Qingdao Holdings International Limited

青島控股國際有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 499)

ANNUAL REPORT 2019

*For identification purposes only

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Xing Luzheng *(Chairman)*
Mr. Chen Mingdong *(Vice Chairman)*
Mr. Jiang Yi *(Chief Executive Officer)*
Mr. Wang Yimei
Mr. Yuan Zhi

Non-executive Director:

Mr. Li Shaoran

Independent non-executive Directors:

Mr. Yin Tek Shing, Paul
Mr. Wong Tin Kit
Ms. Zhao Meiran
Mr. Li Xue

AUDIT COMMITTEE

Mr. Li Xue *(Chairman)*
Mr. Yin Tek Shing, Paul
Mr. Wong Tin Kit
Ms. Zhao Meiran

REMUNERATION COMMITTEE

Mr. Wong Tin Kit *(Chairman)*
Mr. Yin Tek Shing, Paul
Ms. Zhao Meiran
Mr. Li Xue

NOMINATION COMMITTEE

Mr. Xing Luzheng *(Chairman)*
Mr. Yin Tek Shing, Paul
Mr. Wong Tin Kit
Ms. Zhao Meiran
Mr. Li Xue

COMPANY SECRETARY

Mr. Chan Kwong Leung, Eric

CORPORATE INFORMATION

AUTHORISED REPRESENTATIVES

Mr. Jiang Yi
Mr. Chan Kwong Leung, Eric

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
Hang Seng Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL OFFICE

Unit No. 8, 26th Floor, Tower 1
Admiralty Centre
No. 18 Harcourt Road
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
(to be relocated to Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong
with effect from 11 July 2019)

STOCK CODE

Hong Kong Stock Exchange: 499

WEBSITE

http://www.qingdaohi.com

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to present the final results of the Qingdao Holdings International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2019.

OVERVIEW

During the year, the Group recorded a profit for the year attributable to the owners of the Company of approximately HK$9.5 million (2018: HK$5.8 million). The overall operating performance of the Group improved slightly as compared to that of last year.

During the year, although the global economy went through adjustment, the overall business performance of the Group remained stable and continued to show slight improvement. In the year under review, the Group has exerted substantial efforts to develop its core businesses – the leasing of properties and sale of digital Chinese calligraphy education equipment. Both business segments delivered satisfactory performance and consolidated the base of the source of revenue of the Group.

With the full lease out of 22nd Century Plaza, the property owned by the Group (comprising 13 upper ground floor and 136 under ground carpark units) in the People's Republic of China (the "PRC"), and the significant growth in the sale of digital Chinese calligraphy education equipment, the Group has been able to consolidate its base of major source of revenue and cash flow to ensure its continuous development. The Group will continue to expand these two business segments to maintain them in a good development trend.

LEASING OF PROPERTIES

The 22nd Century Plaza was fully leased out during the year under review. This, together with the stable performance of the investment properties in Hong Kong, generated stable income and cash flow for the Group's continuous development.

DIGITAL CHINESE CALLIGRAPHY EDUCATION EQUIPMENT

The business in the research and development, production and sales of the digital Chinese calligraphy education equipment also recorded significant growth during the year ended 31 March 2019.

The Group strives to the preservation of traditional arts and calligraphy. Meanwhile, in the course of brand building, the Group is aware of the intensifying market competition and importance of innovation and customer experience.

Committed to delivering the products with highest standard to all customers, the Group will continue to put in more resources in further developing this business segment by advancing the software of the products, allocating adequate funds in product research and development, modifying the product features and enhancing the quality, function and customer experience of the existing products. As the target market is in the PRC, the Group expects that this segment will not be adversely affected by the US-China trade friction, other external uncertainties and fluctuations in the financial markets.

CHAIRMAN'S STATEMENT

The Group will adhere to the prudent financial management, keep the debt ratio at a low level and reserve sufficient cash flow in order to manage the challenges in 2019 in a prudent and optimistic manner. Meanwhile, the Group will continue to utilize its existing financial resources, invest in the research and development and innovation of digital Chinese calligraphy education equipment, and constantly launches value added products with outstanding functions and quality services in response to market demands.

Looking ahead, the Group will seek to overcome challenges and to achieve stable and promising results with concerted efforts from all of our staff and full support from our ultimate controlling shareholder, Qingdao City Construction Investment (Group) Limited. The Group will continue to promote the long term sustainable development of its business, with an aim to bring a stable return to our Shareholders and maximise shareholders' value.

The Board, the management and all staff members of the Group will continue to devote best efforts and overcome challenges ahead with indomitable determination to strive for outstanding results for the Group. I would like to express my greatest appreciation to our Directors, shareholders, customers and business partners for the continuous trust and support given to us.

Xing Luzheng
Chairman

24 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the business of leasing of investment properties, production and sale of the digital Chinese calligraphy education equipment and relevant learning and tutorial systems and the provision of loan financing.

Leasing of Properties

During the financial year ended 31 March 2019, the rental income from properties located in Hong Kong and the PRC amounted to approximately HK$31.2 million (2018: HK$7.4 million) which accounted for 55.7% of the Group's total revenue. Taking into consideration of the tenancy agreements for the 22nd Century Plaza entered in the second half of the financial year ended 31 March 2018, the entire Property owned by the Group was leased out and therefore, the revenue from the leasing of properties of the Group in Hong Kong and the PRC has increased significantly for the year ended 31 March 2019. For details, please refer to the section headed "Acquisition of Property" below. The Group continues to seek to optimise its investment properties portfolio in both Hong Kong and the PRC.

Production and Sale of Digital Chinese Calligraphy Education Equipment

In December 2017, the Group formed Shandong Qihua Education Technology Co., Ltd. (山東啟華教育科技有限公司) to engage in the production and sale of digital Chinese calligraphy education equipment and relevant learning and tutorial systems. For the year ended 31 March 2019, revenue generated from the sale of digital Chinese calligraphy education equipment amounted to HK$23.6 million (2018: HK$0.5 million), which accounted for 42.2% of the Group's total revenue. The Board is confident that the Group will be able to capture the business opportunities in the PRC and this business segment is expected to contribute satisfactory growth to the Group's revenue in the forthcoming financial year.

Loan Financing

During the year ended 31 March 2019, the Group's loan financing segment managed to contribute a consistent return and recorded a revenue of approximately HK$1.2 million (2018: HK$0.6 million).

The Group continues to maintain sound credit control policy when advancing loans to its customers. The Group holds the principle that prudent measures are particularly important and essential. The Group will continue to develop this business by employing prudent credit control procedures and strategies to maintain a balance between the business growth and the risk management.

FINANCIAL REVIEW

Revenue and Results

For the year ended 31 March 2019, the Group recorded a revenue of approximately HK$55.9 million (2018: HK$8.4 million). The significant increase in the revenue was mainly attributable to (i) the increase in revenue from the leasing of properties in the PRC as the Group entered into several tenancy agreements as lessor in the second half of the financial year ended 31 March 2018, and (ii) the positive contribution from the production and sale of digital Chinese calligraphy education equipment segment, which commenced operation in March 2018.

Cost of inventories sold for the year ended 31 March 2019 was approximately HK$13.6 million (2018: HK$0.2 million).

Other income for the year ended 31 March 2019 was approximately HK$2.1 million (2018: HK$2.1 million).

Employee benefit expenses for the year ended 31 March 2019 were approximately HK$6.9 million (2018: HK$1.9 million), representing an increase of HK$5.0 million. The increase was mainly attributable to the need to increase more manpower in the operation of production and sale of digital Chinese calligraphy education equipment segment during its development phase.

Exchange gains arising from the translation of monetary items denominated in foreign currencies other than the functional currencies of the respective Group entities were approximately HK$11.4 million for the year ended 31 March 2019 (2018: HK$0.5 million). Such unrealised gain was mainly due to the depreciation of RMB against US dollars and Hong Kong dollars and the change of the Group’s functional currency from Hong Kong dollars to RMB starting from 1 April 2018.

Other operating expenses for the year ended 31 March 2019 were approximately HK$18.0 million (2018: HK$12.7 million), representing an increase of HK$5.3 million. The increase was mainly attributable to the increase in indirect taxes arising from the leasing of the properties in the PRC and the general expenses arising from the production and sale of digital Chinese calligraphy education equipment segment, which include expenses for hosting several exhibitions to build brand awareness, provide product experience and attract potential customers.

Finance costs for the year ended 31 March 2019 were approximately HK$20.1 million (2018: HK$6.9 million). The significant increase in the finance costs was mainly due to the increase of the interest payable for the unsecured loans provided by an intermediate holding company and the ultimate holding company of the Company on a full-year basis in the year ended 31 March 2019 since the loans were advanced by an intermediate holding company and the ultimate holding company of the Company during the year ended 31 March 2018.

Taxation for the year ended 31 March 2019 was approximately HK$1.8 million (2018: HK$2.8 million). The decrease was mainly because of the decrease in the deferred tax provided for the 22nd Century Plaza during the year ended 31 March 2019.

The Group recorded a profit for the year attributable to the owners of the Company in the amount of approximately HK$9.5 million (2018: HK$5.8 million) for the year ended 31 March 2019. Earnings per share was 1.91 HK cents (2018: 1.17 HK cents) for the year ended 31 March 2019. The favourable impacts from the increase in revenue, exchange gain and fair value of investment properties were partially offset by the significant increase in interest expenses payable to an intermediate holding company and the ultimate holding company of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Segmental Information

An analysis of the Group's performance for the year ended 31 March 2019 by business segment is set out in note 6 to the consolidated financial statements of this annual report.

Dividends

The Board does not recommend the payment of any dividends for the year ended 31 March 2019 (2018: nil).

Liquidity and Financial Resources

As at 31 March 2019, the Group had total assets of approximately HK$742.8 million (2018: HK$792.8 million), whereas total liabilities of the Group amounted to approximately HK$453.7 million (2018: HK$498.5 million).

Accordingly, the net assets of the Group as at 31 March 2019 was HK$289.1 million (2018: HK$294.2 million).

The gearing ratio of the Group, being the total liabilities to total assets, was 61.1% as at 31 March 2019 (2018: 62.9%). It is believed that the Group has adequate cash resources to meet its commitments and current working capital requirements.

Capital Structure

The number of issued ordinary shares of the Company as at 31 March 2019 and 31 March 2018 remained the same at 499,276,680.

Pledge of Assets

As at 31 March 2019, the Group pledged certain of its investment properties with market value of HK$96.2 million (2018: HK$98.5 million) to a bank in Hong Kong to secure banking facility granted to the Group. As at 31 March 2019, the Group had unutilised banking facilities of HK$57.0 million (2018: HK$48.7 million).

Foreign Exchange Exposure

The Group's financial statements are presented in Hong Kong dollars. The Group carried out its business transactions mainly in Hong Kong dollars, RMB and United States dollars. During the year ended 31 March 2019, RMB devalued against Hong Kong dollars and United States dollars. The Group did not have any hedging arrangement on foreign exchange but the Group continues to closely monitor its foreign exchange exposure in RMB.

Contingent Liabilities and Capital Commitments

As at 31 March 2019, the Group did not have any material contingent liabilities or capital commitments.

MATERIAL TRANSACTIONS

Subscription of Shares

Prime Concept Development Limited ("Prime Concept"), a wholly-owned subsidiary of the Company, subscribed for a total of 17,873.64 class A shares ("Class A Shares") in Asian Bond Fund Segregated Portfolio (the "Portfolio") on 29 June 2016. Details of the subscription of Class A Shares are set out in the announcements of the Company dated 29 June 2016 and 8 July 2016.

During the year ended 31 March 2019, the Group received the investment income of an aggregate amount of HK$0.7 million (2018: HK$0.7 million) from the investment in the Portfolio.

Provision of Loans

On 29 August 2017, Classic Charter Limited ("Classic Charter"), an indirect wholly-owned subsidiary of the Company as a lender, entered into a loan agreement (the "First Loan Agreement") with a company incorporated in Hong Kong with limited liability as the borrower (the "First Borrower"), an independent third party, and an individual as the guarantor (the "First Guarantor"), a director and a shareholder holding 60% of the issued shares of the First Borrower, an independent third party. Pursuant to the First Loan Agreement, Classic Charter agreed to grant to the First Borrower a loan in the principal amount of HK$6.0 million (the "First Loan"), bearing interest at a rate of 10% per annum for a term of 12 months from the date of drawdown. The First Guarantor provided a personal guarantee against the First Loan in respect of, among others, all sums due and payable to Classic Charter under the First Loan Agreement.

On 31 August 2018, Classic Charter, the First Borrower and the First Guarantor entered into a supplemental loan agreement to the First Loan Agreement (the "First Supplemental Loan Agreement") to extend the repayment date of the First Loan to 24 months from the date of drawdown, or when called upon by Classic Charter, whichever shall be the earlier.

On 10 November 2017, Classic Charter, as the lender, entered into the loan agreement (the "Second Loan Agreement") with a company incorporated in Hong Kong with limited liability as the borrower (the "Second Borrower"), an independent third party, and an individual as the guarantor (the "Second Guarantor"), being a director and a shareholder holding approximately 60% of the issued shares of the Second Borrower, an independent third party, pursuant to which Classic Charter agreed to grant to the Second Borrower a loan in the principal amount of HK$6.0 million (the "Second Loan"), bearing interest at a rate of 10% per annum for a term of 12 months from the date of drawdown. The Second Guarantor provided a personal guarantee against the Second Loan, among others, all sums due and payable to the Classic Charter under the Second Loan Agreement.

On 12 November 2018, Classic Charter, the Second Borrower and the Second Guarantor entered into a supplemental loan agreement to the Second Loan Agreement (the "Second Supplemental Loan Agreement") to extend the repayment date of the Second Loan to 24 months from the date of drawdown, or when called upon by Classic Charter, whichever shall be the earlier.

Acquisition of Property

The acquisition of "22nd Century Plaza" was completed on 1 December 2017 and the entire Property was leased out during the year ended 31 March 2019. Details of the acquisition were set out in the announcements of the Company dated 6 September 2017, 6 November 2017, 1 December 2017 and 6 March 2018 and the circular of the Company dated 19 October 2017.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Xing Luzheng ("Mr. Xing"), aged 55, was appointed as the vice-chairman and an executive Director on 10 September 2014. On 26 November 2015, he was appointed as the chairman of the Board and the chairman of the nomination committee (the "Nomination Committee") and resigned as the vice-chairman of the Board. Mr. Xing has more than 23 years of experience in financial investment and corporate management. Mr. Xing has previously served as the president of Shibei sub-branch of the Qingdao branch of China Everbright Bank, deputy general manager and chief accountant of Qingdao Huatong State-owned Capital Operation (Group) Co., Ltd. He is currently the chairman of Qingdao City Construction Investment (Group) Limited ("QCCIG"). He is also a director of China Qingdao Development (Holdings) Group Company Limited ("CQDHG") and China Qingdao International (Holdings) Company Limited ("CQIH"). The Company's controlling shareholder, CQIH, is the wholly-owned subsidiary of CQDHG, which is in turn wholly-owned by QCCIG.

Mr. Chen Mingdong ("Mr. Chen"), aged 50, was appointed as the vice-chairman and an executive Director on 26 November 2015. Mr. Chen is a non-practising member of the Chinese Institute of Certified Public Accountants. He is currently a director and the general manager of QCCIG. Mr. Chen was the deputy commissioner of the Finance Bureau of Qingdao. He has over 20 years' experience in government investment and finance and corporate management.

Mr. Jiang Yi ("Mr. Jiang"), aged 47, was appointed as a non-executive Director on 27 September 2014. Mr. Jiang was re-designated from non-executive Director to executive Director on 26 November 2015. He was appointed as the chief executive officer on 14 December 2015. He is also a director of a number of subsidiaries of the Company. Mr. Jiang graduated from the Management College of Ocean University of China majoring in accountancy and holds a doctorate degree in management. He is currently the chief accountant of QCCIG. He is currently a director of CQDHG and CQIH.

Mr. Wang Yimei ("Mr. Wang"), aged 40, was appointed as an executive Director on 26 November 2015. He is also a director of a number of subsidiaries of the Company. Mr. Wang graduated from the Ocean University of China specialising in business administration and was awarded a master's degree. He has been working in the fields of administrative management, securities and investment and has accumulated substantial practical experience.

Mr. Yuan Zhi ("Mr. Yuan"), aged 42, was appointed as an executive Director on 26 November 2015. He is also a director of a number of subsidiaries of the Company. Mr. Yuan is currently a vice general manager of QCCIG (Hong Kong Area). He is also a director of CQDHG and CQIH. CQIH, the Company's controlling shareholder, is a wholly-owned subsidiary of CQDHG. CQDHG is wholly-owned by QCCIG. Mr. Yuan graduated from the College of Economics of Ocean University of China specialising in national economics and was awarded a master's degree in economics. He has many years of experience in investment in the securities market.

NON-EXECUTIVE DIRECTOR

Mr. Li Shaoran, aged 34, was appointed as a non-executive Director on 22 June 2018. He holds a master of science degree in finance from the University of Manchester. Mr. Li has experience in the investment and securities industry and administrative management. He joined QCCIG in 2014 and is now working for the Hong Kong business segments of QCCIG.

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yin Tek Shing, Paul ("Mr. Yin"), aged 77, was appointed as an independent non-executive Director on 27 September 2014. Mr. Yin is also a member of the Nomination Committee, the remuneration committee (the "Remuneration Committee") and the audit committee (the "Audit Committee") of the Company. He acted as President of The Chinese Manufacturer's Association of Hong Kong from 2008 to 2009. He is currently the permanent honorary president of The Chinese Manufacturer's Association of Hong Kong, founding chairman of Hong Kong Brand Development Council, a member of the People's Political Consultative Standing Committee of Qingdao City and founding president of Hong Kong Qingdao Association Limited. Mr. Yin actively participates in serving the community and his services include acting as a member of Trade and Industry Advisory Board, a council member of Hong Kong Productivity Council, a member of Hong Kong Labour Advisory Board, a member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region (the "HKSAR Government"), a council member of Hong Kong Trade Development Council, and a committee member of Innovation and Technology Commission. He was awarded the Bronze Bauhinia Star by the HKSAR Government in 2003. He was appointed as Justice of the Peace in 2007 and was awarded the Silver Bauhinia Star by the HKSAR Government in 2009.

Mr. Wong Tin Kit ("Mr. Wong"), aged 63, was appointed as an independent non-executive Director on 27 September 2014. Mr. Wong is also the chairman of the Remuneration Committee and a member of the Nomination Committee and the Audit Committee. Mr. Wong served in Qingdao Ocean Shipping Company which is directly operated under the Ministry of Transport and is currently president of Xiang Long (Group) International Limited. He is also the chairman of Hong Kong Shandong Business Association, vice president of Shandong Overseas Chinese Chamber of Commerce, vice president of Shandong Province Association of Overseas Liaison and a member of the People's Political Consultative Standing Committee of Shandong Province.

Ms. Zhao Meiran ("Ms. Zhao"), aged 43, was appointed as an independent non-executive Director on 27 September 2014. Ms. Zhao is also a member of the Nomination Committee, the Remuneration Committee and the Audit Committee. Ms. Zhao is a Qingdao entrepreneur engaged in industries including trading and logistics and has extensive experience in corporate management. Ms. Zhao graduated from Shanghai University and currently serves as chairman of Qingdao Jinnuo Auction House, chairman of Qingdao Cheng Kun Trading Company Limited and general manager of America Los Angeles Travel Holiday Company Limited. Ms. Zhao has been an executive member of Qingdao Red Cross Dust Fund since 2010.

Mr. Li Xue ("Mr. Li"), aged 55, was appointed as an independent non-executive Director on 27 September 2014. Mr. Li is also the chairman of the Audit Committee, a member of Nomination Committee and Remuneration Committee. Mr. Li holds a Master Degree in Economics. He has engaged in the fields of auditing theory and practical research and obtained ample research findings in basic audit theory and environmental auditing theory. He is currently a professor and a tutor for master candidates at the Accounting Department of the Management College of Ocean University of China, the director of Audit and Management Consulting Institute of the Management College of Ocean University of China, and the head of the Accounting Department of Qingdao College of Qingdao Technological University. Mr. Li is also a council member of Accounting Society of China, a member of China Audit Society, a council member of China Institute of Internal Audit and a member of the Chinese Institute of Certified Public Accountants.

DIRECTORS' REPORT

The Board presents the annual report and the audited consolidated financial statements for the year ended 31 March 2019.

PRINCIPAL ACTIVITY

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 38 to the consolidated financial statements of this annual report.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 47 to 48 of this annual report.

The Directors do not recommend the payment of any final dividends for the year ended 31 March 2019 (2018: Nil).

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy") on 30 January 2019. According to the Dividend Policy, the Company considers it appropriate to align the dividend payments with profit and ensure that it is able to pay dividend on a sustainable and affordable basis. The Company may declare dividend in any financial year after taking into consideration the Company's financial position, liquidity and cash flow, capital requirement for future growth, economic conditions and any other factors to be considered by the Directors. The Company will declare dividend out of retained profit under certain circumstances, and therefore there can be no assurance that a dividend will be proposed or declared in any given year. The Company will review the Dividend Policy from time to time as and when considered necessary by the Board.

BUSINESS REVIEW

Business review of the Group for the year ended 31 March 2019 has been stated in "Management Discussion and Analysis" of this annual report.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 119 of this annual report.

RESERVES

Details of the movements in reserves of the Group and the Company during the year ended 31 March 2019 are set out in the consolidated statement of changes in equity on page 51 and note 37 to the consolidated financial statements of this annual report, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company had no distributable reserve at 31 March 2019 and 31 March 2018 under the Companies Act 1981 of Bermuda.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements of this annual report.

INVESTMENT PROPERTIES

The investment properties of the Group were revalued as at 31 March 2019 resulting in revaluation gains amounted to approximately HK$1.7 million (2018 gains: HK$18.7 million).

Details of movements in the investment properties of the Group are set out in note 16 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of the share capital of the Company during the year ended 31 March 2019 are set out in note 29 to the consolidated financial statements of this annual report.

PRINCIPAL PROPERTIES

Particulars of the Group's principal properties are set out on page 120 of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors" on pages 14 to 15 of this annual report.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Xing Luzheng *(Chairman)*
Mr. Chen Mingdong *(Vice-chairman)*
Mr. Jiang Yi *(Chief Executive Officer)*
Mr. Wang Yimei
Mr. Yuan Zhi

Non-executive Director:

Mr. Li Shaoran *(appointed on 22 June 2018)*

Independent non-executive Directors:

Mr. Yin Tek Shing, Paul
Mr. Wong Tin Kit
Ms. Zhao Meiran
Mr. Li Xue

Pursuant to bye-law 87 of the Bye-laws of the Company, Mr. Xing Luzheng, Mr. Wang Yimei, Mr. Yin Tek Shing, Paul and Mr. Wong Tin Kit shall retire from office by rotation and, being eligible, shall offer themselves for re-election at the forthcoming annual general meeting.

The directors who have served on the boards of directors of the subsidiaries of the Company as at the date of this report were:

Mr. Jiang Yi
Mr. Wang Yimei
Mr. Yuan Zhi
Mr. Lv Qingdong

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years and each of the non-executive Director and independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years.

None of the Directors who is proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation.

RELATED PARTY TRANSACTIONS AND CONTROLLING SHAREHOLDERS' AND DIRECTORS' INTERESTS IN CONTRACTS

Save for (i) the financial assistance from the Controlling Shareholders (details of which are set out in the announcement of the Company dated 6 September 2017 and in note 35 to the consolidated financial statements); and (ii) the payments of remuneration to the Directors, all of which constitute exempted connected transactions of the Company, none of the other related party transactions as disclosed in the financial statements is required to be disclosed as connected transactions pursuant to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Save as disclosed above, there were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year ended 31 March 2019.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 March 2019.

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2019, none of the Directors and the chief executives and their associates of the Company had any interests and short positions in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

SHARE OPTIONS

At the annual general meeting of the Company held on 22 August 2013, the shareholders of the Company conditionally adopted the share option scheme (the "Share Option Scheme"), which became effective on 27 August 2013.

The primary purpose of the Share Option Scheme is to provide incentives to Directors and eligible participants and it remains in force for a period of 10 years commencing from 27 August 2013. Under the Share Option Scheme, the Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up options to subscribe for shares in the Company:

(i) any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company (the "Affiliate"); or

(ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or

(iii) a company beneficially owned by any Director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at 22 August 2013 unless approved by the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive Directors in excess of 0.1% of the shares of the Company in issue or with a value in excess of HK$5,000,000 in any 12-month period up to and including the date of grant must be approved in advance by the Company's shareholders.

Options granted must be taken up within 14 days from the date of grant and upon payment of HK$1 per option. Options may be exercised at any time from the date of grant of the share option to a date to be determined and notified by the Directors or, in the absence of such determination, the earlier of the date on which the options lapse or the 10th anniversary of the date of grant. The exercise price is determined by the Directors, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company shares.

There were no options granted under the Share Option Scheme since its adoption. As at the reporting date, options to subscribe for up to 49,927,668 shares of the Company, representing 10% of the total number of shares in issue of the Company (i.e. 499,276,680 shares), are available for issue under the Share Option Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Options" on pages 18 and 19 of this report, at no time during the year ended 31 March 2019 was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the Directors, or their spouses or children under the age of 18 had any rights to subscribe for shares of the Company or had exercised any such rights during the year.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The emoluments of Directors and senior management of the Group are recommended by the Remuneration Committee of the Company and approved by the Board, having regard to their duties and responsibilities with the Company, the prevailing market conditions, the benchmark of the industry and the performance of the Group.

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 12 to the consolidated financial statements of this annual report.

SUBSTANTIAL SHAREHOLDERS INTERESTS

So far as is known to the Directors and chief executives of the Company, as at 31 March 2019, the following persons (other than a Director or chief executive of the Company or their associates) had the following interests and short positions (if any) in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO.

Interests in the shares of the Company

Long positions

Name	**Capacity**	**Number of shares held** (Note)	**Approximately percentage of the Company's total number of shares in issue**
青島城市建設投資(集團)有限責任公司 (Qingdao City Construction Investment (Group) Limited*) ("QCCIG")	Interest of a controlled corporation	344,621,633	69.02%
China Qingdao Development (Holdings) Group Company Limited ("CQDHG")	Interest of a controlled corporation	344,621,633	69.02%
China Qingdao International (Holdings) Company Limited ("CQIH")	Beneficial owner	344,621,633	69.02%

Note: These 344,621,633 shares of the Company were held by CQIH, which is a wholly-owned subsidiary of CQDHG. CQDHG is wholly-owned by QCCIG. By virtue of the SFO, QCCIG and CQDHG are deemed to be interested in the shares of the Company held by CQIH.

Save as disclosed above, the Company has not been notified of any other interests representing 5% or more of the total number of shares in issue of the Company as at 31 March 2019.

* *For identification purpose only*

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales attributable to the Group's major suppliers and customers respectively for the year ended 31 March 2019 are as follows:

Purchases		
–	the largest supplier	53%
–	five largest suppliers in aggregate	92%
Sales		
–	the largest customer	42%
–	five largest customers in aggregate	60%

None of the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's total number of shares in issue) has an interest in these major customers and suppliers.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The employees of the Group are one of the most important assets and stakeholders of the Group and their contribution and support are valuable at all times. The Group regularly reviews its compensation and benefits policies, according to the industry benchmark as well as the individual performance of the employees. Other fringe benefits, mandatory provident fund and share options are provided to retain loyal employees with the aim to form a professional staff and management team that can lead the Group to success.

We value our customers as our business partners and endeavor to provide a high level of quality products and quality service that gives them the best value for money. With regular professional inspections and testing during the production processes, the Group makes sure its products are safe for use and of excellent quality. The Group also maintains regular communications with its customers regarding the product provision and performance, in order to understand the needs and expectations of its customers and continues to make improvements on the quality of its products. In addition, regular discussions and meetings are held with tenants' team to address operational issues and to build a continuous improvement culture together.

Our suppliers are our business partners and we work with them closely to provide the same level of quality service to our customers. We fully understand that maintaining a reliable and sustainable supply chain is the key to the success of the Group's products. The Group has selected suitable suppliers in supporting to its business operations through the supplier assessment process to ensure that the suppliers can meet the required assessment criteria and standards, and deliver quality products and services. Moreover, inspections are carried out to verify the quality and safety standard of the materials and to ensure that they do not cause adverse impacts on the environment.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal financial risks are set out in note 32 to the consolidated financial statements of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of the discussion on the environmental policies and performance of the Company are set out in the section headed "Environmental, Social and Governance Report" on pages 34 to 40 of this annual report.

EQUITY-LINKED AGREEMENTS

Save for disclosed in the section headed "Share Options" on page 18 to 19 of this annual report, the Company did not enter into any equity-linked agreements during the year ended 31 March 2019.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year under review, none of the Directors is considered to have interests in the businesses which are considered to compete or likely to compete, either directly or indirectly, with businesses of the Group pursuant to rule 8.10 of the Listing Rules.

SUBSEQUENT EVENTS

There are no major subsequent events occurring from the reporting period to the date of this annual report.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, the Directors, secretary and other officers and every auditor of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by or by reasons of any act done, concurred in or omitted in or about the execution of their duties in their respective offices or otherwise in relation thereto.

The Company has taken out insurance against all losses and liabilities associated with defending any proceedings which may be brought against Directors and other officers of the Company.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 March 2019, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 March 2019.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 24 to 33 of this annual report.

CHANGE IN DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of the Director during the period from 1 April 2018 to the date of this report is set out below:

Mr. Li Xue was appointed as a council member of China Institute of Internal Audit with effect from 28 December 2018.

Save for the above change, there is no other information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a public float of its shares as required by the Listing Rules throughout the year ended 31 March 2019 and up to the date of this annual report.

RETIREMENT BENEFIT SCHEME

The Group operates a mandatory provident fund ("MPF") scheme for its employees. Particulars of the MPF scheme are set out in note 34 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed, with the management of the Company, the financial statements of the Group for the year ended 31 March 2019 and discussed with the management of the Company on auditing, internal control, risk management systems and financial reporting matters. Information on the composition of the Audit Committee of the Company is set out in the Corporate Governance Report on page 26 of this annual report.

AUDITORS

The financial statements for the year ended 31 March 2019 were audited by Messrs. Deloitte Touche Tohmatsu.

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Jiang Yi
Executive Director and Chief Executive Officer

Hong Kong, 24 June 2019

CORPORATE GOVERNANCE REPORT

The Board recognises their mission to create value and maximise returns on behalf of the shareholders of the Company while at the same time fulfilling their corporate responsibilities. Accordingly, the Company strives to promote and uphold a balanced and high standard of corporate governance.

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules during the year ended 31 March 2019 except for certain deviations disclosed in this report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. The Company has made specific and reasonable enquiries of all Directors and is satisfied that they have complied with the Model Code throughout the year ended 31 March 2019.

BOARD OF DIRECTORS

The Board is responsible to the shareholders of the Company and all Directors are collectively responsible for formulating the strategic business direction of the Group and setting objectives for management, overseeing performance and assessing the effectiveness of management strategies.

The Directors

During the year ended 31 March 2019, the Board comprises ten Directors, including five executive Directors, namely, Mr. Xing Luzheng, Mr. Chen Mingdong, Mr. Jiang Yi, Mr. Wang Yimei and Mr. Yuan Zhi, one non-executive Director, namely, Mr. Li Shaoran, and four independent non-executive Directors, namely, Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit, Ms. Zhao Meiran and Mr. Li Xue. The biographical details of the Directors are set out on pages 14 to 15 of this annual report. The composition of the Board is well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business operations and development of the Group. All Directors are aware of their collective and individual responsibilities to shareholders of the Company and have exercised their duties with care, skill and diligence and, thereby, have contributed to the performance of the Group.

The positions of the chairman and the chief executive officer of the Company are held by separate individuals to ensure a balance of power and authority. Mr. Xing Luzheng is the chairman and Mr. Jiang Yi is the chief executive officer of the Company for the year ended 31 March 2019.

Throughout the year ended 31 March 2019, the Company complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualification of accounting or related financial management expertise. The Board has received from each independent non-executive Director an annual confirmation of his/her independence and considers that all of them are independent under the guidelines set out in Rules 3.13 of the Listing Rules.

The Board members have no financial, business, family or other material/relevant relationship with each other.

Term of Appointment of Non-executive Directors

Each of the non-executive Director and independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years, subject to retirement and re-election by rotation at the annual general meeting in accordance with the Bye-laws of the Company.

Responsibilities of the Board

The Board reviews the performance of the operating divisions against their agreed targets and budgets on a regular basis and also exercises a number of reserved powers, including but not limited to:

- formulating long-term strategies;
- setting objectives for management;
- approving public announcements including the interim and annual financial statements;
- setting dividend and other important policies;
- approving material borrowings and treasury policies; and
- assessing and committing to major acquisitions, disposals, formation of joint ventures and capital transactions.

The Board has established three Board committees, being the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee different areas of the Company's affairs.

The Directors are responsible for the preparation of the financial statements of the Company for each financial year and ensuring that these give a true and fair view of the state of affairs of the Group, its results and cash flows for that period. The Directors are also responsible for ensuring that proper accounting records which shall accurately reflect the financial position of the Group are maintained at all times.

All Directors have full access to accurate, relevant and timely information of the Group and are able to obtain independent professional advice on issues whenever deemed necessary.

Continuous Professional Development of Directors

During the year ended 31 March 2019, the Company provides regular updates on the business performance of the Group to the Directors. Directors keep abreast of responsibilities as a Director and of the conduct, business activities and development of the Group. Every Director is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant statutory requirements. Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 March 2019, relevant materials including regulatory updates were provided to the Directors for their reference and study.

A summary of the training received by each Director during the year ended 31 March 2019 is set out in the table below:

Director	**Training/reading materials on corporate governance, regulatory development and other relevant topics**
Executive Directors:	
Mr. Xing Luzheng	✓
Mr. Chen Mingdong	✓
Mr. Jiang Yi	✓
Mr. Wang Yimei	✓
Mr. Yuan Zhi	✓
Non-executive Director:	
Mr. Li Shaoran *(appointed on 22 June 2018)*	✓
Independent non-executive Directors:	
Mr. Yin Tek Shing, Paul	✓
Mr. Wong Tin Kit	✓
Ms. Zhao Meiran	✓
Mr. Li Xue	✓

Board Meetings

Directors are consulted on matters to be included in the agenda for Board meetings and have accessed to advice and services to ensure that Board meeting procedures and all applicable rules and regulations are followed. The Company held three Board meetings during the year ended 31 March 2019. For the two out of the three Board meetings held in the year, at least 14 days' notice had been given to all Directors. One Board meeting was convened with less than 14 days' notice to facilitate the Directors' timely reaction and expeditious decision making process in respect of the affairs of the Company. In addition to regular Board meetings, the chairman of the Company met with the independent non-executive Directors of the Company without the presence of the executive Directors of the Company.

Audit Committee

During the year ended 31 March 2019, the Audit Committee comprised four independent non-executive Directors, namely, Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit, Ms. Zhao Meiran and Mr. Li Xue (chairman of the Audit Committee). Mr. Li Xue, the chairman of the Audit Committee, has appropriate professional qualifications and experience as required by the Listing Rules.

The Audit Committee is responsible for reviewing the Group's financial information, overseeing the Group's financial reporting and risk management systems and internal control procedures and the effectiveness of the Group's internal audit function and making recommendations to the Board on the appointment, re-appointment and/or removal of the external auditors, including approving their remuneration and terms of engagement.

The primary duties of the Audit Committee are to review and advise on the accounting principles and practices adopted by the Group, and overview the auditing and financial reporting processes and the risk management and internal control systems of the Group, including reviews of the Group's interim and annual reports.

The Audit Committee held two meetings and passed written resolutions during the year ended 31 March 2019. During the year ended 31 March 2019, the Audit Committee performed the following duties:

(a) reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2018 with the external auditors and the unaudited interim consolidated financial statements of the Group for the six months ended 30 September 2018 with recommendations to the Board for approval;

(b) reviewed the reports on risk management and internal control systems of the Group covering financial, corporate governance, internal control and operational functions;

(c) considered the independent auditor's independence and fees in relation to the audited consolidated financial statements of the Group for the year ended 31 March 2018, the unaudited interim consolidated financial statements of the Group for the six months ended 30 September 2018 and non-audit related services; and

(d) made recommendation to the Board on the proposed revision to the terms of reference of the Audit Committee.

Remuneration Committee

The Remuneration Committee was established on 29 March 2012. During the year ended 31 March 2019, the Remuneration Committee comprised four independent non-executive Directors, namely, Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit (Chairman of the Remuneration Committee), Ms. Zhao Meiran and Mr. Li Xue. The Remuneration Committee held three meetings and passed written resolutions during the year ended 31 March 2019.

During the year ended 31 March 2019, the Remuneration Committee performed the following duties:

(a) reviewed and recommended the remuneration packages of the existing Directors and the new non-executive Director;

(b) reviewed and recommended the proposal relating to the performance bonus to an executive Director; and

(c) made recommendation to the Board on the proposed revision to the terms of reference of the Remuneration Committee.

The emoluments payable to Directors are determined by the Board under the recommendation of the Remuneration Committee with reference to the Directors' duties and responsibilities with the Company, the prevailing market conditions, the benchmark of the industry and the performance of the Group.

Nomination Committee

The Nomination Committee was established on 29 March 2012. During the year ended 31 March 2019, the Nomination Committee comprised one executive Director, namely, Mr. Xing Luzheng (Chairman of the Nomination Committee), and four independent non-executive Directors, namely, Mr. Yin Tek Shing, Paul, Mr. Wong Tin Kit, Ms. Zhao Meiran and Mr. Li Xue. The Nomination Committee held two meetings and passed written resolutions during the year ended 31 March 2019.

During the year ended 31 March 2019, the Nomination Committee performed the following duties:

(a) assessed the independence of the independent non-executive Directors;

(b) considered the qualifications of the retiring Directors standing for re-election at the 2018 annual general meeting and the appointment of a non-executive Director;

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

(d) reviewed and recommended the renewal of the term of appointment of the executive Directors; and

(e) reviewed and made recommendations to the Board on the adoption of the nomination policy (the "Nomination Policy") and the revised board diversity policy (the "Board Diversity Policy") and terms of reference of the Nomination Committee.

Pursuant to the Board Diversity Policy, in reviewing the Board's diversity, the Board will consider including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. New Directors, being individuals who are suitably qualified and expected to make a positive contribution to the performance of the Board and having regards to the criteria stated in the Board Diversity Policy, are identified and submitted to the Board or the shareholders of the Company for approval either to fill vacancies on the Board or to be appointed as additional Directors.

On 30 January 2019, the Board adopted the Nomination Policy, which sets out the key selection criteria and nomination procedures of the Nomination Committee in making recommendations to the Board on the appointment of Directors or re-appointment of any existing Director(s) and succession planning for Directors.

According to the Nomination Policy, the ultimate responsibility for selection and appointment of Directors rests with the entire Board or the shareholders in general meeting as the case may be. The Board has delegated the relevant screening and evaluation process to the Nomination Committee, which identifies suitably qualified Director candidates and recommends them to the Board. In assessing the suitability of a proposed candidate, the Nomination Committee takes into consideration the candidate's good character, integrity and competent to act as Director, skills, knowledge and experience in the commercial and professional fields which are relevant to the principal business of the Group, his/her commitment to devoting sufficient time and attention to the Board and on merit, against objective criteria and with due regard to the diversity perspectives set out in the Board Diversity Policy. After undertaking adequate due diligence in respect of the appointment of the proposed candidate to the Board, the Nomination Committee nominates the relevant candidates to the Board for approval and appointment. The Board will make recommendation to the shareholders in respect of the proposed re-election of Directors at general meeting.

The Nomination Committee shall review the Nomination Policy, as appropriate, to ensure its effectiveness. It shall discuss any revisions to the Nomination Policy that may be required and make recommendation to the Board for approval.

The written terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.qingdaohi.com).

Details of the attendance of individual Directors at Board meetings, Board committees meetings, the annual general meeting (the "AGM") held on 7 September 2018 during the year ended 31 March 2019 are set out in the table below:

	Number of meetings attended/Eligible to attended				
Members of the Board	**Board Meetings**	**Audit Committee Meetings**	**Remuneration Committee Meetings**	**Nomination Committee Meetings**	**AGM**
Executive Directors:					
Mr. Xing Luzheng	1/3	N/A	N/A	1/2	0/1
Mr. Chen Mingdong	1/3	N/A	N/A	N/A	0/1
Mr. Jiang Yi	3/3	N/A	N/A	N/A	1/1
Mr. Wang Yimei	1/3	N/A	N/A	N/A	0/1
Mr. Yuan Zhi	3/3	N/A	N/A	N/A	1/1
Non-executive Director:					
Mr. Li Shaoran *(appointed on 22 June 2018)*	2/2	N/A	N/A	N/A	1/1
Independent non-executive Directors:					
Mr. Yin Tek Shing, Paul	3/3	2/2	3/3	2/2	1/1
Mr. Wong Tin Kit	3/3	2/2	3/3	2/2	1/1
Ms. Zhao Meiran	3/3	2/2	3/3	2/2	1/1
Mr. Li Xue	3/3	2/2	3/3	2/2	1/1

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the corporate governance duties as set out below:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

To indemnify Directors and officers of the Company against all costs, charges, losses, expenses and liabilities incurred by them in the execution of and discharge of their duties or in relation thereto, the Company has arranged insurance cover for this purpose.

COMPANY SECRETARY

The Company's secretarial functions are outsourced to external service provider. The primary corporate contact person at the Company is Mr. Jiang Yi, an executive Director, during the year ended 31 March 2019.

In accordance with Rule 3.29 of the Listing Rules, Mr. Chan Kwong Leung, Eric, the company secretary of the Company, confirmed that he has taken no less than 15 hours of the relevant professional training during the year ended 31 March 2019.

SHAREHOLDERS' RIGHTS

To request to convene a special general meeting, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda. For details, please refer to the Bye-laws of the Company.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the following channel:

The Board of Directors
Qingdao Holdings International Limited
Unit No. 8, 26th Floor
Tower 1, Admiralty Centre
No. 18 Harcourt Road, Hong Kong
Email: info@qingdaohi.com

Shareholders may also direct enquiries to the Board at the general meetings of the Company.

CHANGES IN CONSTITUTIONAL DOCUMENTS OF THE COMPANY

There were no significant changes in constitutional documents of the Company during the year ended 31 March 2019.

DEVIATIONS FROM THE CG CODE

The Company has complied with the CG Code except for the deviations as set out below.

Under the code provision A.1.1 of the CG Code, the Board should meet regularly and the board meetings should be held at least four times a year at approximately quarterly intervals. During the year ended 31 March 2019, the Board held three regular Board meetings. The significant matters concerning the business activities and operation of the Group had been either duly reported, discussed and resolved at the three Board Meetings or dealt with by the Board by way of written resolutions for expeditious commercial decisions making purposes.

Code provision A.1.3 of the CG Code stipulates that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the year ended 31 March 2019, one of the Board meetings was convened with less than 14 days' notice to facilitate the directors of the Company timely decision making process in respect of internal affairs of the Group. The Board will use reasonable endeavor to meet the requirement of code provision A.1.3 of the CG Code in the future.

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. Xing Luzheng, the chairman of the Company during the year ended 31 March 2019, was unable to attend the AGM due to his other business engagements.

The Board will continue to review the corporate governance status of the Company from time to time and make any necessary changes to comply with the CG Code as and when considered appropriate.

EXTERNAL AUDITOR

During the year ended 31 March 2019, the fees paid/payable to the auditor and its affiliated firms in respect of audit and non-audit services provided by the auditor and its affiliated firms were as follows:

Nature of services		Amount (HK$'000)
Audit service	Deloitte Touche Tohmatsu	1,680
Review of unaudited interim financial statements	Deloitte Touche Tohmatsu	420
Review of preliminary announcement	Deloitte Touche Tohmatsu	20
Tax advisory service	Deloitte Advisory (Hong Kong) Limited	51

The re-appointment of Messrs. Deloitte Touche Tohmatsu as auditor of the Company has been recommended by the Audit Committee and endorsed by the Board and is subject to approval by the shareholders at the forthcoming annual general meeting.

FINANCIAL REPORTING

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group. The responsibilities of the Directors are to oversee the preparation of the consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of its results and cash flows for that period. The Directors have to ensure that the consolidated financial statements of the Group are in accordance with statutory requirements and applicable accounting standards, adjustments and estimates made are prudent, fair and reasonable and the consolidated financial statements are prepared on a going concern basis. The Directors also acknowledge that the publication of the consolidated financial statements of the Group should be made in a timely manner.

The statement of the independent auditor regarding their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 41 and 46 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board recognizes its responsibility to ensure the Company maintains a sound and effective risk management and internal control systems. The Group's internal control system is designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. The annual review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Group's risk management framework includes risk identification, risk assessment, risk treatment and monitoring and reviewing of the effectiveness of the measures. This risk management framework is guided by the three-tier risk management approach. At the first line of defense, business units are responsible for identifying, assessing and monitoring risks associated with each business or deal. The management, as the second line of defense, defines rule sets and models, provides technical support, develops new systems and oversees portfolio management. It ensures that risks are within the acceptable range and that the first line of defense is effective. As the final line of defense, the Audit Committee of the Company, with the professional advices and opinions from the external professional consultant by whom internal audit work of the Group was conducted on annual basis, ensures that the first and second lines of defense are effective through constant inspection and monitoring.

The Board has engaged an external professional consultant to review the risk management and internal control systems for the year ended 31 March 2019. The Audit Committee and the Board have discussed and reviewed the results of the review. The Board considers the review effective and adequate. Where appropriate, the external professional consultant's recommendations have been adopted and enhancements to the risk management and internal controls have been made.

The Group has established procedures in handling and dissemination of inside information in an accurate and secure manner and to avoid possible mishandling of inside information within the Group.

1. ABOUT THIS REPORT

1.1. Reporting Period

This Environmental, Social and Governance ("ESG") Report illustrates and highlights the environmental and social performance of the Group from 1 April 2018 to 31 March 2019.

1.2. Reporting Scope

This ESG report summarises the Group's policies, management approach and performance with respect to corporate social responsibility. This report focuses on the Group's businesses in leasing of investment properties, the provision of loan financing, and the manufacturing and sales of digital Chinese calligraphy education equipment in Hong Kong and the People's Republic of China ("the PRC"). The Group has offices in Hong Kong, Qingdao and Jinan.

1.3. Reporting Framework

This report follows the disclosure requirements as set out in the ESG Reporting Guide ("ESG Guide") contained in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and has complied with the "comply or explain" provision in the ESG Guide.

Key Performance Index ("KPI") Reference Table

Reference KPI of the ESG Guide	Corresponding KPI in the sections of this report
A. Environment	
A1: Emissions	Emissions Policies and Compliance Carbon Footprint – Greenhouse Gas Emissions
A2: Use of Resources	Resources Conservation
A3: The Environment and Natural Resources	Emissions Policies and Compliance Resources Conservation
B. Social	
Employment and Labour Practices	
B1: Employment	Employment Policies and Compliance
B2: Health and Safety	Occupational Health and Safety
B3: Development and Training	Employee Training and Development
B4: Labour Standards	Labour Practices and Compliance
Operating Practices	
B5: Supply Chain Management	Supply Chain Management
B6: Product Responsibility	Product Responsibility and Quality Assurance Process Protecting Intellectual Property Rights Consumer Data Protection and Privacy Policies
B7: Anti-corruption	Anti-corruption and Anti-money Laundering Policies and Compliance Preventive Measures and Whistle-blowing Procedures
Community	
B8: Community Investment	Community Care The Sustainable Future

1.4. Stakeholders' Engagement and Materiality

Stakeholders' engagement is essential for the Group to understand its stakeholders' concerns and it also helps to identify risks and opportunities regarding sustainability. The Group communicates to its stakeholders throughout the year to inform them about its business development and collect ideas and feedback that are valuable to its future growth. Internal and external stakeholders have been involved in various regular activities to exchange thoughts and ideas regarding its operations and performance. The Group will continue to communicate closely with stakeholders to understand their expectations on its ESG performances.

1.5. Stakeholders' Feedback

Your comments and feedbacks regarding the Group's performance and approach on ESG aspects are valuable to its continuous improvement, please send your questions, suggestions and recommendations to the Group as below:

Address: Unit 8, 26th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong

Email: info@qingdaohi.com

2. ENVIRONMENTAL PERFORMANCE

2.1. Emissions Policies and Compliance

One of the Group's principal operating subsidiaries is engaged in the research, manufacturing and sales of digital Chinese calligraphy education equipment as well as various digital business in the PRC. The manufacturing activities does not involve in air (dust and residues), water, and noise pollution which are regulated under related environmental laws and regulations. While the rest of the Group's businesses are mainly conducted indoor, minimal environmental impact is caused by office-based work.

2.2. Carbon Footprint – Greenhouse Gas Emissions

Carbon footprint generated from the manufacturing operations and offices will be disclosed in this report. Carbon footprint is defined as the total amount of direct and indirect emissions of greenhouse gas ("GHG") expressed in terms of equivalent amount of carbon dioxide ("CO_2-e") emission. Comprising the Group's headquarters, offices and factory, the Group's operations cover a total floor area of 3,530.80 square meter ("m^2") (2018: 1,607.61 m^2) and is accounted for 100% of its GHG emissions.

The total net GHG emissions generated by the Group was 74.92 tonnes of carbon dioxide equivalent (tCO_2-e) (mainly carbon dioxide, methane and nitrous oxide) (2018: 10.83 tCO_2-e), and the annual emission intensity was 0.021 tCO_2-e/m^2 (2018: 0.007 tCO_2-eq/m^2). The electricity consumed resulting from the manufacturing operations was the major GHG emissions. The Group has energy conservation practices including deployment of energy-saving lightings, switching off idle lightings, computers and electrical appliances and equipment, monitoring water consumption, using digital technology and recycled paper, encouraging the use of public transport and using telephone or video conferencing as an alternative to business travels.

The following table highlights the carbon footprint of the Group:

Scope	Sources of GHG emissions	Year ended 31 March 2019		Year ended 31 March 2018		% change year on year
		GHG* emissions (in tCO_2-e)	Distribution	GHG* emissions (in tCO_2-e)	Distribution	
1	Mobile – Gasoline	1.80	2.40%	Nil	Nil	N/A
2	Purchased electricity	47.00	62.73%	10.49	96.85%	348.02%
3	Disposal of paper waste	25.23	34.87%	0.34	3.15%	7,582.81%
	Fresh water processing	0.63		Nil		
	Sewage water processing	0.26		Nil		
Total GHG* emissions		74.92		10.83		591.74%
Emission intensity		0.021		0.007		214.96%

* The GHG is calculated according to the 'Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong' jointly published by Environmental Protection Department and Electrical and Mechanical Services Department.

Air emissions

The air emission was generated from motor vehicles used for employee commuting and transporting goods. Motor vehicles emit a considerable amount of pollutants into the environment. The following table highlights the total air emission of the Group for the year ended 31 March 2019.

Types of Pollutants	Emission Data (kg)
Nitrogen Oxides (NO_x)	0.56
Sulphur Dioxide (SO_2)	0.01
Particulate Matter	0.04

Non-hazardous Waste

Paper waste and its related marketing materials and stationery were the only non-hazardous waste generated by the Group. A total of 5,257.18 kg of paper (2018: 71.1 kg) was used by administration and marketing purposes. The increase was caused by the printed matters and marketing materials used for product exhibition in the PRC. Paper waste from the offices was collected by the property management for recycling and disposal.

2.3. Resources Conservation

Energy Consumption – Electricity

The total electricity consumption was 58,040.50 Kilowatt-hour ("kWh") (2018: 10,514 kWh), and the energy intensity was 16.44 kWh/m^2 (2018: 6.54 kWh/m^2). The increase in electricity used was mainly generated from the manufacturing operations.

Fossil Fuel Consumption – Gasoline

The air emission of motor vehicles may affect the people and neighbouring communities through its environmental impact. A total of 663.65 litres of gasoline (2018: nil) was used. The Group conducted regular maintenance on vehicles to ensure optimal performance and enhance energy use.

Water Consumption

Those was no issue in sourcing water that is fit for purpose during the reporting period. The total freshwater consumption generated by the operations in the factory was 1,488.40 cubic meters ("m^3") (2018: Nil). The water consumption of the offices was not recorded as it was covered in the property management fee and the relevant information was not available. Besides, the amount of water used in the offices was not significant. The Group has actively introduced water conservation measures in the factory to enhance water efficiency and save this precious natural resource on earth.

Total Packaging Material Used for Finished Products

Various packaging materials ranging from plastic wrapping, stretch films, foam board and adhesive type were used for the packaging of finished products. It was recorded that approximately 23.45 tonnes of packaging materials were used for product protection and transportation. While there is no official solution unless better eco-design is available as an alternative, packaging waste will be disposed of by the final consumers.

3. EMPLOYMENT AND LABOUR PRACTICES

3.1. Employment Policies and Compliance

At as 31 March 2019, the total workforce of the Group was 63 (2018: 42), the employee composition of the Group is listed in the following table. As human resource is one of the key elements to the Group's future development and success, with the additional workforce, the Group continues to foster a sense of ownership at work by building a stimulating yet harmonious working environment among employees.

The Group provides equal opportunities to employees in respect of recruitment, training and development, job advancement, and remuneration and benefits. Employees' remuneration is designed to attract, retain, and recognise employees for maintaining a fair, productive and sustainable workforce. The objective of the Group's human resource management is to reward and recognise performing employees by reviewing their salaries and wages through the performance appraisal system. Performance appraisal is conducted annually based on employees' work performance, knowledge and experience.

Employee Structure		As at 31 March 2019	As at 31 March 2018
Total number of employees		63	42
By gender			
	Male	76.2%	66.7%
	Female	23.8%	33.3%
By age			
	18-25	30.2%	23.8%
	26-35	33.3%	21.4%
	36-45	19.0%	28.6%
	46-55	12.7%	21.4%
	56 or above	4.8%	4.8%

3.2. Occupational Health and Safety

Ensuring the health and wellbeing of employees is important as human resource is one of the Group's most valuable assets. In compliance with relevant occupational health and safety regulations in Hong Kong and the PRC, and to maintain a healthy and safe working environment, trainings, instructions and guidelines regarding health and safety precautions are provided to employees from time to time. Trainings on good workplace safety and health practices that are tailored specifically to the nature of work and working environment were provided. During the reporting period, there was no work-related injury. The Group also emphasises on the safety operations in the factory by providing relevant trainings, conducting functional and safety checks, and arranging regular maintenance of equipment. During the reporting period, the Group did not violate any related health and safety laws and regulations in Hong Kong and the PRC.

3.3. Employee Training and Development

The Group strives to provide its employees with a decent working environment with opportunities to grow with the Group. The Group provides its employees with on-the-job trainings to enhance their expertise and skills. To encourage and assist employees in developing their potential, external professional trainings are sponsored to support employees to further develop themselves and progress on their career paths. The Group also encourages lifelong learning and strives to provide employees with different learning opportunities. By offering educational grant, the Groups supports its employees to participate in personal and professional training to cope with the needs of emerging technologies.

The average hours of training that the Group's employees have undertaken during the reporting period by employee category are shown as follows:

Employee Category	Average Hours of Training
Senior Management	20
Middle Management	20
Executive	15

3.4. Labour Practices and Compliance

The Group complies with the applicable laws and regulations on employment, child and forced labour practices. The Group's employee handbook is structured to communicate important ground rules and regulations surrounding employment and labour standard, remuneration and benefits, leave and holidays, training and development, business conduct and ethics, and occupational health and safety. It is an essential tool to define the expectations of the management and to protect employees from unfair or inconsistent treatment and discrimination.

Recruitment of employees is strictly abided by the guidelines and procedures as set out by the Group's Human Resource Department so that suitable talents are recruited in accordance to the job requirement, relevant laws, and candidates' expectation. During the reporting period, there was no incidence of work stoppages, labour disputes, litigation, claims, administrative action or arbitration against the Group.

4. SUPPLY CHAIN MANAGEMENT

The Group's procurement policy is to ensure that products and services are procured in an honest, competitive, fair, and transparent manner. Products and services suppliers are being selected based on tender terms and factors including their reputation, financial reliability, product quality and price stability. Sourcing for supplies generally executed by the Administration Department and the approved suppliers list with 25 products and services suppliers is updated periodically and communicated to employees. The Group recognises the importance of using strategic suppliers who offer innovative, high quality, safe and technologically advanced products to meet the Group's developing needs.

5. PRODUCT RESPONSIBILITY AND QUALITY ASSURANCE PROCESS

The Group is committed to providing high quality products and responsible services to its customers. The Group regularly monitors, reviews, and when necessary, updates the existing policies and procedures for products manufacturing, customer due diligence, record-keeping, customer protection and employees' training. Considerable efforts are made on redefining operations and service flow to maximise customer experience and ensure professional and attentive services are provided. A customer service hotline is available to take enquires and feedback from customers. During the reporting period, there was no significant complaint in product and service quality in Hong Kong and the PRC.

5.1. Protecting Intellectual Property Rights

The Group registered several trademarks and domain names as they are important to its brand and corporate image. The Group complies with the intellectual property ("IP") rights regulations. During the reporting period, there was no material infringement of the IP rights and the Group is confident that all reasonable measures have been taken to prevent any infringement of its own IP rights and the IP rights of third parties.

5.2. Consumer Data Protection and Privacy Policies

As a responsible enterprise and a money lender's license holder, the Group complies with the Personal Data (Privacy) Ordinance by protecting all personal data collected from its customers, employees and suppliers. As stipulated in the Group's Code of Conduct on data protection policy, company servers and computers are protected from access passwords. Employees are instructed of their responsibility to ensure the safekeeping of all personal data, trade secrets and proprietary information.

6. ANTI-CORRUPTION AND ANTI-MONEY LAUNDERING POLICIES AND COMPLIANCE

To uphold and promote the highest standards of ethical corporate practices and to support the value of integrity and accountability, the Group ensures that all applicable rules and regulations with regards to corruption, money laundering, extortion, fraudulent activities and conflict of interest are complied with to ensure businesses are conducted in an honest and transparent manner. As a money lender's license holder, the Group developed comprehensive credit approval policy and process in accordance with the Money Lenders Ordinance ("MLO"), to prevent and detect money laundering and ensure the money lending business is compliant to the MLO. As stipulated in the Group's Code of Conduct, all directors and employees must adhere to the ethical consideration when engaging in the Group's business activities.

6.1. Preventive Measures and Whistle-blowing Procedures

The Group's Code of Conduct requires directors and employees to declare any conflict of interest by completing the required form as instructed by Human Resource Department. Prompt declaration or whistleblowing must be made to the management when suspected irregularities, conflict of interest or misconduct activities are discovered or found. During the reporting period, communication was performed to ensure employees understand the Group's Code of Conduct and there were no related legal cases regarding fraud reported against the Group in Hong Kong and the PRC.

7. COMMUNITY CARE

The Group is committed to conducting business in every aspect to minimise any potential environmental and social impact to its stakeholders especially the employees and community members. The Group will explore opportunities in future charity or community events to play a part in making a difference and strengthening the Hong Kong community.

8. THE SUSTAINABLE FUTURE

The Group has incorporated education into its business portfolio as education is an instrument to support and strengthen the process of sustainable development in the community. With economic growth, the increasing demands and the scarcity of natural resources, developing sustainably is leading to higher operating cost. Sustainable development continues to be a challenge, but the Group will continue to take into account of the environmental and social concerns as well as economic impacts when making decisions in relation to its business development.

Deloitte. 德勤

TO THE MEMBERS OF QINGDAO HOLDINGS INTERNATIONAL LIMITED
青島控股國際有限公司
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Qingdao Holdings International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 118, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the judgments involved in determining the inputs used in the valuation. As at 31 March 2019, the Group's investment properties amounted to HK$546,479,000 and represented 74% of the Group's total assets. As disclosed in note 4 to the consolidated financial statements, the Group's investment properties are stated at fair values based on valuations conducted by an independent firm of professional valuers (the "Valuers") using property valuation techniques which involve certain assumptions of market conditions. Details of the valuation techniques and key unobservable inputs used in the valuations are disclosed in note 16 to the consolidated financial statements.	Our procedures in relation to valuation of the investment properties included: • Obtaining an understanding of management controls over the valuation of investment properties; • Evaluating the competence, capabilities and objectivity of the Valuers; • Assessing the scope of the valuations, appropriateness of significant assumptions, critical judgments and key inputs in the valuation and assessing the appropriateness of the methodology based on available market data and our knowledge of the property industry; and • Checking the reasonableness of source data used in the valuation on a sample basis by benchmarking the term yield, reversionary yield and market rental to relevant market information.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and intangible assets	
We identified the impairment assessment of goodwill and intangible assets that have been allocated to the production and sale of education equipment business as a key audit matter due to the complexity and significant judgments involved in the management's assessment process. Determining whether goodwill and intangible assets are impaired required the management's estimation of the value in use of the cash-generating unit ("CGU") to which goodwill and intangible assets have been allocated. In estimating the value in use of the CGU, key assumptions used by the management included discount rate, growth rates, budgeted sales and gross margins and the related cash inflow and outflow patterns of the CGU. The management of the Group determined that there was no impairment in the CGU containing goodwill and intangible assets as at 31 March 2019.	Our procedures in relation to the impairment assessment of goodwill and intangible assets included: • Evaluating the assumptions underpinning the discounted cash flow model, including growth rates, budgeted sales and gross margins through assessing the reasonableness of forecasted future cash flows by reference to the actual sales derived up to date, signed sales contracts and future business plan of the Group; • Assessing the reasonableness of the discount rate applied in determining the value in use by benchmarking against market data; and • Evaluating the reasonableness of and reperforming the sensitivity analysis provided by the management of the Group to assess the extent of impact on the value in use.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Ip Chiu Yin.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

24 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 March 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue			
– Goods		**23,586**	458
– Rental		**31,152**	7,368
– Interest		**1,200**	580
Total revenue	5	**55,938**	8,406
Finished goods purchased		**(28,998)**	(476)
Change in inventories of finished goods		**15,411**	236
Increase in fair value of investment properties	16	**1,698**	18,713
Other income	7	**2,141**	2,090
Other gains and losses	7	**11,211**	490
Impairment losses, net of reversal	8	**(71)**	–
Employee benefit expenses		**(6,896)**	(1,943)
Other operating expenses		**(17,991)**	(12,718)
Finance costs	9	**(20,124)**	(6,881)
Profit before taxation		**12,319**	7,917
Taxation	10	**(1,845)**	(2,812)
Profit for the year	11	**10,474**	5,105
Other comprehensive (expense) income			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements from functional currency to presentation currency		**(21,845)**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**6,475**	1,597
Fair value loss on available-for-sale financial asset		**–**	(427)
Other comprehensive (expenses) income for the year		**(15,370)**	1,170
Total comprehensive (expense) income for the year		**(4,896)**	6,275

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 March 2019

	NOTES	**2019** **HK$'000**	2018 HK$'000
Profit (loss) for the year attributable to:			
– Owners of the Company		**9,535**	5,817
– Non-controlling interests		**939**	(712)
		10,474	5,105
Total comprehensive (expense) income for the year attributable to:			
– Owners of the Company		**(3,007)**	6,613
– Non-controlling interests		**(1,889)**	(338)
		(4,896)	6,275
Earnings per share			
– Basic (HK cents)	14	**1.91**	1.17

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	15	**24,688**	25,506
Investment properties	16	**546,479**	576,250
Goodwill	18	**6,058**	6,513
Intangible assets	19	**25,239**	30,175
Financial asset at fair value through profit or loss	20	**13,122**	–
Available-for-sale financial asset	20	**–**	13,264
Deferred tax assets	28	**3,530**	4,182
		619,116	655,890
Current assets			
Inventories	21	**15,647**	236
Trade and other receivables	22	**20,790**	19,885
Loan and interest receivables	23	**11,821**	12,080
Tax recoverable		**–**	798
Bank balances and cash	24	**71,375**	103,861
		119,633	136,860
Assets classified as held for sale	25	**4,003**	–
		123,636	136,860
Current liabilities			
Trade and other payables	26	**5,017**	17,536
Contract liabilities	27	**162**	–
Rental deposits from tenants		**219**	319
Amount due to ultimate holding company	35(a)	**4,169**	6,901
Amount due to an intermediate holding company	35(b)	**276**	275
Income tax payable		**154**	802
		9,997	25,833
Net current assets		**113,639**	111,027
Total assets less current liabilities		**732,755**	766,917

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Rental deposits from tenants		**819**	467
Loan from ultimate holding company	35(a)	**400,000**	430,000
Loan from an intermediate holding company	35(b)	**39,150**	39,000
Deferred tax liabilities	28	**3,712**	3,221
		443,681	472,688
		289,074	294,229
Capital and reserves			
Share capital	29	**49,928**	49,928
Reserves		**203,330**	206,596
Equity attributable to owners of the Company		**253,258**	256,524
Non-controlling interests		**35,816**	37,705
		289,074	294,229

The consolidated financial statements on pages 47 to 118 were approved and authorised for issue by the board of directors on 24 June 2019 and are signed on its behalf by:

Xing Luzheng
DIRECTOR

Jiang Yi
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 March 2019

	Attributable to owners of the Company							
	Share capital HK$'000	Surplus account HK$'000 (Note)	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 April 2017	49,928	328,931	(289)	–	(128,659)	249,911	–	249,911
Fair value loss on available-for-sale investment	–	–	(427)	–	–	(427)	–	(427)
Exchange differences arising on translation of foreign operations of subsidiaries	–	–	–	1,223	–	1,223	374	1,597
Profit (loss) for the year	–	–	–	–	5,817	5,817	(712)	5,105
Total comprehensive (expense) income for the year	–	–	(427)	1,223	5,817	6,613	(338)	6,275
Arising from acquisition of a business (note 30)	–	–	–	–	–	–	38,043	38,043
As at 31 March 2018	49,928	328,931	(716)	1,223	(122,842)	256,524	37,705	294,229
Effect on adoption of new standards (note 2)	–	–	716	–	(975)	(259)	–	(259)
As at 1 April 2018 (restated)	49,928	328,931	–	1,223	(123,817)	256,265	37,705	293,970
Exchange differences arising on translation of foreign operations	–	–	–	6,475	–	6,475	–	6,475
Exchange difference on translation of financial statements from functional currency to presentation currency	–	–	–	(19,017)	–	(19,017)	(2,828)	(21,845)
Profit for the year	–	–	–	–	9,535	9,535	939	10,474
Total comprehensive (expense) income for the year	–	–	–	(12,542)	9,535	(3,007)	(1,889)	(4,896)
As at 31 March 2019	49,928	328,931	–	(11,319)	(114,282)	253,258	35,816	289,074

Note: The surplus account represented the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the issued share capital and other reserve of a subsidiary which was acquired by the Company pursuant to a previous group reorganisation in 1997.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 March 2019

	NOTE	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES			
Profit for the year		**10,474**	5,105
Adjustments for:			
Amortisation of intangible assets		**2,831**	243
Impairment loss, net of reversal		**71**	–
Change in fair value of financial asset at FVTPL		**191**	–
Depreciation		**1,595**	1,478
Unrealised exchange gain		**(11,056)**	–
Income tax		**1,845**	2,812
Increase in fair value of investment properties		**(1,698)**	(18,713)
Finance cost		**20,124**	6,881
Bank interest income		**(695)**	(260)
Investment income		**(733)**	(727)
Operating cash flows before movements in working capital		**22,949**	(3,181)
Increase in inventories		**(15,411)**	(236)
Increase in trade and other receivables		**(2,351)**	(17,929)
Increase in loan and interest receivables		**–**	(12,080)
(Decrease) increase in trade and other payables		**(10,967)**	14,093
Decrease in contract liabilities		**(274)**	–
Increase in rental deposits from tenants		**252**	9
Cash used in operations		**(5,802)**	(19,324)
Income tax paid		**(622)**	(567)
NET CASH USED IN OPERATING ACTIVITIES		**(6,424)**	(19,891)
INVESTING ACTIVITIES			
Investment income received		**733**	727
Bank interest received		**695**	260
Addition to property, plant and equipment		**(787)**	(69)
Purchase of an investment property		**–**	(390,863)
Acquisition of a business	30	**–**	(2,826)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**641**	(392,771)
FINANCING ACTIVITIES			
Increase in loan from ultimate holding company		**–**	411,483
Increase in loan from an intermediate holding company		**–**	39,000
Interest paid		**(22,380)**	(2)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(22,380)**	450,481
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(28,163)**	37,819
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**103,861**	63,975
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(4,323)**	2,067
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		**71,375**	103,861

1. GENERAL

The Company is a public limited liability company incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is located at Unit 8, 26th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong.

The Company's immediate holding company is China Qingdao International (Holdings) Company Limited, an indirect wholly-owned subsidiary of 青島城市建設投資(集團)有限責任公司 (Qingdao City Construction Investment (Group) Limited*), which is a state-owned enterprise controlled by Qingdao Municipal Government of the People's Republic of China (the "PRC").

The Company acts as an investment holding company and the particulars of its subsidiaries are set out in note 38 to the consolidated financial statements.

In prior years, the directors of the Company regarded Hong Kong Dollar ("HK$") as the functional currency of the Company since HK$ predominantly influenced the operation and cash flows of the Group's major operating subsidiaries.

During the year ended 31 March 2018, the Group acquired an education equipment business and investment properties in the PRC. As a result, there has been an increasing in influence of Renminbi ("RMB") over the Group's business operation. The directors of the Company considered the revenue from the education equipment business and rental income derived in the PRC has become more significant in the current year having reviewed the annual financial performance. Such changes in circumstances triggered the directors to reassess the Company's functional currency and they resolved to change the functional currency of the Company from HK$ to RMB as RMB had become the currency that mainly influences the operation and cash flows of the Company. The consolidated financial statements continue to be presented in HK$.

The change in functional currency in presenting the operating results and financial positions of the Group effective from 1 April 2018 and is accounted for in accordance with Hong Kong Accounting Standard ("HKAS") 21 "The Effects of Changes in Foreign Exchange Rates".

* *The English name is for identification only.*

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 15 "Revenue from Contracts with Customers" and related amendments

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard, recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and related interpretations.

The Group recognises revenue from the sale of education equipment which arise from contract with customers.

Information about the Group's performance obligations and accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3, respectively.

Summary of effect arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018	Adjustments	Carrying amounts under HKFRS 15 at 1 April 2018
	HK$'000	HK$'000	HK$'000
Current liabilities			
Trade and other payables (note)	17,536	(436)	17,100
Contract liabilities (note)	–	436	436

Note: As at 1 April 2018, advances from customers of HK$436,000 in respect of sales contracts signed with customers previously included in trade and other payables are reclassified to contract liabilities.

The application of HKFRS 15 has had no material impact on the Group's accumulated losses as at 1 April 2018.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019 and its consolidated statement of cash flows for the year then ended for each of the line items affected. Line items that were not affected by the changes have not been included.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.1 HKFRS 15 "Revenue from Contracts with Customers" and related amendments (continued)

Impact on the consolidated statement of financial position

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Current liabilities			
Trade and other payables	5,017	162	5,179
Contract liabilities	162	(162)	–

Impact on the consolidated statement of cash flows

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Operating activities			
Decrease in trade and other payables	(10,967)	(274)	(11,241)
Decrease in contract liabilities	(274)	274	–

As at 31 March 2019, an amount of HK$162,000 in respect of advances from customers for future purchases to be made by customers was classified as contract liabilities and the amount will remain included in trade and other payables if without the application of HKFRS 15.

2.2 HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 "Financial Instruments'' and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities and 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.2 HKFRS 9 "Financial Instruments" (continued)

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the effect arising from application of HKFRS 9 at the date of initial application, 1 April 2018. Line items or reserves that were not affected by the changes have not been included.

	Notes	Available-for-sale financial asset HK$'000	Financial asset at FVTPL required by HKFRS 9 HK$'000	Loan and interest receivables HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000
Closing balance at 31 March 2018 – HKAS 39		13,264	–	12,080	(716)	(122,842)
Effect arising from initial application of HKFRS 9:						
Reclassification from available-for-sale financial asset	(a)	(13,264)	13,264	–	716	(716)
Remeasurement from impairment under ECL model	(b)	–	–	(259)	–	(259)
Opening balance at 1 April 2018		–	13,264	11,821	–	(123,817)

Notes:

(a) Available-for-sale ("AFS") financial asset

From AFS financial asset to financial assets at fair value through profit or loss ("FVTPL").

At the date of initial application of HKFRS 9, the Group's equity investments of HK$13,264,000 were reclassified from AFS financial asset to financial asset at FVTPL. The fair value loss of HK$716,000 relating to those investments were transferred from the investment revaluation reserve to accumulated losses as at 1 April 2018.

(b) Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, loans and interest receivables, bank balances and cash), as opposed to an incurred credit loss model under HKAS 39. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In the current period, the Group has applied HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowance for other financial assets at amortised cost mainly comprise of bank balances, loan and interest receivables and other receivables and are measured on 12-month ECL ("12m ECL") basis and there had been no significant increase in credit risk since initial recognition.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.2 HKFRS 9 "Financial Instruments" (continued)

Summary of effects arising from initial application of HKFRS 9 (continued)

Notes: (continued)

(b) Impairment under ECL model (continued)

As at 1 April 2018, the additional credit loss allowance of HK$259,000 has been recognised against accumulated losses. The additional loss allowance is charged against loan and interest receivables.

The loss allowance of loan and interest receivables as at 31 March 2018 reconciled to the opening loss allowance as at 1 April 2018 are as follows:

	Loan and interest receivables HK$'000
At 31 March 2018 – HKAS 39	–
Amounts remeasured through opening accumulated losses	259
At 1 April 2018 – HKFRS 9	259

2.3 Impacts on opening consolidated statement of financial position arising from application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

	31 March 2018 HK$'000 (Audited)	**HKFRS 15** HK$'000	**HKFRS 9** HK$'000	**1 April 2018** HK$'000 (Restated)
Non-current assets				
Available-for-sale asset	13,264	–	(13,264)	–
Financial asset at FVTPL	–	–	13,264	13,264
Current assets				
Loan and interest receivables	12,080	–	(259)	11,821
Current liabilities				
Trade and other payables	17,536	(436)	–	17,100
Contract liabilities	–	436	–	436
Capital and reserves				
Investment revaluation reserve	(716)	–	716	–
Accumulated losses	(122,842)	–	(975)	(123,817)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2019, movements in working capital have been completed based on opening statement of financial position as at 1 April 2018 as disclosed above.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments HKFRSs and interpretation in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretation that have been issued but are not yet effective:

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

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRS will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments HKFRSs and interpretation in issue but not yet effective (continued)

HKFRS 16 "Leases" (continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, while upfront prepaid lease payments will continue to be presented as investing or operating cash flow in accordance with nature as appropriate.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$2,433,000 as disclosed in Note 33. The Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases.

In addition, the Group currently considers refundable rental deposits paid of HK$59,000 and refundable rental deposits received of HK$1,038,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of- use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements would result in changes in assessment, presentation and disclosure as indicated above. The Group would elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group would not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group would elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The significant accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for investment properties which continue to be measured in accordance with the accounting policies as set out below.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The revenue of the Group arising from sale of education equipment is recognised at a point in time. Under HKFRS 15, revenue from these sales is recognised when customer acceptance has been obtained, which is the point of time when the customer has the ability to direct the use of these products and obtain substantially all of the remaining benefits of these products.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (prior to 1 April 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as describe below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Service income is recognised when services are provided.

Investment income is recognised when the investors' rights to receive payment have been established.

Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy of recognition of revenue from operating leases is described in the accounting policy for leasing below.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in foreign operations.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

The change in functional currency of the Company was applied prospectively from the date of change. All items were translated into RMB at the exchange rate on that date. The cumulative currency translation differences which had arisen from the translation of foreign operations up to the date of the change in functional currency were not reclassified from equity to profit or loss until the disposal of the relevant operations.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs, not directly attributable to the construction, acquisition or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready to their extended use or sales, are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income/a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants (continued)

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance lease) and building held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (continued)

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI nor designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any investment income earned on the financial asset and is recognised in the "Other gains and losses" line item.

Impairment of financial assets (upon application HKFRS 9 in accordance with transitions in note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, loan and interest receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on trade receivables are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 in accordance with transitions in note 2) (continued)

(i) Significant increase in credit risk

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

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 in accordance with transitions in note 2) (continued)

(ii) Definition of default

The Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 in accordance with transitions in note 2) (continued)

(v) *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 Leases.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

The Group's financial assets are classified as AFS financial asset and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, loan and interest receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, or (b) held-to-maturity investments or (c) fair value through profit or loss. The Group designated certain unlisted investments in Hong Kong as an AFS financial asset on initial recognition of those items.

Investments held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period. Investment income on the AFS financial assets are recognised in profit or loss when the Group's right to receive the income is established. Changes in the carrying amount of the AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018) (continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, loans from and amounts due to an intermediate holding company and ultimate holding company are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Derecognition of financial liabilities

The Group derecognises a financial liability when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that:

(i) the Group's investment properties in Hong Kong are not held under a business model whose objective is to consume substantially all the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of these investment properties in Hong Kong as the Group is not subject to any income taxes upon disposal of its investment properties; and

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCE OF ESTIMATION UNCERTAINTY (continued)

Critical judgment in applying accounting policies (continued)

Deferred taxation on investment properties (continued)

(ii) the Group's investment properties in the PRC are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group is subject to income taxes on the rental income of these investment properties and deferred taxes on changes in fair value are recognised accordingly.

Key sources of estimation uncertainty

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

Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 March 2019 at their fair values of HK$546,479,000 (2018: HK$576,250,000). The fair value was based on valuations on these properties conducted by a firm of independent professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income. Details of the fair value measurements are set out in note 16.

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances which are credit impaired are assessed for ECl individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL assessment of the Group's trade receivables are disclosed in note 32.

Estimated impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill and intangible assets have been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the present value of future cash flows expected to arise from the cash-generating unit containing goodwill and the intangible assets using a suitable discount rate, growth rates, budgeted sales and gross margins. Where the actual future cash flows are less than expected, or changes in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise. As at 31 March 2019, the carrying amount of goodwill and intangible assets are HK$6,058,000 and HK$25,239,000 (2018: HK$6,513,000 and HK$30,175,000), respectively. Details of impairment review are disclosed in note 18.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCE OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Estimated useful lives of intangible assets

The Group's management determines the estimated useful lives of intangible assets. This estimate is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to market conditions. Actual economic lives may differ from estimated useful lives. If the actual useful lives of intangible assets are less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the amortisation charges for the remaining periods.

At 31 March 2019, the carrying amount of intangible assets was HK$25,239,000 (2018: HK$30,175,000). Details of the intangible assets are disclosed in note 19.

5. REVENUE

Disaggregation of revenue

	2019 **HK$'000**
Revenue from contracts with customers	
– Sale of education equipment	**23,586**
Revenue from leasing of properties	**31,152**
Revenue from interest from loan financing	**1,200**
Total revenue	**55,938**

	2019 **HK$'000**	2018 HK$'000
Geographical markets		
– Mainland China	**51,578**	3,944
– Hong Kong	**4,360**	4,462
	55,938	8,406

Revenue is recognised at a point in time when control of the goods has transferred, being when the goods have been delivered to the customer's specific location (delivery). Following the delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The sales prices is fixed by agreement between customer and the Group and the normal credit term is 30 to 90 days upon delivery. A contract liability is recognised for sales in which revenue has yet been recognised.

All the sales of education equipment are for period of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied performance obligations is not disclosed.

6. SEGMENTS

The segment information reported externally was analysed on the basis of the types of goods delivered or services rendered by the Group's operating divisions which is consistent with the internal information that is regularly reviewed by the executive directors of the Company, the chief operating decision maker (the "CODM"), for the purposes of resource allocation and performance assessment.

Details of the Group's three operating and reportable segments are as follows:

(i) Leasing of properties: this segment mainly leases residential, industrial and commercial premises to generate rental income.

(ii) Production and sale of education equipment: this segment is engaged in the research and development, production and sale of digital Chinese calligraphy education equipment together with relevant learning and tutorial systems.

(iii) Loan financing: this segment provides loan financing services to individuals or corporate customers. The Group possesses a money lender license and its money lending business is mainly carried out in Hong Kong.

The following is an analysis of the Group's revenue and results from continuing operations by operating and reportable segment.

For the year ended 31 March 2019

	Segment revenue HK$'000	Segment results HK$'000
Leasing of properties	31,152	25,986
Production and sale of education equipment	23,586	(1,011)
Loan financing	1,200	1,085
Segment total	55,938	26,060
Increase in fair value of investment properties		1,698
Unallocated income		2,141
Unallocated expenses		(17,580)
Profit before taxation		12,319

6. SEGMENTS (continued)

For the year ended 31 March 2018

	Segment revenue HK$'000	Segment results HK$'000
Leasing of properties	7,368	5,184
Production and sale of education equipment	458	(1,207)
Loan financing	580	489
Segment total	8,406	4,466
Increase in fair value of investment properties		18,713
Unallocated income		2,090
Unallocated expenses		(17,352)
Profit before taxation		7,917

Other segment information

During the year ended 31 March 2018, an addition to non-current assets relating to leasing of properties segment amounted to HK$390,863,000 (2019: nil) was included in the measurement of segment assets.

The accounting policies of the reporting segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of increase in fair value of investment properties, legal and professional fees, other income, certain other gains and losses, certain employee benefit expenses and certain other operating expenses. Besides, segment results are analysed before taxation whereas deferred tax assets, income tax payable and deferred tax liabilities are allocated to operating segments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	Segment assets		Segment liabilities	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Leasing of properties	**560,023**	595,544	**410,492**	454,581
Production and sale of education equipment	**55,483**	41,486	**40,962**	40,891
Loan financing	**12,080**	12,080	**100**	80
Segment total	**627,586**	649,110	**451,554**	495,552
Unallocated:				
Bank balances and cash	**71,375**	103,861	**–**	–
Others	**43,791**	39,779	**2,124**	2,969
Total	**742,752**	792,750	**453,678**	498,521

6. SEGMENTS (continued)

Segment assets and liabilities (continued)

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

- all assets are allocated to operating segments other than certain property, plant and equipment, certain other receivables of the corporate office, financial asset at FVTPL, available-for-sale financial asset, tax recoverable, bank balances and cash and assets classified as held for sale.

- all liabilities including income tax payables and deferred tax liabilities are allocated to operating segments other than certain other payables and accrued charges of the corporate offices.

- investment properties were allocated to the leasing of properties segment while the change in fair value of investment properties was not reported to the CODM as part of the segment results.

The above allocation was reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Geographical information

The Group's operations are located in Hong Kong and the PRC.

The following is an analysis of the Group's revenue by the geographical locations of customers and properties for rental income for the year:

	Sales revenue by geographical market	
	2019	2018
	HK$'000	HK$'000
Hong Kong	**4,360**	4,462
The PRC	**51,578**	3,944
	55,938	8,406

The following is an analysis of the carrying amount of non-current assets excluding financial asset at FVTPL (2018: available-for-sale financial asset) and deferred tax assets by geographical area in which the assets are located:

	Carrying amount of non-current assets	
	2019	2018
	HK$'000	HK$'000
Hong Kong	**184,171**	188,898
The PRC	**418,293**	449,546
	602,464	638,444

6. SEGMENTS (continued)

Information about major customers

An analysis of revenue from customers contributing to over 10% of the Group's total revenue for the year is as follow:

	2019	2018
	HK$'000	HK$'000
Customer A – Leasing of properties	**23,723**	–
Customer B – Leasing of properties	**–**	2,310
Customer C – Leasing of properties	**–**	1,987
Customer D – Leasing of properties	**–**	1,112

7. OTHER INCOME, OTHER GAINS AND LOSSES

	2019	2018
	HK$'000	HK$'000
Other income		
Bank interest income	**695**	260
Investment income from financial asset at FVTPL	**733**	–
Government grant (Note)	**366**	–
Investment income from available-for-sale financial asset	**–**	727
Agency and advisory service income	**–**	1,046
Others	**347**	57
	2,141	2,090

Note: The amount of government grant represents the incentive subsidies received from the PRC local district authorities for business activities carried out by the Group in the district. There are no specific conditions attached to the grants.

	2019	2018
	HK$'000	HK$'000
Other gains and losses, net		
Net foreign exchange gain	**11,402**	490
Loss from change in fair value of financial asset at FVTPL	**(191)**	–
	11,211	490

8. IMPAIRMENT LOSSES, NET OF REVERSAL

	Year ended 31 March	
	2019	2018
	HK$'000	HK$'000
Impairment losses recognised on:		
– Trade receivables	**71**	–

Details of impairment assessment for the year ended 31 March 2019 are set out in note 32(b).

9. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest expenses on:		
Loan from ultimate holding company (note 35(a))	**18,419**	6,604
Loan from an intermediate holding company (note 35(b))	**1,703**	275
Others	**2**	2
	20,124	6,881

10. TAXATION

Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The PRC

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible allowance and expenditures including sales charges, borrowing costs and all property development expenditures.

	2019 HK$'000	2018 HK$'000
Current tax – Hong Kong		
Charge for the year	**2**	197
Under-provision in prior years	**463**	–
Current tax – The PRC		
Charge for the year	**750**	490
Over-provision in prior years	**(405)**	–
Deferred tax – current year (note 28)	**1,035**	2,125
	1,845	2,812

10. TAXATION (continued)

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 HK$'000	2018 HK$'000
Profit before taxation	**12,319**	7,917
Tax at the domestic income tax rate of 25% (2018: 16.5%) (note)	**3,080**	1,306
Tax effect of expenses not deductible for tax purpose	**4,297**	1,477
Tax effect of income not taxable for tax purpose	**(11,034)**	(2,034)
Tax effect of tax losses not recognised	**5,725**	1,581
Utilisation of tax losses previously not recognised	**(256)**	(349)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(9)**	857
Under provision in prior years – Hong Kong Profits Tax	**463**	–
Over provision in prior years – PRC EIT	**(405)**	–
Others	**(16)**	(26)
Income tax expense for the year	**1,845**	2,812

Note: The domestic tax rate, which is PRC EIT rate (2018: Hong Kong Profits Tax rate), in the jurisdiction where the operation of the Group is substantially based, is used.

11. PROFIT FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**2,100**	1,300
Depreciation of property, plant and equipment	**1,595**	1,478
Amortisation of intangible assets	**2,831**	243
Cost of inventories recognised as an expense	**13,587**	240
Directors' fees (note 12(a))	**593**	480
Other staff costs:		
– Salaries and other benefits	**5,725**	1,338
– Retirement benefit scheme contributions	**578**	125
Total staff costs	**6,896**	1,943
Gross rental income	**(31,152)**	(7,368)
Less: direct operating expenses that generated rental income during the year	**171**	95
	(30,981)	(7,273)

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

(a) Directors' and chief executive's emoluments

Details of the emoluments paid or payable to the directors of the Company including the chief executive during the year were as follows:

	2019 **Fees** **HK$'000**	2018 Fees HK$'000
Executive Directors:		
Mr. Xing Luzheng (note i)	**–**	–
Mr. Chen Mingdong (note i)	**–**	–
Mr. Jiang Yi (notes i and ii)	**–**	–
Mr. Wang Yimei (note i)	**–**	–
Mr. Yuan Zhi (note i)	**–**	–
Non-executive Director:		
Mr. Li Shaoran	**113**	N/A
Independent non-executive Directors:		
Mr. Yin Tek Shing, Paul	**120**	120
Mr. Wong Tin Kit	**120**	120
Ms. Zhao Meiran	**120**	120
Mr. Li Xue	**120**	120
	593	480

Notes:

(i) The executive directors are also the directors or employees of the ultimate holding company and received their emoluments from the ultimate holding company for their services in connection with the management of the affairs of the Company and the Group. There is no reasonable basis to allocate any amount to the Group.

(ii) Mr. Jiang Yi is also the chief executive of the Company and his emoluments include those for services rendered by him as the chief executive.

The emoluments of the non-executive directors and independent non-executive directors shown above were mainly for their services as directors of the Company.

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

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND HIGHEST PAID INDIVIDUALS (continued)

(b) Highest paid individuals

Of the five individuals with the highest emoluments in the Group, there is no director (2018: 2 directors) whose emoluments are included in the disclosures in note 12(a) above. The emoluments of the 5 (2018: remaining 3) individuals were as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	**1,822**	835
Retirement benefit scheme contributions	**142**	55
	1,964	890

The number of the highest paid individuals who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2019 Number of employees	2018 Number of employees
Not exceeding HK$1,000,000	**5**	3

During both years, no emoluments were paid by the Group to the five highest paid individuals, including directors and employees, as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

14. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	2019	2018
	HK$'000	HK$'000
Profit for the year attributable to owners of the Company	**9,535**	5,817

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**499,276,680**	499,276,680

No diluted earnings per share is presented as there were no potential ordinary shares in issue for both years.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building HK$'000	Leasehold improvement HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
COST						
At 1 April 2017	28,248	311	–	174	–	28,733
Arising from acquisition of a business (note 30)	–	–	–	48	–	48
Additions	–	–	–	69	–	69
At 31 March 2018	28,248	311	–	291	–	28,850
Additions	–	–	89	431	267	787
Exchange realignment	–	–	–	(18)	–	(18)
At 31 March 2019	28,248	311	89	704	267	29,619
ACCUMULATED DEPRECIATION						
At 1 April 2017	1,765	29	–	72	–	1,866
Provided for the year	1,412	31	–	35	–	1,478
At 31 March 2018	3,177	60	–	107	–	3,344
Provided for the year	1,413	31	5	135	11	1,595
Exchange realignment	–	–	–	(8)	–	(8)
At 31 March 2019	4,590	91	5	234	11	4,931
CARRYING VALUE						
At 31 March 2019	23,658	220	84	470	256	24,688
At 31 March 2018	25,071	251	–	184	–	25,506

The above items of property, plant and equipment are depreciated on a straight-line basis as follows:

Leasehold land and building	20 years or over the term of the relevant lease for land, whichever is shorter
Leasehold improvement	10 years or over the term of the relevant lease, whichever is shorter
Plant and machinery	10 years
Furniture, fixtures and equipment	Over 5 years
Motor vehicle	4 years

16. INVESTMENT PROPERTIES

	Total
	HK$'000
FAIR VALUE	
At 1 April 2017	148,900
Addition	390,863
Increase in fair value recognised in profit or loss	18,713
Exchange realignment	17,774
At 31 March 2018	576,250
Increase in fair value recognised in profit or loss	1,698
Reclassification to assets held for sales (note)	(4,003)
Exchange realignment	(27,466)
At 31 March 2019	546,479

Note: In March 2019, the directors of the Company resolved to dispose of two parking lots, and a provisional sales and purchase agreement was signed. The disposal of these investment properties was subsequently completed in April 2019.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using fair value model and are classified and accounted for as investment properties.

The investment properties are located in Hong Kong and the PRC.

The valuations for investment properties have been arrived at on the basis of valuations carried out at 31 March 2019 by Vigers Appraisal & Consulting Limited, a firm of professional valuers independent to the Group.

The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Fluctuations in fair value of investment properties are discussed semi-annually among the board of directors of the Company.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

16. INVESTMENT PROPERTIES (continued)

Followings are the key inputs used in valuing the investment properties as at 31 March 2019:

Category	Term of lease	Fair value hierarchy	Fair value at 31 March 2019 HK$'000	Fair value at 31 March 2018 HK$'000	Valuation techniques	Key unobservable inputs	Range or weighted average	Relationship of unobservable inputs to fair value
Residential Property and parking lots in Hong Kong	Medium-term lease	Level 3	**11,000**	11,000	Term and reversionary method based on the average market observable rental value of similar properties after applying adjusting factors to reflect the conditions and locations of the subject property	(1) Term yield	2.75% (2018: 2.50%)	The higher the term yield, the lower the fair value.
						(2) Reversionary yield	2.75% (2018: 2.50%)	The higher the reversionary yield, the lower the fair value.
						(3) Monthly rent per sq.ft.	HK$39 (2018: HK$39)	The higher the monthly rent, the higher the fair value.
						(4) Reversionary rent per sq.ft.	HK$41 – HK$43 (2018: HK$39 – HK$45)	The higher the reversionary rent, the higher the fair value.
						Adjusting factors on location and conditions including floor, and size of the property	Adjusting factors of -3% to 3% (2018: -5%)	The more favourable the adjusting factor, the higher the fair values, or vice versa.
Industrial and commercial property in Hong Kong	Medium-term to long lease	Level 3	**96,203**	98,500	Term and reversionary method based on the average market observable rental value of similar properties after applying adjusting factors to reflect the conditions and locations of the subject property	(1) Term yield	3.25% (2018: 3.25%)	The higher the term yield, the lower the fair value.
						(2) Reversionary yield	3.5% (2018: 3.25% to 3.50%)	The higher the reversionary yield, the lower the fair value.
						(3) Monthly rent per sq.ft.	HK$16 to HK$17 (2018: HK$17)	The higher the monthly rent, the higher the fair value.
						(4) Reversionary rent per sq.ft.	HK$18 – HK$20 (2018: HK$17 – HK$19)	The higher the reversionary rent, the higher the fair value.
						Adjusting factors on location and conditions including floor, age, size and view of the property	Adjusting factors of -3% (2018: 0%)	The more favourable the adjusting factor, the higher the fair values, or vice versa.

16. INVESTMENT PROPERTIES (continued)

Category	Term of lease	Fair value hierarchy	Fair value at 31 March 2019 HK$'000	Fair value at 31 March 2018 HK$'000	Valuation techniques	Key unobservable inputs	Range or weighted average	Relationship of unobservable inputs to fair value
Commercial property in Hong Kong	Medium-term lease	Level 3	**57,000**	54,000	Term and reversionary method based on the average market observable rental value of similar properties after applying adjusting factors to reflect the conditions and locations of the subject property	(1) Term yield	2.25% (2018: 2.00%)	The higher the term yield, the lower the fair value.
						(2) Reversionary yield	2.25% (2018: 2.00%)	The higher the reversionary yield, the lower the fair value.
						(3) Monthly rent per sq.ft	HK$85 (2018: HK$75)	The higher the monthly rent, the higher the fair value.
						(4) Reversionary rent per sq.ft.	HK$80 - HK$103 (2018: HK$69 - HK$84)	The higher the reversionary rent, the higher the fair value.
						Adjusting factors on location and conditions including floor, and size of the property	Adjusting factors ranging from -17% to 6% (2018: -14% to 4%)	The more favourable the adjusting factor, the higher the fair values, or vice versa.
Commercial property in the PRC (Note)	Long lease	Level 3	**386,279**	412,750	Term and reversionary method based on unobservable inputs and taking into account the significant adjustment in term yield to account for the risk upon reversionary and the estimation in market price after expiry of current lease	(1) Term yield	5.0% (2018: 5.50%)	The higher the term yield, the lower the fair value.
						(2) Reversionary yield	5.50% (2018: 5.50%)	The higher the reversionary yield, the lower the fair value.
						(3) Yearly rent per sq.metre.	HK$21,200 (2018: HK$22,700)	The higher the market rent, the higher the fair value.
			550,482	576,250				
Classified as:								
– Investment properties			**546,479**	576,250				
– Assets held for sales			**4,003**	–				
			550,482	576,250				

Note: The Group had not yet obtained all the property ownership certificates due to the administrative process time required in the completion of registration as at 31 March 2018. The PRC legal adviser of the Company had confirmed that this did not affect the Group's legal title of the property.

17. PLEDGE OF ASSETS

As at 31 March 2019, investment properties with an aggregate carrying amount of HK$96,203,000 (2018: HK$98,500,000) were pledged to a bank to secure general banking facilities granted to the Group. As at 31 March 2019, the Group has available unutilised banking facilities of HK$57,000,000 (2018: HK$48,700,000).

18. GOODWILL

	HK$'000
COST	
At 1 April 2017	–
Arising from acquisition of a business (note 30)	6,454
Exchange realignment	59
At 31 March 2018	6,513
Exchange realignment	(455)
At 31 March 2019	6,058

Goodwill of HK$6,513,000 as at 31 March 2018 acquired in business combinations was allocated, at acquisition, to an individual cash-generating unit ("CGU"), comprising a subsidiary engaged in the research and development, production and sale of digital Chinese calligraphy education equipment segment.

The basis of the calculation of recoverable amount of the CGU as at 31 March 2019 and the major underlying assumptions are summarised below:

Education equipment business

The recoverable amount of CGU is determined from a value in use calculation. The value in use calculation is derived from cash flow projections based on the most recent financial budgets for the next 5 years approved by management and a discount rate. The key assumptions for the value in use calculation are those regarding the discount rate, growth rates and gross margins. Management estimates a discount rate of 31.0% (2018: 31%) which is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the CGU. Management estimates growth rates from 4% to 37% (2018: 7% to 14%) per annum for the first 5-year period and cash flows beyond 5-year period have been extrapolated using growth rates from 2% to 4% (2018: 2% to 5%) per annum, which is based on industry growth forecasts. The directors of the Company considered no impairment loss is necessary as at 31 March 2019.

19. INTANGIBLE ASSETS

	Design patents HK$'000
COST	
At 1 April 2017	–
Arising from acquisition of a business (note 30)	30,150
Exchange realignment	279
At 31 March 2018	30,429
Exchange realignment	(2,123)
At 31 March 2019	28,306
AMORTISATION	
At 1 April 2017	–
Provided for the year	243
Exchange realignment	11
At 31 March 2018	254
Provided for the year	2,831
Exchange realignment	(18)
At 31 March 2019	3,067
CARRYING VALUE	
At 31 March 2019	25,239
At 31 March 2018	30,175

The design patents were purchased as part of the acquisition of a business during the year ended 31 March 2018 and were recognised at their fair value at the date of acquisition, details of which are set out in note 30 to the consolidated financial statements.

The above intangible assets are amortised over their estimated useful lives, using the straight-line method, over a period of 10 years.

20. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS/ AVAILABLE-FOR-SALE FINANCIAL ASSET

	2019	2018
	HK$'000	HK$'000
Unlisted investments in Hong Kong, at fair value	**13,122**	13,264

On 29 June 2016, a wholly-owned subsidiary of the Company (the "Subscriber") entered into a subscription agreement pursuant to which the Subscriber agreed to subscribe for the Class A shares in the Asian Bond Fund Segregated Portfolio ("the Sub-Fund") of CMBI SPC (an exempted segregated portfolio company incorporated in the Cayman Islands with limited liability) for an aggregate consideration of US$1,795,000 (equivalent to approximately HK$13,980,000). The Sub-Fund is a segregated portfolio of a fund (the "Fund") and managed by CMB International Asset Management Limited. The subscription of the Class A shares in the Sub-Fund, representing approximately 8.50% of the total issued Class A shares of the Sub-Fund, was completed on 7 July 2016.

The Fund aims at generating interest income and long term capital appreciation, with at least 70% of its net assets invested in a broad range of fixed income securities and instruments and derivative financial instruments for investment and hedging purposes. Not more than 30% of the Sub-Fund's net assets may be invested in assets not meeting the above requirements.

Shares of the Sub-Fund may be redeemed at a redemption price which equals the net asset value per share as at the valuation date immediately preceding the dealing date. The Sub-Fund may redeem all or some of the shares of the Sub-Fund held by any person if, in the opinion of the directors of the Fund, it is in the interests of the Sub-Fund or when certain conditions are met, at the prevalent redemption price. The price for each share equals to the net asset value per share after adjusting for all liabilities accrued or contingent upon the liquidation of the Sub-Fund.

There is no guaranteed nor targeted level of dividend payment from the Sub-Fund. The Sub-Fund may at its full discretion to declare none, partial or all of its income accrued or received, realised capital gains and capital of the Sub-Fund to its shareholders.

The investment in the Sub-Fund has been classified as financial asset at FVTPL upon application of HKFRS 9 on 1 April 2018 and are measured at fair value on a recurring basis at the end of each reporting period. Prior to 1 April 2018, the investment in the Sub-Fund was classified as AFS financial assets. As at 31 March 2019, the fair value of the investment in the Sub-Fund of HK$13,122,000 (2018: HK$13,264,000) is determined by reference to the quoted price provided by the issuing financial institution (Level 2 measurement) (note 32(c)).

21. INVENTORIES

	2019 **HK$'000**	2018 HK$'000
Finished goods	**15,647**	236

22. TRADE AND OTHER RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Trade receivables	**1,928**	–
Less: Allowance for credit losses	**(71)**	–
	1,857	–
Deposits, prepayments and other receivables	**5,456**	683
Value-added tax recoverable	**13,477**	19,202
	20,790	19,885

The Group allows a credit period normally ranging from cash on delivery to 90 days to its trade customers.

The following is an analysis of trade receivables net of allowance for credit losses by age, presented based on the invoice dates at the end of the reporting period.

	2019 **HK$'000**	2018 HK$'000
Trade debtors aged:		
0 – 30 days	**–**	–
31 – 60 days	**367**	–
61 – 90 days	**–**	–
91 – 120 days	**244**	–
Over 120 days	**1,246**	–
	1,857	–

Details of impairment assessment of trade and other receivables for the year ended 31 March 2019 are set out in note 32(b).

23. LOAN AND INTEREST RECEIVABLES

	2019 HK$'000	2018 HK$'000
Fixed-rate loan receivables	**12,000**	12,000
Loan interest receivables	**80**	80
	12,080	12,080
Less: Allowance for credit losses	**(259)**	–
	11,821	12,080

The borrowers are private companies incorporated in Hong Kong and independent to the Group. The loans are repayable within one year from the end of the reporting period, secured by personal guarantees from shareholders of the borrowers and carry interest at the fixed rate of 10% per annum. The interests are repayable monthly or quarterly. The management of the Group reviews the recoverable amounts of its loan and interest receivables by assessing the borrower's financial positions.

During the year ended 31 March 2019, supplementary loan agreements are signed to extend the repayment periods to August 2019 and November 2019. Accordingly, the balances are classified as current on 31 March 2018 and 2019.

Details of impairment assessment of loan and interest receivables for the year ended 31 March 2019 are set out in note 32(b).

24. BANK BALANCES AND CASH

	2019 HK$'000	2018 HK$'000
Cash at banks and in hand	**69,050**	76,386
Time deposits in books with maturity less than three months	**2,325**	27,475
	71,375	103,861

Bank balances carry interest at market rates which range from 0.01% to 3.00% (2018: 0.01% to 2.42%) per annum.

The Group's bank balances and cash that are denominated in currency other than functional currency of the respective group entities are set out below:

	2019 HK$'000	2018 HK$'000
United States Dollars ("USD")	**2,986**	40,991
Hong Kong Dollars ("HKD")	**18,497**	–
	21,483	40,091

24. BANK BALANCES AND CASH (continued)

For the year ended 31 March 2019, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

Details of impairment assessment of pledged bank deposits for the year ended 31 March 2019 are set out in note 32(b).

25. ASSETS CLASSIFIED AS HELD FOR SALE

In March 2019, the directors of the Company resolved to dispose of two parking lot which were classified as investment properties, and a provisional sales and purchase agreement was signed. These investment properties, which are expected to be sold within twelve months, have been classified as assets held for sale and are presented separately in the consolidated statement of financial position.

26. TRADE AND OTHER PAYABLES

	2019 **HK$'000**	2018 HK$'000
Trade payables	**837**	563
Other payables	**2**	1
Other taxes payable	**969**	12,487
Accrued charges	**2,977**	3,877
Receipt in advance	**232**	608
	5,017	17,536

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2019 **HK$'000**	2018 HK$'000
Within 30 days	**490**	563
31 – 60 days	**97**	–
61 – 90 days	**31**	–
Over 90 days	**219**	–
	837	563

27. CONTRACT LIABILITIES

	31.3.2019 **HK$'000**	1.4.2018* HK$'000
Receipt in advance on sales of education equipment	**162**	436

* The amounts in this column are after the adjustments upon the application of HKFRS 15 (details as set out in note 2).

27. CONTRACT LIABILITIES (continued)

The Group receives the prepayments from customers when they sign the purchases agreements which are recognised as contract liabilities at the execution of a contract, until the revenue is recognised on relevant contracts. The contract liabilities recorded at the beginning of the year had been fully recognised as revenue during the year. The balance as at 31 March 2019 will be recognised as revenue for the year ending 31 March 2020.

28. DEFERRED TAXATION

The following is an analysis of deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Intangible assets	**Revaluation of investment properties**	**Accelerated tax depreciation**	**Tax losses recognised**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2017	–	–	1,294	(256)	1,038
Charge (credit) to profit or loss	34	2,033	314	(256)	2,125
Arising from acquisition of a business (note 30)	(4,217)	–	–	–	(4,217)
Exchange realignment	1	92	–	–	93
At 31 March 2018	(4,182)	2,125	1,608	(512)	(961)
Charge to profit or loss	396	581	58	–	1,035
Exchange realignment	256	(148)	–	–	108
At 31 March 2019	(3,530)	2,558	1,666	(512)	182

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019	2018
	HK$'000	HK$'000
Deferred tax assets	**3,530**	4,182
Deferred tax liabilities	**(3,712)**	(3,221)
	(182)	961

At 31 March 2019, the Group has unused tax losses of HK$75,024,000 (2018: HK$53,150,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$3,100,000 (2018: HK$3,100,000) of such losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK$71,924,000 (2018: HK$50,050,000) due to the unpredictability of future profit streams. Tax losses amounting to HK$57,384,000 (2018: HK$51,899,000) may be carried forward indefinitely under current tax regulation in Hong Kong. The remaining balance amounting to HK$17,640,000 (2018: HK$1,251,000) arising from the PRC may be carried forward for five years.

29. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 April 2017, 31 March 2018 and 2019	20,000,000	2,000,000
Issued and fully paid:		
At 1 April 2017, 31 March 2018 and 2019	499,277	49,928

30. ACQUISITION OF A BUSINESS

On 2 November, 2017, Hong Kong Hanhe Education Company Limited ("HK Hanhe"), a wholly-owned subsidiary of the Company, entered into a cooperation agreement with Mr. Lv Qingdong ("Mr. Lv"), who is an independent third party to the Group, to establish a limited liability company in the PRC, namely 山東啟華教育科技有限公司 ("Qihua"). Under Qihua's Articles of Association, HK Hanhe owns 51% equity interest of Qihua by contributing capital in the form of cash of RMB34,900,000 (approximately HK$43,226,000) and design patents acquired from the spouse of Mr. Lv. ("Mrs. Lv.") ("the design patent") as detailed below. Mr. Lv owned 49% equity interest of Qihua by contributing capital by way of injecting a business of production and sale of education equipment including certain software copyrights and utility model patents.

On the same date, HK Hanhe entered into an acquisition agreement with Mrs. Lv for the acquisition of the design patent at cash consideration of RMB2,280,000 (approximately HK$2,824,000) for the purpose of capital injection to Qihua as mentioned above.

The above transactions were completed on 1 February 2018 and accounted for an acquisition of business, namely the education equipment business, using the acquisition method. Qihua was principally engaged in the production and sale of education equipment in the PRC. The primary reason for the acquisition was for the expansion of the Group's business and to increase returns to its shareholders.

Capital contribution

	HK$'000
Cash	42,049
Unpaid capital contribution by the Group	4,001
Total	46,050

The acquisition-related costs amounting to HK$3,011,000 were recognised as an expense in the current year, within the general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

30. ACQUISITION OF A BUSINESS (continued)

The fair value of the identifiable assets acquired in the transaction are as follows:

	HK$'000
Property, plant and equipment	48
Intangible assets	30,150
Cash and bank balances	39,223
Deferred tax assets	4,217
	73,638

Goodwill arising on acquisition:

	HK$'000
Total capital contribution by the Group	46,050
Unpaid capital contribution by the Group	(4,001)
Non-controlling interest	38,043
Fair value of identifiable assets acquired	(73,638)
Goodwill arising on acquisition	6,454

The non-controlling interest recognised at the acquisition date in respect of the acquisition was measured by reference to the proportionate share of fair values of the acquirees' net assets taking into account the unpaid capital contribution by the Group at the acquisition date.

Goodwill arose from the above acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of the business. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising on this acquisition was not expected to be deductible for tax purposes.

Net cash outflow arising on the acquisition:

	HK$'000
Capital contribution paid	42,049
Cash and bank balances acquired	(39,223)
	2,826

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes amount due to ultimate holding company and an intermediate holding company disclosed in note 35, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Group review the capital structure on a semi-annual basis. As part of this review, the directors of the Group consider the cost of capital and the risks associated with each class of capital. In order to balance its overall capital structure, the Group may consider the payment of dividends and an increase in share capital, as well as issue of new debts or the redemption of existing debts.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 **HK$'000**	2018 HK$'000
Financial assets		
Financial assets at amortised cost	**85,256**	–
Financial assets at FVTPL	**13,122**	–
Loans and receivables (including cash and cash equivalents)	**–**	115,941
Available-for-sale financial asset	**–**	13,264
	98,378	129,205
Financial liability		
Amortised cost	**444,434**	476,740

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loan and interest receivables, available-for-sale financial asset, financial assets at FVTPL, bank balances and cash, trade and other payables and amounts due to an intermediate holding company/ultimate holding company and loans from an intermediate holding company/ultimate holding company. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

32. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk

(i) Currency risk

The Group's businesses are principally conducted in HKD for group entities with operation in Hong Kong and RMB for group entities with operation in both Hong Kong and PRC, functional currency of which are HKD and RMB respectively. The Group currently does not have a currency hedging policy. However, the management monitors foreign currency exposure and will consider hedging significant currency exposure should the need arises.

The Group's foreign currency denominated monetary assets and monetary liabilities include bank balances and cash and loan from an intermediate holding company at the end of respective reporting period and the carrying amounts are as follows:

	2019	2018
	HK$'000	HK$'000
Assets		
Group entities with operation in Hong Kong		
USD	**14,319**	15,789
HKD	**306,166**	–
Group entities with operation in the PRC		
USD	**1,789**	38,446
HKD	**17,682**	31,129
Liabilities		
Group entities with operation in Hong Kong		
USD	**39,426**	39,275
HKD	**150,170**	–

Sensitivity analysis

The Group's foreign currency risk is concentrated on the fluctuation of HKD and RMB against foreign currencies.

No sensitivity analysis is presented for USD denominated financial assets of group entities with functional currency in HKD as HKD is currently pegged to USD. Management considers that the exposure to exchange fluctuation in respect of USD is limited.

32. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis (continued)

The following table details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in the RMB against the relevant foreign currencies. The sensitivity rates used represent management's assessment of the reasonably possible change in foreign exchange rates. A positive (negative) number below indicates an increase (a decrease) in post-tax profit for the year where RMB strengthens 5% (2018: 5%) against the relevant currencies. For a 5% (2018: 5%) weakening of RMB against the relevant currencies, there would be an equal and opposite impact on the post-tax profit.

	2019 **HK$'000**	2018 HK$'000
*Group entities with operation in Hong Kong**		
USD impact	**1,949**	–
HKD impact	**(7,800)**	–
Group entities with operation in PRC		
USD impact	**(89)**	(48)
HKD impact	**(884)**	1,563

* Hong Kong group entities with RMB as functional currency.

(ii) Other price risk

The Group is exposed to equity price risk through its investments in financial asset at FVTPL (2018: available-for-sale financial asset) (note 20).

The Group does not have formal policy to manage its price risk arising from its investments in financial asset.

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date.

With all other variables held constant, if the quoted price of the financial asset at FVTPL (2018: available-for-sale financial asset) measured at fair value had been 10% higher/lower than the actual closing price as at year end, the post-tax profit for the year ended 31 March 2019 (2018: investment revaluation reserve) would increase/decrease by approximately HK$1,312,000 (2018: HK$1,326,000).

32. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivables (see note 23 for details), loan from ultimate holding company (see note 35(a) for details) and loan from an intermediate holding company (see note 35(b) for details). The Group currently does not have an interest rate hedging policy. However, management will monitor interest rate exposure closely and consider for further usage of hedging instruments when the need arise.

The Group is also exposed to cash flow interest rate risk in relation to bank balances as set out in note 24. No sensitivity analysis is presented since the directors of the Company consider that the exposure of cash flow interest rate risk to the Group is limited because of the short maturity of all bank balances.

Credit risk and impairment assessment

As at 31 March 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of respective recognised financial assets as stated in the consolidated statement of financial position.

Trade receivables arising from contracts with customers

In order to minimise credit risk, the management of the Group has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on trade receivables based on provision matrix with appropriate groups. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Bank balances

The credit risk on liquid funds is limited because the Group's bank balances are deposited with banks of high credit ratings in Hong Kong and the PRC.

Other receivables and loan and interest receivables

The management of the Group regularly reviews and assesses the credit quality of the counterparties. The Group uses 12m ECL to assess the loss allowance of other receivables and loan and interest receivables since they are not past due and there has not been a significant increase in credit risk since initial recognition.

32. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Other receivables and loan and interest receivables (continued)

The Group's internal credit risk grading assessment on trade receivables and other financial asset comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

2019	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount
				HK$'000
Financial assets at amortised costs				
Trade receivables – sales of goods	22	(Note 2)	Lifetime ECL (Provision matrix)	1,928
Loan and interest receivables	23	Low risk	12m ECL	12,080
Bank balances	24	(Note 1)	12m ECL	71,328
Other receivables	22	(Note 3)	12m ECL	203

32. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Other receivables and loan and interest receivables (continued)

Notes:

1. The credit risk on bank balance is limited because the counterparties are banks with reputable credit ratings.

2. For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. the Group determines the expected credit losses on the debtors by using a provision matrix, grouped by internal credit rating/past due status.

3. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due	**Not past due/no fixed repayment terms**	**Total**
	HK$'000	HK$'000	HK$'000
Other receivables	–	203	203

Provision matrix – trade receivables' aging

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its sales of education equipment business because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 March 2019 within lifetime ECL (not credit-impaired).

Gross carrying amount assessed based on provision matrix

	Average loss rate	**Trade receivables**
		HK$'000
Current (not past due)	0.31%	368
1 – 270 days past due	4.46%	1,560
		1,928

The average loss rates are estimated based on historical observed default rates over the expected life of the trade receivables and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about trade receivables is updated.

32. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Gross carrying amount assessed based on provision matrix (continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000
As at 1 April 2018	–
Impairment losses recognised	71
As at 31 March 2019	71

The following table shows the movement in 12m ECL that has been recognised for loan and interest receivables. No impairment loss is recognised during the year ended 31 March 2019.

	12m ECL HK$'000
As at 31 March 2018 under HKAS 39	–
Adjustment upon application of HKFRS 9	259
As at 1 April 2018 (restated) and 31 March 2019	259

Liquidity risk

In the management of the liquidity risk, the management of the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliances of terms of borrowings.

32. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate	Repayable on demand or less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.3.2019 HK$'000
2019							
Trade and other payables	–	839	–	–	–	839	839
Loan from and amount due to ultimate holding company	4.75%	–	–	19,000	419,000	438,000	404,169
Loan from and amount due to an intermediate holding company	4.30%	–	–	1,677	40,677	42,354	39,426
		839	–	20,677	459,677	481,193	444,434

	Weighted average effective interest rate	Repayable on demand or less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.3.2018 HK$'000
2018							
Trade and other payables	–	564	–	–	–	564	564
Loan from and amount due to ultimate holding company	4.75%	–	–	20,425	470,850	491,275	436,901
Loan from and amount due to an intermediate holding company	4.30%	–	–	1,677	42,354	44,031	39,275
		564	–	22,102	513,204	535,870	476,740

32. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements

The Group's financial asset at FVTPL (2018: available-for-sale financial asset) is measured at fair value at the end of each reporting period. The following table gives information about how the fair value of this financial asset are determined.

Financial assets	Fair value as at 31 March 2019	Fair value as at 31 March 2018	Fair value hierarchy	Valuation techniques and key inputs
Financial asset at FVTPL/ AFS financial asset				
Unlisted investment classified as financial asset at FVTPL in the consolidated statement of financial position	**HK$13,122,000**	HK$13,264,000	Level 2	The fair value was determined with reference to the quoted price provided by the issuing financial institution.

The directors consider that the carrying amounts of the other financial assets and financial liabilities that are measured at amortised cost recognised in the consolidated financial statements approximate their fair values, which have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

33. OPERATING LEASES

The Group as lessee

During the current year, the Group made minimum lease payments under operating leases of HK$1,107,000 (2018: HK$168,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 **HK$'000**	2018 HK$'000
Within one year	**1,242**	721
In the second to fifth year inclusive	**1,191**	1,176
	2,433	1,897

Operating lease payments represented rentals payable by the Group for its office and staff quarters. Leases were negotiated for a term of one to three years and monthly rentals were fixed.

33. OPERATING LEASES (continued)

The Group as lessor

Property rental income earned during the year was approximately HK$31,152,000 (2018: HK$7,368,000).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2019	2018
	HK$'000	HK$'000
Within one year	**34,567**	35,195
In the second to fifth year inclusive	**97,507**	128,341
Over five years	**3,241**	6,393
	135,315	169,929

34. RETIREMENT BENEFIT SCHEME

With effect from 1 December 2000, the Group has joined the MPF Scheme for employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee.

Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. The contributions to the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the scheme with a cap. No forfeited contribution is available to reduce the contribution payable in future years.

The employees employed by the Group's Mainland China subsidiaries are members of the state-managed retirement benefits schemes operated by the Mainland China government. The Group's Mainland China subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total costs charged to the consolidated statement of profit or loss and other comprehensive income of HK$578,000 (2018: HK$125,000) represent contributions paid or payable as retirement benefit scheme contributions during the year.

35. RELATED PARTY DISCLOSURES

(a) As at 31 March 2019, a RMB denominated loan from the ultimate holding company of RMB344,000,000 (equivalent to HK$400,000,000) (2018: RMB344,000,000 (equivalent to HK$400,000,000)) is unsecured, interest bearing at a fixed rate of 4.75% per annum and repayable on 31 August 2020. Amount due to the ultimate holding company, which included interest expense on the loan amounting to RMB15,840,000 (equivalent to HK$18,419,000) for the year ended 31 March 2019 (2018: RMB5,521,000 (equivalent to HK$6,604,000)), is unsecured, interest-free and repayable within one year from the end of the reporting period.

35. RELATED PARTY DISCLOSURES (continued)

(b) As at 31 March 2019, a USD denominated loan from an intermediate holding company of US$5,000,000 (equivalent to HK$39,150,000) (2018: US$5,000,000 (equivalent to HK$39,000,000)) is unsecured, interest bearing at a fixed rate of 4.30% per annum and repayable on 15 December 2020. Amount due to an intermediate holding company, which included interest expense on the loan amounting to US$218,000 (equivalent to HK$1,703,000) for the year ended 31 March 2019 (2018: US$35,000 (equivalent to HK$275,000)), is unsecured, interest-free and repayable within one year from the end of the reporting period.

(c) Compensation of key management personnel

The remuneration of directors of the Company during the year was as follows:

	2019	2018
	HK$'000	HK$'000
Short-term benefits	**593**	480

As detailed in note 12(a), the emoluments for executive and non-executive directors were borne by the ultimate holding company as they are also directors or employees of the ultimate holding company. There is no reasonable basis to allocate any amount to the Group.

36. SHARE-BASED PAYMENT TRANSACTION

Pursuant to an ordinary resolution passed by the shareholders at the annual general meeting of the Company dated 22 August 2013, a share option scheme (the "Scheme") was approved. The Scheme was adopted on 27 August 2013.

The Scheme was established for the purpose of providing incentives for the contribution of Directors and eligible persons. The Scheme will remain in force for a period of ten years from adoption of the Scheme. The Scheme will expire on 27 August 2023.

Under the Scheme, the directors of the Company may at their discretion grant options to (i) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliate"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficially owned by any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate.

Options granted must be taken up within 14 days of the date of grant. The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders in accordance with the Listing Rules.

36. SHARE-BASED PAYMENT TRANSACTION (continued)

Options may be exercised during such period (including the minimum period, if any, for which an option must be held before it can be exercised) as may be determined by the directors of the Company (which shall be less than ten years from the date of issue of the relevant option). Options may be granted without initial payment except the payment of HK$1 as consideration for grant of option each time. The exercise price is determined by the directors of the Company and will be not less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

No share option has been granted under the Scheme since its adoption.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019	2018
	HK$'000	HK$'000
Non-current assets		
Property, plant and equipment	**30**	58
Interests in subsidiaries	**264,452**	255,182
	264,482	255,240
Current assets		
Other receivables	**291**	121
Bank balances and cash	**887**	7,253
	1,178	7,374
Current liabilities		
Other payables and accrued charges	**1,429**	2,195
Amounts due to subsidiaries	**92,139**	90,987
	93,568	93,182
Net current liabilities	**(92,390)**	(85,808)
	172,092	169,432
Capital and reserves		
Share capital	**49,928**	49,928
Reserves (Note (a))	**122,164**	119,504
	172,092	169,432

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

Note:

(a) Reserves

	Contributed surplus HK$'000 (Note)	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2017	629,209	–	(506,535)	122,674
Loss and total comprehensive expense for the year	–	–	(3,170)	(3,170)
At 31 March 2018 and 1 April 2018	629,209	–	(509,705)	119,504
Loss and total comprehensive expense for the year	–	(11,455)	14,115	2,660
At 31 March 2019	629,209	(11,455)	(495,590)	122,164

Note: The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of a former subsidiary at the date on which the Group reorganisation became effective and the nominal amount of the share capital of the Company issued under a previous group reorganisation in 1997.

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(a) The Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts (if any).

38. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 March 2019 and 2018 are as follows:

Name of subsidiary	Place of incorporation/ registration/ establishment/ operation	Issued and fully paid share/ registered capital	Percentage of issued share/ registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2019 %	2018 %	**2019 %**	2018 %	
Capital Scope Limited	British Virgin Islands	US$1	**100**	100	**–**	–	Investment holding
Capital Up Holdings Limited	British Virgin Islands	US$1	**100**	100	**–**	–	Investment holding
Classic Charter Limited	Hong Kong	HK$50	**–**	–	**100**	100	Loan financing
Electronics Tomorrow Property Holdings Limited	British Virgin Islands	US$100	**–**	–	**100**	100	Investment holding
Hong Kong Hanhe Education Company Limited	Hong Kong	HK$1	**–**	–	**100**	100	Investment holding
Issegon Company Limited	Hong Kong	HK$300,000	**–**	–	**100**	100	Property investment and leasing of properties
Leading Sound Limited	British Virgin Islands	US$1	**100**	100	**–**	–	Investment holding
Prime Concept Development Limited	Hong Kong	HK$1	**100**	100	**–**	–	Investment holding
Qingdao Holdings (Hong Kong) Limited	Hong Kong	HK$1	**100**	100	**–**	–	Investment holding
Royal Asset Investments Limited	Hong Kong	HK$1	**–**	–	**100**	100	Property investment and leasing of properties
青島啟峰科技服務有限公司	The PRC	HK$30,000,000	**–**	–	**100**	100	Property investment and leasing of properties in the PRC
山東啟華教育科技有限公司#	The PRC	RMB72,900,000	**–**	–	**51**	51	Production and sale of education equipment

\# This company was established by the Group and Mr. Lv, who injected a business of production and sale of education equipment. Details are set out in note 30.

None of the subsidiaries had any debt securities outstanding at the end of the reporting period or at any time during the year.

38. PRINCIPAL SUBSIDIARIES (continued)

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Country/place of Incorporation/ establishment	Number of subsidiaries	
		2019	2018
Others	Hong Kong	**1**	1
	Others	**1**	1
		2	2

Details of a non-wholly owned subsidiary that has material non-controlling interests

The table below shows details of a non-wholly-owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Qihua	The PRC	**49%**	49%	**939**	(712)	**35,816**	37,705

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Qihua

	2019 HK$'000	2018 HK$'000
Current assets	**44,866**	44,002
Non-current assets	**29,484**	34,462
Current liabilities	**(1,256)**	(1,515)
Equity attributable to owners of the Company	**37,278**	37,185
Non-controlling interests of Qihua	**35,816**	37,705

38. PRINCIPAL SUBSIDIARIES (continued)

Details of a non-wholly owned subsidiary that has material non-controlling interests (continued)

	1.4.2018 to 31.3.2019 HK$'000	1.2.2018 to 31.3.2018 HK$'000
Revenue	**23,586**	458
Expenses	**21,667**	1,911
Profit (loss) for the year	**1,919**	(1,453)
Profit (loss) attributable to owners of the Company	**980**	(741)
Profit (loss) attributable to the non-controlling interests of Qihua	**939**	(712)
Profit (loss) for the year	**1,919**	(1,453)
Other comprehensive (expense) income attributable to owners of the Company	**(2,943)**	389
Other comprehensive (expense) income attributable to the non-controlling interests of Qihua	**(2,828)**	374
	(5,771)	763

	1.4.2018 to 31.3.2019 HK$'000	1.2.2018 to 31.3.2018 HK$'000
Total comprehensive expense attributable to owners of the Company	**(1,963)**	(352)
Total comprehensive expense attributable to the non-controlling interests of Qihua	**(1,889)**	(338)
Total comprehensive expense for the year	**(3,852)**	(690)

	1.4.2018 to 31.3.2019 HK$'000	1.2.2018 to 31.3.2018 HK$'000
Net cash outflow from operating activities	**(16,312)**	(25)
Net cash outflow from investing activities	**(115)**	–
Net cash inflow from financing activities	**–**	39,223
Net cash (outflow) inflow	**(16,427)**	39,198

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payable HK$'000	Loan from and amount due to ultimate holding company HK$'000	Loan from and amount due to an intermediate holding company HK$'000	Total HK$'000
At 1 April 2017	–	–	–	–
Financing cash flows	(2)	411,483	39,000	450,481
Interest expenses	2	6,604	275	6,881
Exchange realignment	–	18,814	–	18,814
At 31 March 2018	–	436,901	39,275	476,176
Financing cash flows	(2)	(20,670)	(1,708)	(22,380)
Interest expenses	2	18,419	1,703	20,124
Exchange realignment	–	(30,481)	156	(30,325)
At 31 March 2019	–	404,169	39,426	443,595

FINANCIAL SUMMARY

	For the year ended 31 March				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Revenue	7,732	4,660	3,619	8,406	**55,938**
Profit (loss) before taxation	7,417	(11,300)	5,929	7,917	**12,319**
Taxation	(223)	(163)	(171)	(2,812)	**(1,845)**
Profit (loss) for the year	7,194	(11,463)	5,758	5,105	**10,474**
Profit (loss) attributable to:					
Owners of the Company	7,192	(11,459)	5,759	5,817	**9,535**
Non-controlling interests	2	(4)	(1)	(712)	**939**
	7,194	(11,463)	5,758	5,105	**10,474**

	As at 31 March				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Total assets	258,350	247,014	254,667	792,750	**742,752**
Total liabilities	(2,429)	(2,556)	(4,756)	(498,521)	**(453,678)**
	255,921	244,458	249,911	294,229	**289,074**
Equity attributable to:					
Owners of the Company	255,723	244,264	249,911	256,524	**253,258**
Non-controlling interests	198	194	–	37,705	**35,816**
	255,921	244,458	249,911	294,229	**289,074**

SCHEDULE OF PRINCIPAL PROPERTIES

Location	Approximate gross floor area (sq. ft.)	Use	Term of lease	Group's ownership
INVESTMENT PROPERTIES				
Flat E on 13th Floor, Hing On Mansion, On Shing Terrace, No. 5 Tai Yue Avenue, Taikoo Shing, Hong Kong	600	Residential	Medium-term lease	100%
Workshop Unit Nos. 03 to 07 on 9th Floor, Harbour Centre Tower 1, No. 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong	16,225	Industrial and commercial	Medium-term to long lease	100%
Office Unit No. 1805, 18th Floor, Tower Two, Lippo Centre, No. 89 Queensway, Hong Kong	1,930	Commercial	Medium-term lease	100%
All office units on 4th Floor to 6th Floor and 12th Floor to 21st Floor and car parking spaces,"22nd Century Plaza", No. 39 Long Cheng Road, Shibei District, Qingdao City, Shandong Province, the PRC	179,908	Commercial	Long lease	100%