifth year, inclusive	229,000	229,000
	683,145	711,594

The Group's bank and other borrowings decreased from RMB711.6 million as at 31 March 2022 to RMB683.1 million as at 30 September 2022 attributable to the repayment of certain bank and other borrowings.

The Group's gearing ratio as at 30 September 2022 was as follows:

	30 September 2022 RMB'000	31 March 2022 RMB'000
Loans from a controlling shareholder	281,196	234,819
Bank and other borrowings	683,145	711,594
Trade and other payables	465,310	481,876
Less: Cash and cash equivalents	(74,291)	(93,151)
Less: Pledged and restricted deposits	(6,193)	(7,596)
	<hr/>	<hr/>
Net debt	1,379,167	1,327,542
Liability component of the Convertible Bonds	91,056	79,267
Equity	442,676	44,541
	<hr/>	<hr/>
Adjusted Capital	533,732	123,808
	<hr/> <hr/>	<hr/> <hr/>
Capital and debt	1,882,899	1,451,350
	<hr/> <hr/>	<hr/> <hr/>
Gearing ratio	73%	92%
	<hr/> <hr/>	<hr/> <hr/>

The gearing ratio of the Group as at 30 September 2022 decreased as compared with that as at 31 March 2022 was mainly attributable to the increase in the Group's equity as a result of the reduction in accumulated losses.

Cash flows for the Group's operating activities

For the six months ended 30 September 2022, the Group recorded net operating cash outflow of RMB21.3 million (six months ended 30 September 2021: RMB6.6 million). The outflow for the six months ended 30 September 2022 was mainly attributable to the gradual settlement of construction cost payable balances arising from the completed properties projects.

COMMITMENTS FOR DEVELOPMENT EXPENDITURE

As at 30 September 2022, the Group had contracted but not provided for commitments for development expenditure in respect of properties under development of RMB69.8 million (as at 31 March 2022: RMB7.3 million). The development expenditure will be funded by the Group's internal resources and/or project loans.

FOREIGN EXCHANGE EXPOSURE

As at 30 September 2022, the Group was exposed to currency risk on financial assets and liabilities that were denominated in Hong Kong Dollars (HK\$) and United State Dollars (US\$). As at 30 September 2022, approximately 0.4% and 75.1% of the Group's total cash and bank balance (including pledged bank deposits) were denominated in HK\$ and US\$ respectively (as at 31 March 2022: 4.4% and 60.9%) and the Group's total borrowings were all denominated in RMB (31 March 2022: All). 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 with HK\$ and US\$, 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.

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 the repayment obligations of such purchasers. As at 30 September 2022, guarantees amounting to RMB334.3 million were given to banks with respect to mortgage loans procured by purchasers of property units (as at 31 March 2022: RMB378.0 million). Such guarantees will be terminated upon the earlier of (i) the 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 relevant properties. The Group's guarantee period starts from the dates of grant of the mortgages. During the period, the Group did not incur any material losses in respect of any of these guarantees. The Directors consider that the likelihood of default in payments by the purchasers is minimal and therefore the financial guarantee measured at fair value initially is immaterial. Also, in case of default in payments, the net realisable value of the relevant 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 30 September 2022, the Group had the following assets pledged against bank and other loans granted:

	30 September 2022 RMB'000	31 March 2022 RMB'000
Investment properties	427,391	442,931
Properties under development	1,201,000	665,600
Completed properties held for sale	8,069	8,069

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2022, the Group had 232 (as at 31 March 2022: 235) full-time employees. Total staff costs (including directors' emoluments) incurred for the six months ended 30 September 2022 amounted to approximately RMB8.2 million (six months ended 30 September 2021: RMB7.9 million). The increase in the total staff costs was mainly attributable to the increase in number of directors for the six months ended 30 September 2022 compared with the same period in 2021. 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.

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 six months ended 30 September 2022.

CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has applied the principles in and complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the reporting period except for a deviation as specified below:

Under Rule 3.25 of the Listing Rule, an issuer must establish a remuneration committee (the "Remuneration Committee") chaired by an independent non-executive Director and comprising a majority of independent non-executive Directors.

The Company had Ms. Cui, the chairperson of the Board, as the chairperson of the Remuneration Committee which is deviated from the Listing Rule. On 29 June 2022, Ms. Cui Xintong resigned as the chairperson of the Remuneration Committee and remained to be a member of the Remuneration committee; and Mr. Tsang Hung Kei, our Independent non-executive Director, has been appointed as the chairperson of the Remuneration Committee in place of Ms. Cui with effect from 29 June 2022. As such, the Company has re-complied with the relevant requirements since 29 June 2022.

REVIEW OF THE INTERIM RESULTS

The unaudited interim financial information for the six months ended 30 September 2022 has been reviewed by the auditor of the Company, Mazars CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. The Group's interim financial information for the six months ended 30 September 2022 has also been reviewed by the Audit Committee.

EXTRACT OF AUDITOR’S INDEPENDENT REVIEW REPORT ON THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

The following is an extract of the auditor’s independent review report on the Company’s interim financial information for the six months ended 30 September 2022. The report includes particulars of the emphasis of matter without modified opinion:

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with the HKAS 34 “Interim Financial Reporting”.

Emphasis of matter

Without modifying our conclusion, we draw attention to note 2 to the condensed interim financial information which states that the Group’s current portion of bank and other borrowings amounted to RMB420,697,000, while its unrestricted cash and cash equivalent amounted to RMB74,291,000. The Group may take longer time than expected to realise cash from the sales of its properties and/or have cash from external financing to meet its loan repayment obligations. This condition indicates that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors, having considered the measures being taken by the Group as disclosed in note 2 to the condensed interim financial information, are of the opinion that the Group would be able to continue as a going concern. Accordingly, the Directors have prepared the condensed interim financial information on a going concern basis. The condensed interim financial information does not include any adjustments that would result from a failure of achieving the measures. We consider appropriate disclosures have been made in this respect. Our conclusion is not modified in respect of this matter.

The aforesaid “note 2 to the condensed interim financial information” in the extract from the auditor’s independent review report is disclosed as note 2 in this result announcement.

By order of the Board
Hua Yin International Holdings Limited
Cui Xintong
Co-Chairperson

Hong Kong, 29 November 2022

As at the date of this announcement, the executive Directors of the Company are Ms. Cui Xintong, Mr. Li Junjie, Mr. Cong Peifeng and Mr. Xu Yingchuan; the non-executive Directors of the Company are Mr. Sui Guangyi and Mr. Cui Mindong; and the independent non-executive Directors of the Company are Mr. Tsang Hung Kei, Mr. Wang Xiaochu and Mr. Wang Xueguang.

* *The English names of the PRC entities referred to in this announcement 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.*