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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 2024

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 2024 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2024

		Six months ended 30 September	
		2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
	Notes		
Revenue	5(a)	129,233	44,002
Cost of sales and services		<u>(110,972)</u>	<u>(28,161)</u>
Gross profit		18,261	15,841
Other income	5(b)	313	251
Selling and distribution expenses		(2,379)	(2,113)
Administrative expenses		(18,345)	(22,068)
Finance costs	6	(21,219)	(25,163)
Other expenses		(642,440)	(989)
Change in fair value of investment properties	11	(6,500)	(28,000)
Change in fair value of derivative financial instruments	20	<u>(165)</u>	<u>(23,918)</u>
Loss before tax	7	(672,474)	(86,159)
Income tax	8	<u>71,334</u>	<u>6,240</u>
Loss for the period attributable to the owners of the parent		<u>(601,140)</u>	<u>(79,919)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT			
	9		
Basic		<u>(8.34) cents</u>	<u>(1.11) cents</u>
Diluted		<u>(8.34) cents</u>	<u>(1.11) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2024

	Six months ended 30 September	
	2024 (unaudited) RMB'000	2023 (unaudited) RMB'000
LOSS FOR THE PERIOD	(601,140)	(79,919)
OTHER COMPREHENSIVE INCOME (LOSS) <i>Other comprehensive income (loss) may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>7,204</u>	<u>(15,653)</u>
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX	<u>7,204</u>	<u>(15,653)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT, NET OF TAX	<u>(593,936)</u>	<u>(95,572)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

		30 September 2024 (unaudited) RMB'000	31 March 2024 (audited) RMB'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		856	408
Investment properties	11	479,700	486,200
Right-of-use assets		10,032	10,041
Lease receivables		4,507	6,965
Deferred tax assets		10,919	13,287
		<hr/>	<hr/>
Total non-current assets		506,014	516,901
CURRENT ASSETS			
Properties under development and completed properties held for sale	12	337,531	1,606,803
Trade and other receivables	13	64,935	76,321
Lease receivables		105	105
Prepaid income tax		10,740	8,814
Derivative financial instruments	20	391	570
Pledged and restricted deposits	14	3,794	5,366
Cash and cash equivalents	14	10,065	53,635
		<hr/>	<hr/>
		427,561	1,751,614
Assets associated with disposal group classified as held for sale	22	550,749	—
		<hr/>	<hr/>
Total current assets		978,310	1,751,614
CURRENT LIABILITIES			
Trade and other payables	15	403,075	490,797
Contract liabilities	16	73,242	166,452
Lease liabilities		16,968	12,160
Loans from a substantial/controlling shareholder	17	337,947	344,849
Loans from related parties	18	63,441	63,651
Bank and other borrowings	19	12,340	420,640
Liability component of the Convertible Bonds	20	96,776	95,726
Income tax payable		48,080	49,323
		<hr/>	<hr/>
		1,051,869	1,643,598
Liabilities associated with disposal group classified as held for sale	22	488,398	—
		<hr/>	<hr/>
Total current liabilities		1,540,267	1,643,598

		30 September 2024 (unaudited) RMB'000	31 March 2024 (audited) RMB'000
NET CURRENT (LIABILITIES) ASSETS		<u>(561,957)</u>	<u>108,016</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(55,943)</u>	<u>624,917</u>
NON-CURRENT LIABILITIES			
Liability component of the Convertible Bonds	20	42,862	45,950
Bank and other borrowings	19	230,980	230,990
Deferred tax liabilities		24,109	97,905
Lease liabilities		<u>11,168</u>	<u>21,198</u>
Total non-current liabilities		<u>309,119</u>	<u>396,043</u>
Net (liabilities) assets		<u><u>(365,062)</u></u>	<u><u>228,874</u></u>
(DEFICIT) EQUITY			
Equity attributable to owners of the parent			
Share capital	21	311,453	311,453
Equity component of the Convertible Bonds	20	98,305	98,305
Reserves		<u>(774,820)</u>	<u>(180,884)</u>
Total (deficit) equity		<u><u>(365,062)</u></u>	<u><u>228,874</u></u>

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 in the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION

The unaudited interim financial information for the six months ended 30 September 2024 (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 2024, except for the adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time on 1 April 2024.

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 2024.

Going concern basis

The Group incurred a net loss of RMB601.1 million for the six months ended 30 September 2024 and as of that date, the Group had net current liabilities and net liabilities of RMB562.0 million and RMB365.1 million respectively. Also, the Group's current portion of bank and other borrowings amounted to RMB12.3 million, while its unrestricted cash and cash equivalent amounted to RMB10.1 million. The Group may take longer time than expected to realise cash from the sales of its properties and/or have cash from external financial 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 and, 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 in negotiation with financial institutions and other lenders for the renewals of the Group's short-term bank and other borrowings that expired or upon expiry and obtaining new borrowings; and expected to be able to renew existing borrowings and obtain new bank borrowings subsequent to the date of reporting period;
- (ii) the Group is expected to generate adequate cash flows to maintain its operations;
- (iii) the proposed divestment of the Fusong Property Project (as defined in note 12 and note 22) in the near future;
- (iv) the Group is expected to obtain continuous financial support from the Group's substantial shareholder, and the substantial shareholder has confirmed that it will not demand the Group for repayment of the loans from substantial shareholder within the next twelve months should the Group not be in the financial position to make such repayment; and
- (v) the Group is currently under negotiation with Ka Yik (as defined in note 20) for the settlement arrangement of the 2021 CBs and Ka Yik has preliminarily agreed not to demand settlement on the maturity date.

The Directors have prepared a cash flow forecast covering a period up to 31 March 2026 on the basis that the continuous financial support from the substantial 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 eighteen months from 30 September 2024. 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

At the date of authorisation 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 business lines. 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 2024 – 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>122,497</u>	<u>6,736</u>	<u>129,233</u>
Segment results	<u>(642,754)</u>	<u>(924)</u>	<u>(643,678)</u>
Finance costs			(21,219)
Change in fair value of derivative financial instruments			(165)
Unallocated head office and corporate expenses			<u>(7,412)</u>
Loss before tax			(672,474)
Income tax			<u>71,334</u>
Loss for the period			<u><u>(601,140)</u></u>

For the six months ended 30 September 2023 – 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>37,558</u>	<u>6,444</u>	<u>44,002</u>
Segment results	<u>(4,758)</u>	<u>(23,879)</u>	(28,637)
Finance costs			(25,163)
Change in fair value of derivative financial instruments			(23,918)
Unallocated head office and corporate expenses			<u>(8,441)</u>
Loss before tax			(86,159)
Income tax			<u>6,240</u>
Loss for the period			<u><u>(79,919)</u></u>

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 2024 (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	107,352	—	107,352
Property management service income	15,145	—	15,145
	<u>122,497</u>	<u>—</u>	<u>122,497</u>
Revenue from other source:			
Rental income	—	6,736	6,736
	<u>122,497</u>	<u>6,736</u>	<u>129,233</u>
Representing geographical market of:			
The PRC	<u>122,497</u>	<u>6,736</u>	<u>129,233</u>
	<u>122,497</u>	<u>6,736</u>	<u>129,233</u>
Timing of revenue recognition			
– At a point in time	107,352	—	107,352
– Over time	15,145	6,736	21,881
	<u>122,497</u>	<u>6,736</u>	<u>129,233</u>

Six months ended 30 September 2023
(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	21,009	—	21,009
Property management service income	16,549	—	16,549
	<u>37,558</u>	<u>—</u>	<u>37,558</u>
Revenue from other source:			
Rental income	—	6,444	6,444
	<u>37,558</u>	<u>6,444</u>	<u>44,002</u>
Representing geographical market of:			
The PRC	37,558	6,444	44,002
	<u>37,558</u>	<u>6,444</u>	<u>44,002</u>
Timing of revenue recognition			
– At a point in time	21,009	—	21,009
– Over time	16,549	6,444	22,993
	<u>37,558</u>	<u>6,444</u>	<u>44,002</u>

(b) Other income

	Six months ended 30 September 2024 (unaudited) RMB'000	Six months ended 30 September 2023 (unaudited) RMB'000
Exchange gain	8	—
Sundry income	<u>305</u>	<u>251</u>
Total other income	<u>313</u>	<u>251</u>

6. FINANCE COSTS

	Six months ended 30 September 2024 (unaudited) RMB'000	Six months ended 30 September 2023 (unaudited) RMB'000
Interest on bank and other borrowings	27,241	24,182
Interest on Convertible Bonds	4,886	2,752
Interest on lease liabilities	1,359	817
Interest on loan from a substantial/controlling shareholder	<u>844</u>	<u>512</u>
	34,330	28,263
Less: Interest capitalised into properties under development*	<u>(13,111)</u>	<u>(3,100)</u>
Total finance costs	<u>21,219</u>	<u>25,163</u>

* For the six months ended 30 September 2024, borrowing costs had been capitalised at rates of 7.5% - 10% (For the six months ended 30 September 2023 (unaudited): 7.3% - 7.35% per annum) per annum.

7. LOSS BEFORE TAX

	Six months ended 30 September 2024 (unaudited) RMB'000	Six months ended 30 September 2023 (unaudited) RMB'000
This is stated after charging:		
Cost of properties sold	103,299	18,696
Cost of services	7,673	9,465
Provision for impairment on trade receivables*	9	—
Write-down of properties under development to net realisable value*	637,925	—
Depreciation		
– property, plant and equipment	112	110
– right-of-use assets	1,930	976
	<u> </u>	<u> </u>

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

8. INCOME TAX

	Six months ended 30 September 2024 (unaudited) RMB'000	Six months ended 30 September 2023 (unaudited) RMB'000
Current tax		
PRC Corporate Income Tax (“CIT”)	94	—
	94	—
Deferred tax		
Origination and reversal of temporary differences	(71,428)	(6,240)
Total credit	<u>(71,334)</u>	<u>(6,240)</u>

No Hong Kong profits tax has been provided for the six months ended 30 September 2024 and 2023 as the Group had no assessable profit subject to Hong Kong profits tax for the said periods.

For the six months ended 30 September 2024, CIT has been provided in accordance with the relevant tax laws applicable to the entities in the PRC. The statutory CIT tax rate in the PRC is 25%. For the six months ended 30 September 2023, CIT had not been provided for the period as there was no assessable profit.

As at 30 September 2024, the estimated withholding tax effects on the distribution of the unremitted retained earnings of the PRC subsidiaries amounted to approximately RMB13.5 million (31 March 2024 (audited): RMB17.1 million). 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.

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. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the parent for the six months ended 30 September 2024 and the weighted average of 7,203,639,000 shares (six months ended 30 September 2023 (unaudited): 7,203,639,000 shares) in issue during the six months ended 30 September 2024.

The calculation of the diluted loss per share amounts is based on the profit or loss for the period attributable to owners of the parent as adjusted by the financial effect associated with dilutive potential ordinary shares (if any). The weighted average number of ordinary shares used in the calculation is the aggregate of weighted average number of ordinary shares in issue during the period, as used in the basic loss 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 the diluted loss per share is based on (i) the loss attributable to owners of the parent of RMB601.1 million (six months ended 30 September 2023 (unaudited): RMB79.9 million) for the six months ended 30 September 2024 as there was no adjusting effect of interest on the liability component of the Convertible Bonds or fair value change on the derivative component of the Convertible Bonds; and (ii) the weighted average number of ordinary shares, for the purpose of diluted loss per share calculation, of 7,203,639,000 shares (six months ended 30 September 2023 (unaudited): 7,203,639,000 shares) for the six months ended 30 September 2024 as the Convertible Bonds had anti-dilutive effect and the exercise price of the outstanding share options were out of the money for both periods.

10. DIVIDEND

The Directors do not declare the payment of any interim dividend for the six months ended 30 September 2024 (six months ended 30 September 2023 (unaudited): Nil).

11. INVESTMENT PROPERTIES

	30 September 2024 (unaudited) RMB'000	31 March 2024 (audited) RMB'000
At the beginning of the reporting period	486,200	550,400
Net loss from fair value adjustment	(6,500)	(64,200)
At the end of the reporting period	<u>479,700</u>	<u>486,200</u>

As at 30 September 2024 and 31 March 2024, 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, 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 2024 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	<u>—</u>	<u>—</u>	<u>479,700</u>	<u>479,700</u>

	Fair value measurement as at			Total (audited) RMB'000
	31 March 2024 using			
	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	–	–	486,200	486,200

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 2023 (unaudited): Nil).

As at 30 September 2024, the Group's investment properties with an aggregate carrying amount of RMB350.4 million (31 March 2024 (audited): RMB352.3 million) were pledged to banks to secure certain of the bank loans granted to the Group as further detailed in note 19 to the announcement.

12. PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

	30 September 2024 (unaudited) RMB'000	31 March 2024 (audited) RMB'000
	<i>Notes</i>	
Properties under development	223,913	2,059,053
Completed properties held for sale	155,862	121,053
	379,775	2,180,106
Write-down of properties under development and completed properties held for sale to net realisable value	<i>(b)</i> (42,244)	(573,303)
	<i>(a)</i> 337,531	1,606,803

- (a) As at 30 September 2024, certain of the Group’s completed properties held for sale with carrying value of RMB8.8 million (31 March 2024 (audited): RMB8.8 million) respectively were pledged to banks to secure certain of the bank loans granted to the Group as further detailed in note 19 to the announcement.
- (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>Note</i>	<i>RMB’000</i>
At the beginning of the reporting period		573,303
Increase in the write-down during the period	<i>(c)</i>	637,925
Reclassified as disposal group held for sale	<i>(c)</i>	<u>(1,168,984)</u>
At the end of the reporting period (unaudited)		<u><u>42,244</u></u>

- (c) As at 31 March 2024, the cost and accumulated write-down to net realisable value of property project in Fusong County, Jilin Province (“Fusong Property Project”) was RMB1,677.1 million and 531.1 million respectively. Such net realisable value was estimated based on a valuation carried out by an independent valuer (“Valuer”). The valuation of the project has been made, (i) using discounted cashflow method and based on the capitalisation of net income on the project plan by making reference to comparable market transactions taking into account of the construction costs to be expended for the land parcels under development; and (ii) using bare land basis and based on direct comparison approach by making reference to comparable land transactions available in the market for the land parcels for future development.

In July 2024, the board of directors of the Company approved the re-commencement of the divestment plan and carried out certain action plans to look for potential buyer for the divestment of the Fusong Property Project within a short period of time. Accordingly, the valuation approach of the land parcels under development of the Fusong Property Project estimated by the Valuer had been changed to replacement cost approach while no change of the valuation approach for the land parcels for future development as at 30 September 2024. In addition, a discounting factor of 45% has been applied by the management to reflect an intended short-term sale in estimating the net realisable value as advised by the Valuer. Therefore, an additional write-down to net realisable value by approximately RMB637.9 million was made during the six months ended of 30 September 2024. As the end of the reporting period, the properties under development under Fusong Property Project had been reclassified as “Assets associated with disposal group classified as held for sale” in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. Further details has been set out in note 22 to the announcement.

13. TRADE AND OTHER RECEIVABLES

		30 September 2024 (unaudited) RMB'000	31 March 2024 (audited) RMB'000
Trade receivables		20,325	21,260
Less: provision for impairment		(14,163)	(14,154)
	<i>(a)</i>	6,162	7,106
Other receivables			
– Deposits for land development expenditure	<i>(b)</i>	9,467	31,562
– Deposits for construction and pre-sale of property projects	<i>(c)</i>	1,562	6,741
– Prepaid business tax and other taxes		13,663	28,212
– Other receivables, prepayments and deposits		58,168	73,634
– Less: provision for impairment	<i>(d)</i>	(24,087)	(70,934)
		58,773	69,215
		64,935	76,321

- (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 2024 (unaudited) RMB'000	31 March 2024 (audited) RMB'000
Within 30 days	1,889	1,415
31 days-180 days	2,002	4,034
Over 180 days	2,271	1,657
	6,162	7,106

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. At 30 September 2024, the provision for impairment balance of RMB46.8 million was reclassified to assets associated with disposal group classified as held for sale.

14. CASH AND CASH EQUIVALENTS AND PLEDGED AND RESTRICTED DEPOSITS

		30 September 2024 (unaudited) RMB'000	31 March 2024 (audited) RMB'000
	<i>Notes</i>		
Cash and bank balances	<i>(b)</i>	13,859	59,001
Less: Restricted bank deposits under pre-sale of properties	<i>(a)</i>	<u>(3,794)</u>	<u>(5,366)</u>
Cash and cash equivalents as stated in condensed consolidated statement of financial position		10,065	53,635
Cash and cash equivalents attributable to disposal group classified as held for sale	<i>22</i>	<u>3</u>	<u>—</u>
		<u>10,068</u>	<u>53,635</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 RMB5.8 million (31 March 2024 (audited): RMB8.9 million). 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 2024 (unaudited) RMB’000	31 March 2024 (audited) RMB’000
	<i>Notes</i>		
Trade payables	<i>(a)</i>	35,923	49,192
Accrued construction costs		242,157	301,670
Interest payable		27,662	30,085
Other creditors and accruals		41,630	53,732
Other deposits received		55,703	56,118
		403,075	490,797

- (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 2024 (unaudited) RMB’000	31 March 2024 (audited) RMB’000
Within 30 days	521	917
31 days-180 days	5,247	12,521
Over 180 days	30,155	35,754
	35,923	49,192

16. CONTRACT LIABILITIES

		30 September	31 March
		2024	2024
		(unaudited)	(audited)
	<i>Notes</i>	RMB'000	RMB'000
Deposits from sales of properties	<i>(a)</i>	59,376	150,697
Receipt in advance from management services	<i>(b)</i>	13,866	15,755
		73,242	166,452

- (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 SUBSTANTIAL/CONTROLLING SHAREHOLDER

Loans from a substantial/controlling shareholder are unsecured, including:

	30 September	31 March
	2024	2024
	(unaudited)	(audited)
	RMB'000	RMB'000
Interest-free*	337,947	329,414
Interest-bearing**	—	15,435
	337,947	344,849

* repayable on demand

** interest rate at 5% per annum and repayable within one year

18. LOANS FROM RELATED PARTIES

The amounts are unsecured, interest free and repayable with one year or on demand.

19. BANK AND OTHER BORROWINGS

		30 September 2024 (unaudited) RMB'000	31 March 2024 (audited) RMB'000
	<i>Notes</i>		
Current			
Bank loans – secured	<i>(i)</i>	10,000	80,000
Bank loan – unsecured	<i>(iii)</i>	2,340	2,340
Entrusted loans – secured	<i>(ii)</i>	—	338,300
		12,340	420,640
Non-current			
Bank loans – secured	<i>(i)</i>	230,980	230,990
		243,320	651,630
		30 September 2024 (unaudited) RMB'000	31 March 2024 (audited) RMB'000
Analysed into:			
Bank loans and entrusted loan repayable:			
Within one year or on demand		12,340	420,640
In the second year		230,980	—
In the third to fifth years, inclusive		—	230,990
		243,320	651,630

Notes:

- (i) As at 30 September 2024, the bank loan of RMB8.0 million that bears interests at a fixed rate of 6% per annum, is secured by the pledges of the completed properties held for sale with carrying amount of RMB8.8 million as at 30 September 2024 and 100% equity interests of a subsidiary of the Group, and is unguaranteed; The bank loan of RMB2.0 million that bears interests at a fixed rate of 6% per annum, is secured by a second charge of completed properties held for sale with carrying amount of RMB8.8 million as at 30 September 2024, and is unguaranteed; The bank loan of RMB231.0 million that bears interests at a fixed rate of 6% to 7.3% per annum, is secured by investment properties with fair value of RMB350.4 million as at 30 September 2024, and is guaranteed by personal and corporate guarantees of certain connected parties of the Group.

As at 31 March 2024, the bank loan of RMB8.0 million that bore interests at a fixed rate of 5% per annum, was secured by the pledges of the completed properties held for sale with carrying amount of RMB8.8 million as at 31 March 2024 and 100% equity interests of a subsidiary of the Group. The bank loan of RMB2.0 million that bore interests at a fixed rate of 5% per annum and was secured by a second charge of completed properties held for sale with carrying amount of RMB8.8 million as at 31 March 2024. The bank loan of RMB231.0 million that bore interests at a fixed rate of 6% to 7.3% per annum, was secured by investment properties with fair value of RMB352.3 million as at 31 March 2024, and was guaranteed by personal and corporate guarantees of certain connected parties of the Group. The bank loan of RMB70.0 million that bore interests at a fixed rate of 7.5% per annum, was secured by the 70% equity interests in a connected party and was guaranteed by personal and corporate guarantees of certain connected parties of the Group. This bank loan was reclassified to liabilities associated with disposal group classified as held for sale (Note 22) as at 30 September 2024.

- (ii) As at 31 March 2024, the entrusted loan of RMB20.0 million that bore interests at a fixed interest rate of 8% per annum, was secured by properties under development held by the Group with carrying amount of RMB329.8 million as at 31 March 2024, and was guaranteed by corporate guarantees of certain connected parties of the Group. The entrusted loan of RMB318.3 million that bore interests at a fixed rate of 10% per annum, was secured by a second charge of properties under development with carrying amount of RMB1,166.0 million as at 31 March 2024, and was guaranteed by corporate guarantees of certain connected parties of the Group. Both entrusted loans were reclassified to liabilities associated with disposal group classified as held for sale (Note 22) as at 30 September 2024.
- (iii) As at 30 September 2024, the bank loan of RMB2.3 million (31 March 2024 (unaudited): RMB2.3 million) that bears interests at a floating rate of loan prime rate plus 0.28% per annum is unsecured and unguaranteed.

20. DERIVATIVE FINANCIAL INSTRUMENTS AND CONVERTIBLE BONDS

2021 CBs

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 (the “2021 CBs”) to Ka Yik Investments Limited (“Ka Yik”), a controlling shareholder, which were due on 13 June 2023 (the “Initial Maturity Date”) 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 2021 CBs on the maturity date will result in the Group not having sufficient working capital for the operation for the next twelve months. The 2021 CBs 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 before the maturity date.

On 9 June 2023, the Company received a written confirmation from the bondholder for its consent that the Initial Maturity Date shall be extended (the “Extension”) for another eighteen months to the third anniversary of the date of issue of the bonds (i.e. 14 December 2024) (the “Extended Maturity Date”) with all other terms and conditions remained unchanged. The management considered the Extension does not result in a substantial modification of the liability component of the 2021 CBs in accordance with HKFRS 9.

The conversion rights are exercisable at any time from the date of issue of the 2021 CBs 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 2021 CBs are not transferrable without the prior written consent of the Company.

The Company may at any time before the maturity date redeem the 2021 CBs (in whole or in part) at 100% of its principal amount. The Company has not early redeemed any portion of the 2021 CBs during the period.

2023 CBs

On 23 June 2023, the Company completed the placement of convertible bonds with an aggregate principal amount of HK\$60,000,000 (equivalent to approximately RMB55,734,000) to not less than six places (the “2023 CBs”). The maturity date of the 2023 CBs is 22 June 2026. The 2023 CBs are convertible into the Company’s ordinary shares of HK\$0.05 each at an initial conversion price of HK\$0.445 per share subject to adjustments. The interest rate is 6% per annum payable quarterly in arrears before the maturity date.

The conversion rights are exercisable at any time from the date of issue of the 2023 CBs 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 2023 CBs are not transferrable without the prior written consent of the Company.

The Company may at any time before the maturity date redeem the 2023 CBs (in whole or in part) at 100% of its principal amount. The Company has not early redeemed any portion of the 2023 CBs during the period.

The 2021 CBs and the 2023 CBs are together referred to as the Convertible Bonds.

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 2024	570
Change in fair value of derivative financial instruments	(165)
Exchange realignment	(14)
	<hr/>
At 30 September 2024 (unaudited)	391
	<hr/> <hr/>

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 2024	141,676
Accrued effective interest	4,886
Accrued coupon interest transferred to interest payables	(2,624)
Exchange realignment	<u>(4,300)</u>
At 30 September 2024 (unaudited)	<u><u>139,638</u></u>
Representing:	
Current	96,776
non-current	<u>42,862</u>
	<u><u>139,638</u></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 rates of the Convertible Bonds is 2.85% - 16.23% (31 March 2024 (audited): 4.61% - 16.23%).

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 2024 and at 30 September 2024 (unaudited)	<u><u>98,305</u></u>

As at 30 September 2024, the aggregate principal amount of the Convertible Bonds was approximately HK\$163,076,730 (equivalent to RMB146,863,049) (31 March 2024 (audited): HK\$163,076,730 (equivalent to RMB151,400,436)). Should the conversion rights attaching to the Convertible Bonds be exercised in full, additional 399,130,767 ordinary shares would have been allotted and issued, which represent approximately 5.5% of the issued share capital of the Company at 30 September 2024.

21. 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 2024 (audited)	7,203,639	360,182	311,453
At 30 September 2024 (unaudited)	7,203,639	360,182	311,453

22. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In July 2024, the board of directors approved the re-commencement of the divestment plan on the Fusong Property Project.

In October 2024, the Group entered into a conditional equity transfer agreement with an independent third party for the disposal of the entire equity interest in Jilin Province Ground Tourism Development Company Limited and its three subsidiaries (the “Disposal Group”) at a consideration of RMB1.0. Details of the disposal are set out in the Company’s announcement dated 25 October 2024.

The major classes of assets and liabilities of the Disposal Group classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell at the end of the reporting period are as follows:

	Notes	Carrying amount as classified as held for sale RMB'000
Assets		
Property, plant and equipment		13
Properties under development	12(c)	541,200
Other receivables		9,533
Cash and cash equivalents	14	3
Assets associated with disposal group classified as held for sale		550,749
Liabilities		
Trade and other payables		80,098
Bank and other borrowings	(b)	408,300
Liabilities associated with disposal group classified as held for sale		488,398
Net assets attributable to the disposal group classified as held for sale		62,351

- (a) No gain or loss arising from initial recognition and subsequent measurement of disposal group classified as held for sale has been recognised in condensed consolidated statement of comprehensive income for the period.
- (b) Bank and other borrowings

	<i>Notes</i>	30 September 2024 (unaudited) RMB'000
Current		
Bank loan – secured	<i>(i)</i>	70,000
Entrusted loans – secured	<i>(ii)</i>	338,300
		408,300
		408,300
Analysed into:		
Bank loan and entrusted loans repayable:		
Within one year or on demand		408,300

- (i) At 30 September 2024, the bank loan of RMB70.0 million that bears interests at a fixed rate of 7.5% per annum, is secured by a charge of properties under development with carrying amount of RMB541.2 million as at 30 September 2024 and the 70% equity interests in a connected party and is guaranteed by personal and corporate guarantees of certain connected parties of the Group.
- (ii) At 30 September 2024, the entrusted loan of RMB20.0 million that bears interests at a fixed interest rate of 8% per annum, was secured by properties under development held by the Group with carrying amount of RMB153.1 million as at 30 September 2024, and is guaranteed by personal and corporate guarantees of certain connected parties of the Group. The entrusted loan of RMB318.3 million that bears interests at a fixed rate of 10% per annum, was secured by a second charge of properties under development with carrying amount of RMB541.2 million as at 30 September 2024, and is guaranteed by personal and corporate guarantees of certain connected parties of the Group.

23. 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 2024, guarantees amounting to RMB177.1 million were given to banks with respect to mortgage loans procured by purchasers of property units (31 March 2024 (audited): RMB213.1 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 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

In the past, the Group has been carrying out debt and equity financing (including the issuance of convertible bonds and ordinary shares) to raise funding for its operational needs. The Group's management reviews the Group's debt and capital structure, including its gearing level, on a timely basis. Based on our recent review, the Group's management is of the view that it is necessary to balance its overall capital structure through the redemption of existing debts, which includes bank and other loans, shareholder's loans and Convertible bonds.

During the second half of the financial year, the Group has strived to reduce the level of debts at both onshore and offshore level. In April 2024, the Group entered into a loan capitalisation agreement (the "Loan Capitalisation Agreement") with Ground Investment Holding Group (Hong Kong) Co., Limited. However, to the best information and knowledge of the Company, it is believed that there is minimal chance for the requisite approvals to be obtained on or before 31 December 2024 (being the long stop date for the completion of the Loan Capitalisation Agreement). Accordingly, the Loan Capitalisation Agreement has been terminated pursuant to a deed of termination on 4 October 2024. Please refer to the announcements of the Company dated 14 May 2024, 4 October 2024 and the circular of the Company dated 29 June 2024 for further details.

Subsequent to the interim period ended 30 September 2024, in October 2024, the Group as vendor entered into an equity transfer agreement (the "Equity Transfer Agreement") with an independent third party as purchaser to conditionally dispose of its entire equity interests in Jilin Province Ground Tourism Development Company Limited for a nominal consideration of RMB1. Jilin Province Ground Tourism Development Company Limited has a cultural tourism property project in Fusong County, Baishan City, Jilin Province ("Fusong Property Project"). The Fusong Property Project has its first phase with GFA of 88,034.91 sq.m. suspended for construction and the remaining land parcels with GFA of 588,462.56 sq.m. are held for future development. As the current financing market remains tight, the Group's financial position and cash flows is not in a position to meet the expected future cash flow commitment on the project. At the same time the project company has outstanding bank and other loans of approximately RMB408 million, all of which has become due. The Board considered it is appropriate to divest the Fusong Property Project in order to (among others) alleviate the Group's debt and financing costs burden. Further details of the Equity Transfer Agreement are set out in the Company's announcement dated 25 October 2024.

In November 2024, the Company proposed to carry out a capital reorganisation involving, among others, (i) every twenty issued shares of par value of HK\$0.05 each be consolidated into one consolidated share of par value of HK\$1.00 each; (ii) the par value of each issued consolidated shares be reduced from par value of HK\$1.00 to HK\$0.01 each by cancellation of the paid-up capital of the Company to the extent of HK\$0.99 on each issued consolidated share; (iii) each authorised but unissued consolidated share of HK\$0.01 will be sub-divided into one hundred new shares of HK\$0.01 each; (iv) each authorised but unissued existing convertible preference share will be sub-divided into five new convertible preference shares of HK\$0.01 each; and (v) the credits arising from the capital reduction and share premium reduction will be credited to the contributed surplus account. Details of the proposed capital reorganisation are set out in the Company's announcement dated 11 November 2024.

Looking ahead, while the world and the PRC economies remain uncertain, the Group's management will continue to operate prudently in the property development and management business, such as land replenishment, and will continue the development of resource within Changbaishan, such as ginseng and mineral water. The Group will also continue to monitor closely the cash flows and financial position of the Group and take appropriate actions in order to ensure the Group's sustainability and financial stability in the long run. With the above approaches in place, it is firmly believed that the Group will be able to (i) create a sustainable business development model; (ii) minimise its business risk; and (iii) most important of all, bring value to its shareholders, employees and other stakeholders.

BUSINESS REVIEW

For the six months ended 30 September 2024, the Group's overall revenue was approximately RMB129.2 million (six months ended 30 September 2023: RMB44.0 million), representing an increase of 193.6%. The Group had a gross profit of RMB18.3 million for the six months ended 30 September 2024 (six months ended 30 September 2023: RMB15.8 million) and net loss for the period of RMB601.1 million (six months ended 30 September 2023: RMB79.9 million).

Property Development

During the six months ended 30 September 2024, the Group has two residential property projects, including Guangze Jiuxi Red House – Phase II in Jiutai District, Changchun City and Guangze China House – Phase II in Baishan City. In April 2024, the Group obtained completion certificate in respect of Guangze China House – Phase IIA, which has been delivered and recognized as sale of properties during the six months ended 30 September 2024.

At 30 September 2024, Guangze China House – Phase IIB has not yet commenced construction. Given the sluggish local property market, the Group's management expected to slow down the construction pace of the project. As for Guangze Jiuxi Red House – Phase II, the project is currently awaiting for the infrastructure development by the local government.

The Group also has one cultural tourism property project, namely Ground Pine Township International Resort in Fusong County, Baishan City, Jilin Province. As mentioned in the section headed "Overview and outlook" above, the Group decided to divest the Fusong Property Project in view of the current market sentiment as well as the Group's financial position and cash flows. In October 2024, the Group entered into an equity transfer agreement to dispose of the entire equity interest in the project company holding the project to an independent third party.

In the coming years, the Group will continue to replenish its land reserve on a prudent approach given the property market in the PRC remains with uncertainties. The Group's management will focus the land replenishment within the Northeastern area of the PRC where the Group has vast local experience.

Properties completed, delivered and sale of properties recognized during the six months ended 30 September 2024

For the six months ended 30 September 2024, sales of properties of approximately RMB95.1 million were recorded with an aggregate gross floor area ("GFA") of 21,597 sq.m., which were mainly contributed from the sales of Guangze China House – Phase IIA which were completed during the period.

In addition, the Group delivered and recognised sale of car park units of approximately RMB12.2 million from the sale of 67 car park units for the six months ended 30 September 2024 (six months ended 30 September 2023: RMB2.4 million from the sale of 18 car park units).

Property Investment

As at 30 September 2024, 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 RMB486.2 million at 31 March 2024 to RMB479.7 million at 30 September 2024 with an average occupancy rate of 75% (At 31 March 2024: 73%).

FINANCIAL REVIEW

In July 2024, the board of directors approved the re-commencement of the divestment plan on the Fusong Property Project. In October 2024, the Group entered into a conditional equity transfer agreement with an independent third party for the disposal of the entire equity interest in Jilin Province Ground Tourism Development Company Limited together with its three subsidiaries (the "Disposal Group") as detailed in the section headed "BUSINESS REVIEW" of this announcement.

Preparation of the Group's condensed consolidated financial statements for the six months ended 30 September 2024

In accordance with HKFRS 5, given that the Disposal Group is only part of the Group's property development and management business, it does not constitute a discontinued operation. Accordingly, all assets and liabilities associated with the Disposal Group are grouped under "Assets associated with disposal group classified as held for sale" and "Liabilities associated with disposal group classified as held for sale" under current assets and current liabilities, respectively. However, for the condensed consolidated financial statements of the Group for the six months ended 30 September 2024, the results of and the assets and liabilities of the Disposal Group remains consolidated into the Group.

Key changes to profit or loss

Revenue

	Six months ended 30 September 2024		Six months ended 30 September 2023	
	RMB'000	%	RMB'000	%
Sale of properties	107,352	83.1	21,009	47.8
Rental income	6,736	5.2	6,444	14.6
Property management service income	15,145	11.7	16,549	37.6
	<u>129,233</u>	<u>100.0</u>	<u>44,002</u>	<u>100.0</u>

The Group's revenue increased from RMB44.0 million for the six months ended 30 September 2023 to RMB129.2 million for the six months ended 30 September 2024 or an increase by 193.6%, mainly contributed from the increase in sale of properties by 411.0% or RMB86.3 million as compared with the corresponding period. The increase in sale of properties during the six months ended 30 September 2024 was attributable to the fact that Guangze China House – Phase IIA were completed and delivered during the period.

Also, sales of car parks increased from RMB2.4 million for the six months ended 30 September 2023 to RMB12.2 million for the six months ended 30 September 2024.

The property management service income for the six months ended 30 September 2024 decreased by RMB1.4 million mainly attributable to the fact that the Group ceased to provide management services to the properties at Guangze Red House – Phase I, II, and III in Yanji City since July 2024.

Gross profit and gross margin

	Six months ended 30 September 2024		Six months ended 30 September 2023	
	Gross Profit RMB'000	Gross margin %	Gross Profit RMB'000	Gross margin %
Sale of properties	4,053	3.8	2,313	11.0
Rental income	6,736	100.0	6,444	100.0
Property management service income	7,472	49.3	7,084	42.8
Total	18,261	14.1	15,841	36.0

For the six months ended 30 September 2024, the Group recorded an overall gross profit of RMB18.3 million, representing an increase of RMB2.5 million or 15.8% from the gross profit of RMB15.8 million for the six months ended 30 September 2023. The increase in the Group's gross profit was primarily attributable to the fact that there was one newly completed and delivered property projects of Guangze China House – Phase IIA during the period, whilst no new projects have been completed and delivered during the six months ended 30 September 2023. However, the Group's gross margin of 14.1% for the six months ended 30 September 2024 was lower than that of 36.0% for the six months ended 30 September 2023. The decrease in the gross margin was mainly attributable to more properties units with lower profit margin delivered during the period.

Selling and distribution expenses

The selling and distribution expenses for the six months ended 30 September 2023 and 2024 remained stable as no promotional activities were carried out for new property projects during the period.

Administrative expenses

The decrease in administrative expenses by RMB3.8 million from RMB22.1 million for the six months ended 30 September 2023 to RMB18.3 million for the six months ended 30 September 2024 was mainly attributable to a decrease in office expenditure by continual cost control measures implemented on the Group.

Other expenses

Other expenses increased from RMB1.0 million for the six months ended 30 September 2023 to RMB642.4 million for the six months ended 30 September 2024, mainly attributable to the write-down of the properties under development in respect of the Fusong Property Project. For details of the Fusong Property Project's net realisable value estimation, please refer to the section headed "Properties under development and completed properties held for sales" under Key Changes to financial position.

Finance costs

	Six months ended	
	30 September	
	2024	2023
	RMB'000	RMB'000
Interest on bank and other borrowings	27,241	24,182
Interest on Convertible Bonds	4,886	2,752
Interest on lease liabilities	1,686	817
Interest on loan from a substantial/controllering shareholder	517	512
	34,330	28,263
Less: interest capitalised into properties under development	(13,111)	(3,100)
	21,219	25,163

The decrease in finance costs by RMB4.0 million from RMB25.2 million for the six months ended 30 September 2023 to RMB21.2 million for the six months ended 30 September 2024 was mainly attributable to more interest capitalised into properties under development during the period.

Change in fair value of investment properties

For the six months ended 30 September 2024, there was a loss in fair value of RMB6.5 million (six months ended 30 September 2023: RMB28.0 million) relating to the investment properties in the PRC. The further loss in fair value was primarily attributable to the decrease in the time value of the lease period on the leased portion of the investment properties and the market rent became stable in Baishan City.

Change in fair value of derivative financial instruments

The derivative financial instruments represented the Company's early redemption right feature of the Convertible Bonds. A loss in fair value of approximately RMB0.2 million was recorded for the six months ended 30 September 2024 as a result of deterioration of its time value.

Income tax

	Six months ended	
	30 September	
	2024	2023
	RMB'000	RMB'000
Current tax		
PRC Corporate Income Tax	94	—
	94	—
Deferred tax		
Origination and reversal of temporary differences	(71,428)	(6,240)
Total credit	(71,334)	(6,240)

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 2024, the Group recognise current CIT provision relating to the project company on Guangze Jiuxi Red House. No CIT provision was made for the six months ended 30 September 2023 as no assessable profits were arisen during the period. No LAT provision was made for the six months ended 30 September 2024 and 2023 because the Group did not meet for LAT levy requirement set forth in the relevant PRC tax laws and regulations.

Deferred tax

A tax credit from deferred tax of RMB71.4 million was recorded for the six months ended 30 September 2024 (six months ended 30 September 2023: RMB6.2 million) was mainly attributable to the (i) reversal of taxable temporary difference resulting from the write-down of the properties under development in respect of the Fusong Property Project made and (ii) a reversal of taxable temporary differences arising from the decrease in fair value of investment properties during the period.

Key changes to financial position

Investment properties

As at 30 September 2024, 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 Service Company Limited (an independent professional qualified valuer). As at 30 September 2024, the fair value decreased by RMB6.5 million as compared to that as at 31 March 2024.

Properties under development and completed properties held for sale

As at 30 September 2024, the Group's properties under development was mainly Guangze China House – Phase IIB 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, Guangze China House – Phase IIA and the remaining residential and commercial units and car parking spaces at projects completed in prior years.

The decrease in the Group's properties under development and completed properties held for sale to approximately RMB337.5 million as at 30 September 2024 (As at 31 March 2024: approximately RMB1,606.8 million) was primarily attributable to (i) the reclassification of the carrying amounts of properties under development of the Fusong Property Project of RMB541.2 million after further write-down of RMB637.9 million was made during the six months ended 30 September 2024 to assets associated with disposal group classified as held for sale; (ii) the completion and delivery of property units on Guangze China House – Phase IIA; and partially offset by the increase in construction costs relating to Guangze Jiuxi Red House – Phase II and Guangze China House – Phase IIA 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 2024 and 31 March 2024. In July 2024, after the Group's management review of the status of the Fusong Property Project, the Board decided to re-commence the divestment plan. Accordingly, the valuation methodology of the Fusong Property Project for the period has been adjusted whereby the land parcels for future development continued to be valued on an market comparison approach; and the land parcels under development instead has been valued on a replacement cost approach. As at 30 September 2024, the Group's net realisable value of the Fusong Property Project has been estimated with reference to the valuation carried out by the independent valuer based on the adjusted methodology and has also taken into account of an application of a discount factor of 45% with a view of an intended short-term sale, leading to a further write-down of RMB637.9 million for the six months ended 30 September 2024.

Trade and other receivables

	<i>Notes</i>	30 September 2024 RMB'000	31 March 2024 RMB'000
Trade receivables		20,325	21,260
Less: Provision for impairment		(14,163)	(14,154)
		<hr/>	<hr/>
	<i>(i)</i>	6,162	7,106
Other receivables			
– Deposits for land development expenditure	<i>(ii)</i>	9,467	31,562
– Deposits for construction and pre-sale of property projects	<i>(iii)</i>	1,562	6,741
– Prepaid business tax and other taxes		13,663	28,212
– Other receivables, prepayments and deposits		58,168	73,634
Less: Provision for impairment	<i>(iv)</i>	(24,087)	(70,934)
		<hr/>	<hr/>
		58,773	69,215
		<hr/>	<hr/>
		64,935	76,321
		<hr/> <hr/>	<hr/> <hr/>

- (i) Trade receivables mainly related to rental receivable from tenants and property management fee receivables from property unit owners. At 30 September 2024, the trade receivable balance remained stable as compared to that at 31 March 2024.
- (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. A gross amount of RMB22.1 million was reclassified to assets associated with disposal group classified as held for sale as at 30 September 2024.

- (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. A gross amount of RMB5.0 million was reclassified to assets associated with disposal group classified as held for sale as at 30 September 2024.
- (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 2024, the provision for impairment balance of RMB46.8 million was reclassified to assets associated with disposal group classified as held for sale.

Trade and other payables

	<i>Notes</i>	30 September 2024 RMB'000	31 March 2024 RMB'000
Trade payables	<i>(i)</i>	35,923	49,192
Accrued construction costs	<i>(i)</i>	242,157	301,670
Interest payable		27,662	30,085
Other creditors and accruals		41,630	53,732
Other deposits received		55,703	56,118
		403,075	490,797

- (i) The net decreases in trade payables and accrued construction costs from RMB49.2 million and RMB301.7 million as at 31 March 2024 to RMB35.9 million and RMB242.2 million as at 30 September 2024 respectively, primarily attributable to (i) the settlement of construction cost during the period; and (ii) an amount of RMB48.4 million being reclassified to liabilities associated with disposal group classified as held for sale as at 30 September 2024.

Contract liabilities

	<i>Notes</i>	30 September 2024 RMB'000	31 March 2024 RMB'000
Deposits from sale of properties	<i>(i)</i>	59,376	150,697
Receipt in advance from management services	<i>(ii)</i>	13,866	15,755
		73,242	166,452

- (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 delivery of in respect of Guangze China House – Phase IIA 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 2024, the carrying amount of cash and bank deposits of the Group was approximately RMB10.1 million (as at 31 March 2024: approximately RMB53.6 million), representing a decrease of approximately 81.2% as compared with that as at 31 March 2024.

Debt and gearing

The Group's bank and other borrowings (excluded Disposal Group) as at 30 September 2024 were payable as follows:

	30 September 2024 RMB'000	31 March 2024 RMB'000
Current	12,340	420,640
Non-current	230,980	230,990
	243,320	651,630
Analysed into:		
Bank loans and entrusted		
loans repayable:		
Within one year or on demand	12,340	420,640
In the second year	230,980	—
In the third year to fifth year, inclusive	—	230,990
	243,320	651,630

At 30 September 2024, the Group's bank and other borrowings decreased by RMB408.3 million as compared to that at 31 March 2024 was primarily attributable to the reclassification of certain bank and entrusted loans of RMB408.3 million to liabilities associated with disposal group classified as held for sales.

The Group's gearing ratio (excluded Disposal Group) as at 30 September 2024 was as follows:

	30 September 2024 RMB'000	31 March 2024 RMB'000
Loans from a substantial/controlling shareholder	337,947	344,849
Loans from related parties	63,441	63,651
Bank and other borrowings	243,320	651,630
Trade and other payables	403,075	490,797
Less: Cash and cash equivalents	(10,065)	(53,635)
Less: Pledged and restricted deposits	(3,794)	(5,366)
	<hr/>	<hr/>
Net debt	1,033,924	1,491,926
Liability component of the Convertible Bonds (Deficit) Equity	139,638 (365,062)	141,676 228,874
	<hr/>	<hr/>
Adjusted Capital	(225,424)	370,550
	<hr/>	<hr/>
Capital and debt	808,500	1,862,476
	<hr/>	<hr/>
Gearing ratio	128%	80%
	<hr/> <hr/>	<hr/> <hr/>

The gearing ratio of the Group as at 30 September 2024, which is net debt divided by the adjusted capital plus net debt, increased from 80% as at 31 March 2024 to 128% as at 30 September 2024. Such significant increase was primarily attributable to the increase in accumulated losses resulting in a decrease in adjusted capital.

Cash flows for the Group's operating activities

For the six months ended 30 September 2024, the Group recorded net operating cash outflow of RMB26.7 million (six months ended 30 September 2023: RMB5.2 million). The outflow for the six months ended 30 September 2024 was mainly attributable to the gradual settlement of construction cost payable balances arising from the completed property projects.

Utilisation of proceeds from fund raising activity

On 31 May 2023, the Company entered into a placing agreement with Kingston Securities Company Limited in respect of the placement of convertible bonds with an aggregate principal amount of up to HK\$150.0 million to no less than six places.

On 23 June 2023, the Company completed the placing of convertible bonds with an aggregate principal amount of HK\$60 million (the "Placing"). Details of the Placing are set out in the Company's announcements dated 31 May 2023 and 23 June 2023.

The table below shows the utilisation of the proceeds from fund raising activities:

Intended use of the net proceeds	Allocation RMB'000	Utilised net proceeds as at 30 September 2024 RMB'000	Unutilised net proceeds as at 30 September 2024 RMB'000
Potential acquisition and/or projects investment in new business	30,850	30,850	—
Settlement of the Group's indebtedness and finance costs	19,484	19,484	—
Settlement of the Group's working capital	3,788	3,788	—
	<u>54,122</u>	<u>54,122</u>	<u>—</u>

As at 30 September 2024, the net proceeds had been fully utilised.

COMMITMENTS FOR DEVELOPMENT EXPENDITURE

As at 30 September 2024, the Group had contracted but not provided for commitments for development expenditure in respect of properties under development of RMB75.1 million (as at 31 March 2024: RMB93.3 million). The development expenditure will be funded by the Group's internal resources and/or project loans.

FOREIGN EXCHANGE EXPOSURE

As at 30 September 2024, 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 2024, approximately 30.9% and 0% of the Group's total cash and bank balance (including pledged bank deposits) were denominated in HK\$ and US\$ respectively (as at 31 March 2024: 4.4% and 60.9%) and the Group's total borrowings were all denominated in RMB (31 March 2024: 100%). 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.

SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no significant investments held, and no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 September 2024.

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 2024, guarantees amounting to RMB177.1 million were given to banks with respect to mortgage loans procured by purchasers of property units (as at 31 March 2024: RMB213.1 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 2024, the Group had the following assets pledged against bank and other loans granted:

	30 September 2024 RMB'000	31 March 2024 RMB'000
Investment properties	350,400	352,300
Properties under development	—	1,166,000
Completed properties held for sale	8,833	8,833
Assets associated with disposal group classified as held for sale	541,200	—

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2024, the Group had 173 (as at 31 March 2024: 226) full-time employees. Total staff costs (including directors' emoluments) incurred for the six months ended 30 September 2024 amounted to approximately RMB9.0 million (six months ended 30 September 2023: RMB9.7 million). The decrease in the total staff costs was mainly attributable to the decrease in number of staff for the six months ended 30 September 2024 compared with the same period in 2023. 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 2024.

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.

REVIEW OF THE INTERIM RESULTS

The unaudited interim financial information for the six months ended 30 September 2024 has been reviewed by the auditor of the Company, Forvis 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 2024 has also been reviewed by the audit committee of the Company.

EXTRACT OF AUDITOR'S INDEPENDENT REVIEW REPORT ON THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

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 2024. 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 of the condensed interim financial information concerning the adoption of the going concern basis on which the condensed interim financial information has been prepared. The Group incurred loss of RMB601.1 million for the six months ended 30 September 2024 and, as at that date, the Group had net current liabilities and net liabilities of approximately RMB561.9 million million and RMB365.1 million respectively. Also, the Group's current portion of bank and other borrowings amounted to RMB12.3 million, while its unrestricted cash and cash equivalent amounted to RMB10.1 million. The Group may take longer time than expected to realise cash from the sales of its properties and/or have cash from external financial to meet its loan repayment obligations. These conditions indicate 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
Chairperson

Hong Kong, 28 November 2024

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 Director of the Company is 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.*